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COMPANY MEETINGS

CURRENT STATISTICS

Fits and Starts

LORD BEAVERBROOK is Mr Churchill's super-charger. A year ago he was made Minister of Aircraft Production to "boost" the output of aeroplanes. Now he has been appointed Minister of Supply to do the same for tanks and guns. Sir Andrew Duncan has gone back to the Board of Trade; and Mr Oliver Lyttelton has been chosen with the rank of Minister of State to represent the War Cabinet in the Middle Eastern Command. Mr Lyttelton's appointment is an imaginative stroke. It recognises the importance of Cairo, Jerusalem, Damascus, Baghdad, and Ankara in the conduct of the war. It gives the responsibility of the British Government a personal seal, and a local habitation; and it offers the confident and able Minister of State a task in organising supplies, administration and propaganda in North Africa and the Levant which about vies in importance with the mission of his colleague, Lord Halifax, in Washington. General Haining, with the Cromwellian title of Intendant General, will serve with him as chief Quartermaster; and it is reported that Mr Lyttelton will preside over joint meetings of the Commanders of the various Services.

General Wavell will not be in Cairo to work with Mr Lyttelton. The most successful British general of the war—"the star that rose over the eastern horizon" (as Mr Churchill once put it)—has been sent to India—some say because he is tired after his five-point campaigns, others that he is needed to organise India's defences against Hitler. No layman knows; but the shock caused to public opinion by this change at this crucial hour must be recorded. If General Wavell is not diminished in stature, his transfer to India and the seconding of Mr Lyttelton to the Middle East would appear to be contradictory—though, in fact, they may well be complementary. Mr Menzies has said

that a "fresh mind" was needed in the Middle East; but the replacement of General Wavell at a node of the present conflict, where a German army stands in wait, will remain surprising whatever the reason may be.

It is hardly less surprising, at home, that one of the few marked successes among wartime Ministers should have been moved elsewhere at a critical moment in the development of his department's policy. Mr Lyttelton has brought the concentration of industry to the present stage where the progress that can be achieved by voluntary schemes has almost reached its limit. Now, when questions about the scope and character of compulsion are bound to come up very soon, he has been called away.

In some respects, Lord Beaverbrook's appointment is the most puzzling of all. It is certainly the most significant; and it is unquestionable that, if tanks are urgently needed, the new Minister will produce them, come what may. But it was only in May that Lord Beaverbrook was made Minister of State and the Prime Minister's formal deputy in matters of supply and priority. The move was widely welcomed. At last, it seemed, Mr Churchill had beside him a man of his own calibre of forcefulness, with all the virtues of his vices, a man who, with technical aid, might stand in a position to control the progress and balance of war production and give the force of fact to the plans and schedules of the Cabinet Defence Committee and the Production Executive of Ministers. But this, it seems now, was never the intention. To be Minister of State was a breathing space; and it was apparently to propaganda and not to production that Lord Beaverbrook turned his free hand before being brought back again to the hurly-burly.

It is widely supposed that Lord Beaverbrook has never wished to become an Economic Controller.

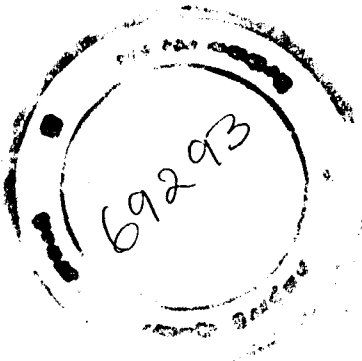
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Now, his short-lived power to decide disputed priorities has reverted to Mr Churchill's Ministry of Defence and to the Production Executive—although it has not yet been stated whether his deputy chairmanship of the Defence Committee in matters of supply has also become a dead letter. Lord Beaverbrook is the first Minister of Supply to be in the War Cabinet; but it is still hard to avoid the view that a chance has been lost to give production the determined, personal direction that, in the nature of his many duties, Mr Churchill cannot give it. Lord Beaverbrook has presumably been sent to the Ministry of Supply because there is a danger that the output of tanks may be insufficient. There are, of course, many other possible interpretations of this move. It was not until the Germans invaded Russia that Lord Beaverbrook was made Minister of Supply. Mr Churchill has said that the threat of an attempted invasion of these islands has been heightened. The loss of Crete showed, by their absence, the worth of tanks in defence. Nor, even, are the possibilities entirely defensive. The German drive to the east may give chances for counter-offensive strokes in other fields.

Even so, the implication of the appointment is still that the rate of output of tanks is too low. The need to write up production programmes and factory performances with great suddenness after the fall of France last year arose from the total unexpectedness of that fall, as well as from the half measures of the administration which Mr Churchill's National Government replaced. But the German attack on Russia was not unexpected; at least, it came as no surprise to Mr Churchill himself. The defeats in Greece and Crete were surely discounted somewhat beforehand. It cannot very well be pleaded in 1941, as it was in 1940, that the output programme has been thrown out of step by unexpected developments in the field. It almost appears that progress by "fits and starts" is regarded, not simply as an emergency method due to uncontrollable circumstances, but as a normal principle of production policy. In this conception, Lord Beaverbrook becomes whipper-in, chivvying the laggard departments one by one as they fall behind; or, to change the metaphor, he is the stout-hearted stroke who is called upon to "give her ten" at intervals all over the course whenever his boat begins to falter in the rear.

Lord Beaverbrook brings to tanks all the showmanship and enthusiasm that raised aircraft output so strikingly in the critical weeks of last summer. Already, Tank Funds with their quite misleading implication that subscriptions will conjure up additional materials, plant and labour for tank-making are doing for Lord Kindersley and Sir Kingsley Wood the same excellent work that has been done by the Spitfire Funds. It is not Lord Beaverbrook's ability to raise tank output in the short run that is in question, but rather the chronic propensity of war production to fall into arrears which makes these spectacular interventions necessary. What has come to be regarded as the Beaverbrook method is not a plan. Wars are not won by short sprints. They are won by setting a steady, even pace over the entire course. "More haste, less speed," applies in production as it does elsewhere; and it is speed, not haste, that is wanted. For a time after Dunkirk, even the attempt to maintain a balance in war output was abandoned; the men and the machines already at work on aircraft were worked to breaking point; and against the considerable and vital immediate advantages that were gained must be set the legacy of disorder that was left. In this very real sense, it can be said, with some plausibility that the price which has had to be paid for Lord Beaverbrook's first intervention—which in the circumstances probably saved the country—is the need for another intervention by him now.

In Mr Churchill's thirteen months of office, there have been immense strides forward in the economic war effort. There have been important changes in Ministerial personnel, and in the organisation and working of the Cabinet and its committees. There have been the innovations of the limitation of supplies, the concentration of industry, and intelligent rationing. In the secrets of the

Government, there may exist a production plan which relates strategy to resources and resources to strategy at every point. If there is, then the gap which menaces the structure of the war effort is the absence of a method of execution and control to ensure that the plan is proceeding to time and in balance. To the outside eye, the old policy of dealing with bottlenecks as they arise still lingers. The fantastic shortage of coal in a maritime country which in peace time produced coal for itself and for the western fringe of Europe is only the *reductio ad absurdum* of a wider policy which has lacked cohesion and foresight. It ranks with the remarkable situation in building last autumn when the plans of public departments were nearly twice the building trade's capacity—which had never been measured. In agriculture, as well as in coal-mining and construction, the greatest lack is of labour; and it is still regarded as needless to mobilise or to train for war work the main body of men and women whose present employment could be spared in the nation's peril. "Sufficient unto the day" is still heard. It remains a political axiom that, except for occupations where death in battle is the wage, the use of compulsory powers which Ministers have been given over persons and property would be dishonourable and damaging. It is still the essence of British freedom to rely, even in the eleventh hour, on appeals and exhortations in place of the marching orders that a puzzled people look for.

Experience teaches. Piece by piece, a war economy is being hammered out. But the experience has been one of costly deficiencies and cruel setbacks. The failure of Allied and friendly countries last year cannot be laid at Britain's door, and there was leeway to make up then which left small room for broad and long-sighted planning. Even now, there are curbs on the nation's effort that cannot be struck off by argument; manpower is scarce; the supply of seaborne materials is limited. It may even be that the vital thrusts of production cannot go forward abreast—aircraft, tanks and guns—because resources and ships are restricted. But these are not arguments for plans that are piecemeal and partial. Nor are they arguments for delays until the hour for frenzied activity strikes in face of a rising danger—or for an organisation of economic life which, after twenty-three months of war, still leaves a large part of the nation's strength and willingness unused.

Lay planners and amateur strategists are rightly regarded as pests and nuisances. What they do not know they take for granted. Yet, it is perhaps not presumptuous for watchful and anxious freemen to judge their rulers by the results they see. It is perhaps not unnatural for them to wonder whether the economic direction of the war is still not too scattered, too amorphous and too personal; or to ask whether the outlines of an economic master-plan have yet taken shape on the Prime Minister's table—as plain as the battle schemes that fill his brave vision, and distinct from the competing memoranda that flow from a tribe of experts and a score of departmental heads. There must be regret that the chance of setting a single sovereign over the execution and control of such a plan has been surrendered. There must be concern when, at a week-end of deepening emergency, two commanders, one on the home front and the other in the field, are moved to fresh pastures.

This is not the first time that key pieces have been shuffled at a crisis in the struggle. It may be necessary. It may yield benefits; and not a single one of the new appointments, in itself, merits less than a welcome. But the doubt must linger whether "all change" and "at the double," sounded at irregular intervals, are the proper slogans for conducting total war. The kangaroo symbolises the skill and courage of Anzac soldiers. It might also be used as a symbol for the syncopated progress of the economic war effort which seems inevitably to go forward by occasional great leaps and bounds instead of moving steadily onward. The might that has been forged since Dunkirk, in the air, at sea and on land, will not be underestimated, either by critics or by the enemy. But the target is the full capacity of this nation and its friends, and the mark is not yet in sight.

Neutral and Dependent

IN this twenty-third month of war, Sweden still enjoys the immunity which was the declared policy of all the smaller Powers of Europe on the outbreak of war. All four Scandinavian countries declared their absolute neutrality on September 1st, 1939. Now, three have been swept into the vortex of war, Norway and Denmark occupied, Finland first attacked by Russia and later serving as a base for the German attack upon Russia. Yet, in the surrounding turmoil, the Swedes go about their business and they might almost be living in another planet.

There has been no obvious interference with their way of life. The best measuring rod of the freedom of a community is its Press; and here, within the geographical frontiers of German Europe, such newspapers as the *Handelstidningen*, the *Dagens Nyheter* and *Nordens Frihet* continue to report the war objectively or even, as is the case with the *Handelstidningen* with a strong pro-British bias. Representations have been made to the Swedish Government by Germany to ensure the exclusion of all but German news; but these efforts have only led to loud protests in the Swedish Press and a more trenchant expression of Anglophilism.

Nor has there been any interference with the processes of democratic government. The four-year term of the Riksdag was reached in September, 1940, and the Prime Minister, Hr Hanson, was strongly advised to avoid the uncertainties of a possible change of government in such a time of crisis. His answer—to hold the elections in the accustomed manner—proved to be not only a vindication of the country's internal independence but also a sound stroke of party politics. The Social Democrats increased their votes by 200,000 and their seats by 19, and the election amply proved the strong measure of popular support for the Government's policy of cautious neutrality.

Sweden owes this fortunate immunity in the first place to geography. Lying beyond the Baltic, the country is out of the main arena of the European conflict. Not that this trans-Baltic position would have been enough in itself to protect the Swedes, but the Norwegians to the west and the Finns to the east have proved to be a remarkable protective glacis. Sweden was not a convenient base for any attack, whereas Finland was from the first a potential, and later an actual, stepping stone for a German attack on Russia, while Norway was an invaluable base, not only for a possible invasion of Britain, but also for the submarines and aircraft engaged in the Atlantic.

Geography alone, however, would not have kept Sweden immune. It has been reinforced by political and military factors, of which the most important was the uneasy balance of power between Germany and Russia. So long as neither aggressor wished to provoke the other, Sweden remained a species of no-man's land in which neither side was inclined to interfere for fear of inciting the other to intervention in reply. Another factor was the actual course of the two wars—in Finland and Norway. Both Finnish and Norwegian resistance collapsed before the question really arose of using Sweden as a base. Had the Finns called in the Western Powers and continued fighting, France and Britain might have attempted to force Sweden to grant them passage, and the Germans would then undoubtedly have stepped in. Had Norwegian and Allied resistance developed on a really formidable scale round Trondheim and Narvik, the Nazis would have used Southern Sweden and the port and railway of Lulea. At the height of the fighting in Norway, it seemed certain that a German invasion of Sweden was imminent—just as, during the Battle of France, so long as French resistance was maintained in the east, it seemed that the Germans would invade Switzerland.

Finally, the policy of the Swedish Government, and the attitude of the Swedish people, have contributed more

than a little to the preservation of neutrality. Had there arisen within political circles in Sweden a determined race of quislings, the Germans might have profited by it to bring in a puppet government; but the Swedes have remained entirely united behind a policy of "neutrality and independence." The impressive ceremony of May Day, 1940, when all the political parties of the entire nation joined in a solemn affirmation of Sweden's freedom was a symbol of the unity which exists. Again, if the Swedes had been as undefended as the Danes, it is possible that the German invasion of Norway would have swept over them as it did over Denmark. But the Swedes had not left it in doubt that they would fight if they were invaded. They have increased their expenditure on national defence, arrested spies, organised civilian defence and mobilised in each great crisis. So far the adding of Sweden to the list of belligerents has been at no time a necessity for the Germans, but the country's preparedness may have spared it a casual invasion.

The Government's policy does not only owe its success to stubbornness and resolution. Sweden's neutrality has also been bought—at a price, and a price which her neighbours have had in part to pay. The Swedish Government's refusal to allow the transit of troops to Finland in the winter of 1939-1940 kept the Swedes clear of the struggle, but the Finns lost Viipuri and had to abandon their frontiers. The fact that Sweden made no attempt to assist Norway in April, 1940, purchased her immunity, but once Norwegian resistance had collapsed, the Germans were in control of the whole long undefended land frontier of Sweden, and in a position to back any demands by the threat of immediately effective military action. It is no coincidence that, within a few weeks of the occupation of Norway, Sweden committed the first breach of neutrality by permitting unarmed German soldiers and German material of all sorts to pass to Norway over the railways of southern Sweden. Almost exactly a year later, at the beginning of the onslaught on Russia, a further and graver breach was committed, when Sweden permitted Germany to send fully equipped divisions from Norway to Finland across Swedish territory. It is in one sense true that Sweden has kept her neutrality at the cost of abandoning it.

Less sensational, perhaps, but more far-reaching, are the concessions the Swedes have been obliged to make in the economic sphere. The Germans have not directly intervened in Sweden's economy. They have merely secured complete indirect control of it by way of Sweden's export trade. In 1938, Great Britain supplied 12.2 per cent of Sweden's imports and took 23.2 per cent of Sweden's exports. To-day, it is estimated that Germany's share in Sweden's total foreign trade is 75 per cent, while the other 25 per cent is accounted for by the share of German-occupied Europe and of Russia. More important than the actual volume of trade are the categories which go to make it up. Sweden used to rely very largely upon Britain for the coal and coke essential to her iron and steel industry. Now this industry must turn to the Germans, who guaranteed to send the equivalent of two-thirds of Sweden's pre-war coal supplies. Actually in 1940 only 80 per cent of these were delivered. Since there is no alternative source of supply, the Germans could put a stop to Sweden's entire industrial development, and, although there is no evidence that the Nazis have any such intention, the lever is there, and it could be used if the Swedes were to seek to oppose the far-reaching modifications in their economy which enforced membership of the German *Lebensraum* entails.

The great Swedish market for timber and cellulose and paper in Britain is closed. At the same time, the old imports of cotton and wool from Britain and the Empire

are cut off. Consequently, with German patents and German technical advice, the Swedes are turning their timber into textile fibres; output is to be trebled, and the Swedes hope to replace about 50 per cent of their former textile imports. These excursions into *ersatz* increase Sweden's dependence upon coal and coke and hence upon Germany. It is not certain whether the Germans are using this dependence to force the Swedes into large-scale armament manufacturing for the *Reichswehr*. It is significant that, while industrial activity has declined by 9.7 per cent in Sweden as a whole, the index of the engineering industry has risen. This rise can be explained by Sweden's own expanded defence programme; Finland has been buying armaments; and Russia, too, has been making big orders for machine tools and railway material. Nevertheless, there is something very reminiscent of the processes at work in France and the Low Countries in reports that the Swedish aircraft factories are to increase their capacity by 50 per cent and that capital expansion is to occur in the tank and shipbuilding industries. In short, Sweden, neutral, independent and intact, is nevertheless steadily and inevitably taking on the economic shape of German Europe—industrial expansion in armaments and various substitutes, declining export trade and reliance upon Germany for all vital raw materials. With these symptoms go the accompanying phenomena of a rise in the cost of living, a fall in the real value of wages, rigid control and requisitioning of coal stocks and of ferro-alloys, control of

exports, food rationing and the rest. And behind this economic façade lies the inescapable fact of Sweden's total dependence upon the Third Reich.

The Swedes themselves are conscious of this limiting factor upon their freedom. The various permissions given for the passage of German troops called forth serious warnings from the Press that this so-called neutrality might force Sweden into the war on Germany's side. The steady fire of criticism levelled at the principles and practices of the *Lebensraum* is evidence that the Swedes accept it only under duress. They are not in two minds about their fate, should a German victory be the outcome of the struggle, and they know their independence depends ultimately upon Britain's resistance and the destruction of German hegemony. It follows that they accept their present policy of modified neutrality with distrust and misgiving, even though they regard it as inevitable at this stage in the war.

Nevertheless, Sweden's present dependence is the result of self imposed isolation in the past—when Poland was overrun, when Finland was attacked, when Norway fell. The Swedes stand alone to-day because they let others stand alone yesterday; and now they find themselves in the humiliating position of looking for their deliverance to a victory which, in assisting the Nazis, they are themselves helping actively to frustrate. There can be no neutrality to-day in Hitler's world. There was none for Hungary or Vichy France; there would be none for an isolationist America; there is none for Sweden.

Building in War

NO serious attempt was made during the first year of the war to adapt the building and allied industries to war conditions. With a few exceptions, such as steel and timber, the production and allocation of building materials remained uncontrolled. Builders and contractors continued to operate without an adequate measure of supervision. The industry's labour force was allowed to shrink without proper regard to future needs. Government Departments competed with each other and with private interests for the declining total of the industry's human and material resources. The turnover of labour was abnormally high; and resources were widely wasted. Then there came an awakening. The sudden increase in the demands upon the building industries last summer, arising from the necessity of speeding up production, of strengthening Great Britain's defences against invasion and of repairing the damage done by German bombers, revealed the danger of inadequate control and the urgent need for putting building on a war basis. Last October, the task of mobilising the industries concerned and of ensuring the employment of their resources to the best advantage was entrusted to a new Ministry of Works and Buildings, with Lord Reith as Minister.

The new Ministry had first to assume control or supervision over the industries manufacturing building materials, over the plant and machinery available for constructional purposes, over builders and contractors, and, jointly with the Ministry of Labour and National Service, over the labour force of the building and civil engineering industries. No time was lost in bringing the building materials industries not already within the scope of the Ministry of Supply under effective control. These materials were grouped into classes under directors. These directorates, while self-contained, are grouped under a Controller of Building Materials whose most urgent duty is to take all the steps necessary for the prevention of a shortage of materials in pressing contracts. The Ministry's general task is to ensure an adequate output of these materials within the limits of capacity; but it has also encouraged decentralisation of production as an insurance against the dislocation of supplies by air raids and transport difficulties.

Hitherto control has been voluntary. The prices of

certain materials, such as cement, cannot be raised without the consent of the Ministry; those of others, including bricks, are at present controlled through the Prices of Goods Act. It is the Ministry's policy to allow each of the industries a reasonable return, calculated, not on turnover, but on the working capital actually employed, and relaxed to normal output. Further, in order to prevent the fixing of prices by reference to the experience of the high-cost producers within each industry, the Ministry is understood to be working out schemes by which each firm whose earnings exceed a given figure would contribute to a pool, from which the earnings of the marginal producers could be supplemented. At the same time, the Ministry is trying, by advice and supervision, to keep down the costs of production of individual concerns. There is a department, working in collaboration with the Building Research Station of the Department of Scientific Research, to explore the possibilities of economy in materials by the modification and standardisation of designs and by the substitution of materials which are comparatively plentiful for those that are scarce.

The proper allocation of materials is an essential task which was neglected for over a year of war. In the case of steel and timber, controlled by the Ministry of Supply, it is now done by the Production and Materials Committee, which is a committee of the Production Executive of Ministers, over which the Minister of Labour and National Service presides. The Works and Buildings Committee, which is also a committee of the Production Executive, but works under the direction of the Ministry of Works and Buildings, obtains a global allowance which it allocates to the various Departments. In the case of non-ferrous metals, each of the Departments requiring them has to make direct application to the Non-Ferrous Metal Control of the Ministry of Supply. All other building materials are allocated by the Ministry of Works and Buildings. In the absence of agreement concerning allocation, the final decision rests with the Production Executive.

It is equally imperative that the plant and machinery required for constructional purposes should be used to the full and to the best advantage. Up to now, these aims have not been fully realised; there have been reports of scarce machinery standing idle for weeks in

contractors' sheds or on building sites; and the Ministry is now reported to be contemplating taking a census of available plant. It will be no less necessary to keep informed of its use, to supplement the information already secured from plant-hiring firms and from manufacturers and merchants supplying spare parts.

The supervision of a multitude of builders and contractors presents a host of difficulties. Steps have now been taken to secure their registration and to obtain regular returns of the nature of their work and of the plant and labour they employ. Small firms, unable to undertake any large contracts, are to be encouraged to form groups; and it is at these points that the Ministry is especially anxious to exercise closer control over costs of production. The ill-starred system by which profits are calculated as a percentage of costs—after completion of the contract—will be replaced, wherever possible, by the schedule contract, based on plans and specifications of the various types of work involved.

When the Ministry was formed, the labour situation in the building and civil engineering industries was chaotic. Not only were the industries losing labour to other trades and to the armed forces, but the ratio of unskilled operatives to skilled operatives was being dangerously upset by a too great withdrawal of the unskilled rank and file to the latter. Owing to this loss of balance between one category of workers and another, the efficiency of the labour force was seriously impaired. The inquirer into the building industry has always been struck by the absence of adequate statistics concerning the total size of the available labour force, its composition and its employment. Steps have now been taken to obtain this information and to keep it up to date at monthly intervals. The total number of building operatives was in the neighbourhood of 750,000 on May 1st, which compares presumably with 1,350,000 before the war. In order to prevent the further depletion of operatives and to reduce the wasteful turnover of labour, the Essential Work Order was applied to building and civil engineering on June 9th. By the Order, it will be possible to schedule, not only individual undertakings, but also individual building sites, and to protect their cadres of workers. In practice, all war work will probably be scheduled, but the maintenance staffs of private manufacturers and traders and the operatives of small builders—from which the Ministry hopes to recruit further operatives—are apparently to be left outside the scope of the Order. The Order makes provision for a guaranteed pay-week, for the introduction of payment by results, and is designed to reduce certain uneconomic practices, such as Sunday work at double pay, which have grown up during the period of *laissez-faire*. In order to reduce the waste of labour, an arrangement has been made with the Ministry of Labour and National Service for the setting up of a joint inspectorate of works in progress, for the consideration of such matters as supervision of the use of plant, as well as of labour problems. Again, the Ministry, in conjunction with the Ministry of Labour, has decided to set up regional clearing houses for labour; and in order to safeguard the labour force, employment exchanges have been instructed not to pass on building operatives to other industries.

Death on the Road

A STATE of war adds to the hazards of life in many ways. To a great extent this is inevitable. Enemy action must be responsible for an abnormal rise in the death rate. Indirectly, the heavy demand on the medical services and prolonged strain and overwork are bound to have some effect. It becomes the more important, therefore, to do everything possible to prevent an increase in those social ills which are more remotely due to war conditions, if at all. There is good reason to suppose that the recent rise in juvenile delinquency and the mounting total of road accidents can both be attributed in some measure to the war, but this kind of social loss is not

It was only after the assessment of the capacity of the building and allied trades that the new Ministry was in a position to tackle this second part of its task—the allocation of the available labour resources to the best advantage. The Ministry asked for a return of the programmes of the other Government Departments. It was found that the sum total of the programmes of the various Departments considerably exceeded the country's present capacity; and it became plain that co-ordination and drastic curtailment were imperative if complete dislocation was to be avoided. Negotiations were at once started between the Works and Buildings Committee of the Ministry and the other Departments; and the results were submitted to the Production Executive for approval. The programmes of individual Departments, expressed in financial terms, were translated into numbers of operatives; and each Department is now allotted a labour force, subject to alterations with changes in requirements, calculated on the basis of the total number of operatives actually available. (The reason for adopting labour rather than materials as a measuring rod is that the industry's capacity is likely to be much more restricted by the number of operatives than by the quantity of materials.) Of the labour force of about 750,000 men, about 400,000 seem to be engaged on the building programmes of the Government Departments; some 250,000 are with local authorities for the construction of shelters, for the repair of air-raid damage, and for the maintenance of buildings and highways; 80,000 are employed by public utilities and private interests. It will presumably be possible to transfer to urgent new works some in the last two categories. Some 20,000 are still unemployed.

The Ministry of Works and Buildings is not simply a co-ordinating department for the use of building resources. In addition to taking over the work of the Office of Works, it has been largely entrusted with the construction of all but the specialised buildings of other Departments. In fact, it is directly responsible for about one-sixth, by value, of the total official building programme. Individual Departments commonly have more experience in their specialised requirements, such as fortifications; but an increasing responsibility for the carrying out of a large part of all official building operations must inevitably fall on the Ministry. Control over the national building resources, together with a measure of co-ordination and supervision over the whole building programme generally, should secure the desired results. The Ministry has, too, set up an Emergency Works Department to deal with all construction and building requirements arising from air warfare. It aims at increasing the mobile corps of 5,000 operatives under its direction to some 100,000.

On the whole, the new Ministry has already done much to extricate the building and contracting industries from the morass in which they found themselves last summer. It has surveyed the country's building resources and has taken steps to prepare the fuller utilisation of its capacity. It has set out to evolve a national building programme, adjusted to the country's capacity. Something like a detailed and workmanlike plan has been produced; and it only remains to execute it.

beyond the power of man to control. Moreover, the fact that the war will inevitably take a heavy toll of life and limb makes it imperative to restrict the injury to mind and body imposed by early crime and careless driving.

The latest figures of injury through road accidents to the civilian population are only comparable with the early, shocking reports of the first factory inspectors. In April of this year no fewer than 726 persons died as the result of road injuries—a rise of 275 from the figure for April, 1940, when the position was already serious. If the present rate is maintained, some 8,700 persons will die on the roads in the current year. In May last, the total

of fatal injuries declined slightly to 701, an increase of 252 from the figure for May, 1940. The last pre-war figure for fatal accidents in factories in the course of a whole year was rather over 1,000, and, even allowing for an appreciable increase under war conditions, the extra danger of using the public highway, where the present rate of slaughter is nine or ten times higher than this, has become a scandal and an abuse.

An interesting attempt to analyse the problem has been made recently by the Royal Society for the Prevention of Accidents, which has reviewed some 2,500 inquest reports covering some two-thirds of the fatal road accidents in the period September-December, 1940. It can be assumed that these reports provide a representative cross-section—an unbiased sample. The conclusions of the investigation are illuminating. It appears that more persons were killed as the result of a collision with a lorry or van than with any other vehicle; one in five of all the vans or lorries implicated was a Service vehicle; nearly one in three of all the motor cycles involved was a Service machine. In all, some 11 per cent. of all vehicles concerned in fatal accidents were Service vehicles. Only 30 drivers of Service vehicles, out of a total of 237, however, failed to be either specifically exonerated or to secure a verdict of "accidental death" or "misadventure"; and little progress can be made by a simple assumption of the guilt of this or that party, except in relatively few cases of patent negligence. The War Office has just published other figures which do not bear out the common belief that Army drivers are especially prone to accidents. The real problem is the fundamental regularity with which road accidents are now occurring. It is too complex to be solved by assigning blame to individuals, a habit which only diverts attention from the conditions which make accidents common.

The latest inquiries reveal that one of the most tragic and wasteful features of road accidents is the rising loss of life among young children. Since the spring of 1940, the number of children killed on the roads has increased by over 50 per cent. It now averages more than three a day. As before the war, children between three and eight are the most numerous victims. It is remarkable that very few children are killed after dark, or at or near school premises. The blackout, which has clearly been an important cause of the increase in accidents among adults, does not explain the toll taken of children. Since there is also less traffic on the roads than before the war, the increase must rather be explained by a decline in the supervision of children, coupled with the failure of evacuated town children to appreciate the traffic dangers of country roads, and also by less vigilance on the part of drivers. "There is no doubt also," states the Royal Society for the Prevention of Accidents, "that the spirit of the times has infected children as well as adults." Thus, much the same factor appears to be operating to increase

the toll of road accidents as to swell the record of juvenile delinquency. In a sample of 217 cases, it is notable that only 10 children were killed on their way to school; 26 on their way from school; 21 when running errands; 73 on pleasure bent; 78 playing in the streets; and 9 otherwise. The importance of preventing road deaths, particularly among that section of the population whose expectation of life is longest, is self-evident.

Clearly, something can be done by a new campaign of advice and propaganda. Where supervision of young children cannot be provided by parents and guardians now engaged on war work, assistance must be given by the social service bodies. Drivers, particularly drivers of heavy vehicles, must be made more alive to the dangers to children when restarting, reversing, overtaking stationary vehicles or cyclists or passing groups of children. Lack of vigilance is a powerful factor in this slaughter. But when all is said and done, it is still probable that undue speed is a principal cause of road accidents. Obviously, no absolute speed can be laid down as the maximum consistent with safety. Actual speed must be related to traffic conditions, the type of road, the frequency of cross roads and many other factors. On the German *Autobahnen*, it is considered dangerous to drive at less than 30 m.p.h. In built-up areas in this country, it is an offence to exceed 30 m.p.h.—20 in the black-out—and there is no doubt that in most towns and villages that speed is too high. American evidence suggests that the use of an automatic speed governor has proved useful in reducing fatal accidents, and impressive documentary evidence to this effect was placed by the Pedestrians' Association before the House of Lords' Select Committee on the Prevention of Road Accidents.

By far the greater number of road accidents are, of course, not fatal. But all too frequently they result in disastrous injuries which permanently cripple the victim—both as a worker and as a member of society. The position of the injured British workman under Workmen's Compensation is particularly precarious, since the person who is injured on the way to or from work is not necessarily covered by industrial accident insurance, and the sole relief is that offered by the meagre benefits of National Health Insurance. Moreover, existing arrangements for the provision of specialised treatment and convalescence for those suffering from fractures and other injuries remain rudimentary, despite apparent goodwill and the general acclamation of the Delavigne Report. Modern fracture clinics are urgently needed; and present arrangements, which provide rehabilitation treatment for less than a hundred men, are ludicrously inadequate. Compensation for injury in cash is no real compensation, however generous. It must be accompanied by the means of recovery; and it must be made unnecessary by a much more urgent and forceful policy to reduce accidents of all kinds.

NOTES OF THE WEEK

The Campaign in Russia

For the first week of the Russian campaign, the German High Command's *communiqués* spoke in general terms of successful fighting, of the destruction of Russian aircraft and war material, and of the systematic bombing of the Russian lines of communication. These *communiqués* covered the first phase, during which the Germans, after launching a general attack all along the Soviet frontier, felt the line for its weak points and prepared for the strong break through which would follow the discovery of a crack in the enemy's armour. By Sunday, June 29th, the breach was made, and on the northern front three columns were crashing through, from East Prussia towards Dvinsk, from Vilna to the River Dvina, and from Grodno and Bialystok to Minsk and beyond. It is the old tactic. Tanks are thrust through, closely followed by motorised, heavily armed infantry, then by heavy artillery. Dive-bombers and long range bombers set out to pulverise the enemy behind and before. For a few days, it remains uncertain which army is encircling which. Then, in Germany's

other campaigns the opposing armies, sliced up by a series of German drives, lost contact with each other and with their reinforcements. Mass surrenders follow—often of men who have never seen any fighting. In Russia, the *débâcle* has not happened, and may not happen: but the first scenes have followed the familiar course. In the second week, it seems likely that the campaign has reached the decisive period at which, for a day or so, there will still be the possibility that the German advance may have overshot its mark. Heavy tank counter-attacks might be able, at this stage—in theory at least—to cut off the advanced tank units from their following infantry; and the Russians are still claiming that they have performed the feat before Minsk. However, the reference to artillery duels there suggests that the success may be temporary and that the Germans have brought up their men and guns, a stupendous piece of military organisation. The direction of the drive is clearly Moscow, and the little activity in the south suggests that the Germans may plan to isolate the Ukraine by an encircling movement, swinging south-east from the capital.

The speed of their advance has left Russian armies behind them, but these offer a threat to Germany's lines of communication only if they are still in possession of intact tank formations and above all of aircraft. In the north, the



Germans and Finns claim to have cut off Murmansk and this column is presumably to act as the upper prong of a pincer movement enveloping Leningrad, the lower prong striking up from Dvinsk.

The Next Stage

In the rear, the Russians are preparing for a long stand. The formation of a Defence Committee of Five, including Stalin, Molotoff and Voroshiloff, the three best-known men in Russia, is a guarantee of firmness and despatch at the centre, and there can be no doubt about the Russian people's response of straightforward patriotism to the call to defend their country. Yet, even though the will is undoubtedly there, the problem of the means remains. The Ukraine and Moscow together account for well over 60 per cent of Russia's industrial activity. The Caspian-Ural line, which includes the new oil centres at Emba and Perm, and the coal, iron, copper and manganese workings round Magnitogorsk, might give some industrial backing to further resistance, if the march to Moscow and the wheel to Kiev and the Black Sea is not halted. Behind that again is the Kuznetski or Kusbas Basin in Central Asia, and, at the end of everything, the Far East, with its comparatively self-sufficient army and economy. Since Hitler's purpose is primarily to smash Russia as an independent military power, he will be forced to attack all these fronts if the Russian forces are able to withdraw and regroup before they are seized or smashed in nearer places. It is admittedly a big "if." The campaign so far suggests that too much material has been brought forward, and that too many divisions are falling victims to encirclement. They cannot restore their position by guerilla warfare, for guerilla warfare cannot succeed on broad, open plains against tanks and aircraft. The opposition of small bands of Russians would be effective only if Hitler were primarily interested in long-term colonisation. For the moment he is only concerned with the knock-out blow. He can argue that there will be time to organise Russia when resistance in the west is crushed, and, if the blow in the east is fully successful, it is not Russian industry and agriculture that will absorb the Nazis' attention, but rather the task of switching their formidable and battle-scarred armies back to the western front for a really uninhibited invasion of these islands. True, after the attack on France—where there was no change of direction and hence no comparable transport problem—it was not possible to launch an attack on this country in the same year. But the Nazis have learnt a lot since June, 1940. What they did or did not do then cannot be used as any definite assurance of what they can or cannot do now. That this is Britain's last respite is the only safe assumption to make.

Peace Talk and Propaganda

It is difficult to gauge, within a fortnight of the launching of Hitler's campaign, the degree of success which is attending his Fourth Arm. The attempt at peace talks, at least, was completely ineffectual and it is difficult to believe that the Nazis had much faith in it. Their bolt was already shot when Hess landed in Scotland. It is true that von Papen passed on to the Turkish Foreign Minister a few equivocal hints on the desirability of Britain leaving Russia to her own devices and of concentrating on a division of spheres of influence with Germany; but the whole episode was probably no more than an unofficial wink from the Führer on the lines of "Try it if you like, Fritz." The propaganda implications of the new situation are potentially more serious, although, so far, this squib, too, has seemed a little damp. The Prime Minister's broadcast prevented any rift in opinion in this country and while Vichy has followed up its first crusading enthusiasm by breaking off relations with Russia, the situation in Spain has not grown worse. In the United States, Mr Hoover has, as might have been expected, risen happily at the first cast and issued an appeal to American "reason" to stay out of the war, arguing that "the ideological war to bring the four freedoms to the world died" when America made the promise to assist Russia. It may be remarked in passing that this is the first time Mr Hoover has shown any consciousness at all of any ideological issues in the conflict. So far, the greatest potential danger in the propaganda sphere to the Allied cause—that of a violent movement of opposition among the Catholics of the Old and New World—has not come about. Isolationists and pacifists were openly expecting a lead from the Vatican, and rumours circulated—their origin can be surmised—to the effect that the Pope would call for united action against the Russian menace. The message, when it came, proved entirely unsensational. Nevertheless, the danger remains of a hostile movement of religious opinion, exploited by Hitler for his own ends. And it may not be irrelevant to point out one of the only effective ways of scotching it is some official British statement on peace aims in the form of the commitments which

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Britain is prepared to undertake in post-war Europe. The new situation caused by the entry of Russia into the war does not alter the fact which Mr Churchill very sanely clings to, namely, that it is impossible to draw, here and now, the new frontiers and constitutions of post-war Europe with any sincerity. The state of the world after the war, the balance of forces, the date of the Armistice—all are shrouded in uncertainty, and definite pledges would be a plain deception. But the appearance of Russia as a belligerent does make a difference. Britain has an unenviable reputation abroad of winning wars and leaving the organisation of victory to her allies. With Russia as an ally, it is possible for the suggestion to be made with some plausibility—and it is already being sedulously propagated by Hitler—that the defeat of Germany now means the triumph of Communism in Europe. Assurances that, while Britain and Russia have a common war aim—to destroy Hitler—their peace aims are quite at variance, would go far to counter Hitler's present exploitation of Europe's apprehensions.

* * *

The Meat Ration

It was the Ministry of Agriculture that first announced the impending increase in the meat ration, and gave it as a reason for countermanding the recent programme of reduction in cattle numbers. Yet there is no reason to suppose that the unexpected arrival of a few cargoes of meat has in any way affected the present and prospective shortage of feeding-stuffs. The experience of the last war showed that farmers, when deprived of their supplies of imported concentrates, tend to keep more animals than they can feed adequately from their own resources, in the hope that "something will turn up"—an exceptionally good grazing season, an extra ton of cake from their merchant or a sudden Armistice. One result is a highly seasonal variation in the output of meat; if cattle numbers had been reduced last winter, there would have been more hay and ensilage made this summer; a larger proportion of the survivors could have been carried into January and February; and the autumn glut of meat at the end of the grazing season would have been avoided. A steady reduction in the numbers of cattle was desirable during the early part of this year, even from the narrow standpoint of maintaining a more even supply of meat from the feeding-stuffs available. But from the broader point of view, the main job of British farming during the present phase of the Battle of the Atlantic is to produce the maximum amount of human food. And this will not be achieved if the Ministry of Agriculture continues to advise farmers to maintain their pre-war herds of cattle on starvation rations by devoting their new arable to fodder crops, rather than to wheat, barley, potatoes or vegetables for human consumption. During the last few weeks, the farming Press has reported that practically no home-grown oats have been on sale to meet the needs of the milling trade or of essential urban and colliery horses, and that milk-recording societies have experienced a heavy fall in yields. These are signs that there are more animals in the country as a whole than can be economically maintained. Yet the interests of the cattle feeders have again won the day. The British housewife will be permitted by the Ministry of Agriculture and the National Farmers' Union to eat what wheat and oatmeal can be spared by the beef cattle; she will be offered a surfeit of beefsteaks for two months of the year at the expense of a drastic cut in vital supplies of milk during twelve. The conflicting announcements on agricultural policy in the last few weeks are, indeed, only a symptom of the now well-known clash of opinion between the two Ministries on the proper functions of British farming; a combination of the two in a single Ministry of Food Supplies would at least indicate their proper, common and only function; and it might ensure that their controversies would be conducted in the decent obscurity of Whitehall and not in the sight and hearing of a confused public.

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Food and Ships

Some weeks ago it was suggested in *The Economist* that it might be politic to consider the rationing of bread. It was not suggested that to ration bread was a desirable policy, in itself or at all times of food scarcity. The point was rather the plain necessity for bringing food policy quickly into line with the current serious shipping situation; the occasion for the suggestion was the news that the con-

sumption of bread had risen 20 per cent in three months, and was still increasing; and the argument was that the best use was not being made of shipping space by the importation of extra wheat or flour, in preference to other foodstuffs, the absence of which was the chief cause of the rise in bread consumption. In comment on this suggestion, it has been pointed out in general that it is easier, psychologically, to ration other foods if one staple foodstuff such as bread is available in unlimited quantities and that, since bread is available in unlimited quantities and that, since bread consumption varies between rich and poor, a bread ration would be unfair; and, in particular, that it would not be possible to import more meat instead of more wheat because of a shortage of refrigerated ships, and that, while sugar might be more economical of ships than wheat, consumers could not live on sugar. These are sound arguments. It is obviously necessary, if some foods have to be rationed, to divert consumption to others, and bread and potatoes are the obvious choices. More bread is being eaten because there is less of other things to eat. But the decision whether or not this or that food has to be rationed is not absolute. It is, or should be, a choice based upon a plan to make the best use of the shipping space available; and it is a bad plan which, in order to economise shipping space, restricts and rations the supply of certain foods to such an extent that more shipping space than is saved by the rationing has to be used to bring in extra wheat to meet the increase in bread consumption. *The Economist's* contention is that a food policy must also be a shipping policy, and the example of bread rationing—a very generous ration was deliberately suggested because of the unevenness of bread consumption—was given as an example of one way in which what appeared to be a serious and growing disparity could be checked. Ideally, of course, potatoes should be taking the strain and preventing an uneconomic increase in the consumption of bread. But, for various special reasons, this has not been happening, and the fact remains that, whatever the undoubted difficulties, the rationing of bread must surely be considered whenever the consumption of bread—that is, the importation of wheat now or in the near future—becomes uneconomically high.

* * *

Cut in Petrol Ration

On Tuesday, Captain Thurtle drew the attention of the House of Commons to the "strong and still growing indignation of the people, who see the lives of sailors . . . being sacrificed in bringing petrol to this country, and the evidence that it is being squandered in pleasure riding." The case for rigorous economy in the use of petrol and other oil products by civilians and the Services is unanswerable. It has recently been reinforced by criticism from the Eastern States of the United States, whose supplies are to be diminished by the transfer of fifty American tankers to this country. True, Mr Geoffrey Lloyd, the Petroleum Secretary, announced a concession to the critics at last. The basic petrol ration will be cut by one-sixth during August, September and October; strong measures will be taken against the misuse of supplementary rations, which have already been reduced by 10-20 per cent; and the Secretary for War has taken steps to eliminate waste in the Army. So long as Mr Lloyd's "strong measures" are not at the expense of vital business, commercial, industrial or military requirements, these are steps in the right direction. But the policy of giving the public "the benefit which is conferred by our still being in a position to allow a certain small amount of petrol and mileage within the free use of the individual according to his conscience"—the words are Mr Lloyd's—sounds more sensible and realistic than it actually is when tested by the few facts that are generally known. This country is clearly not in a position to import petrol for other than vital needs. It is not an in-frangible right of the individual to judge whether he should or should not run a private car. There are still people whose conscience allows them to license two (or more) cars—one of them often a large one—in order to obtain a bigger ration. The application of a rigorous needs test for all fuel that is used remains imperative; and, at the very least, the private motorist should only be allowed petrol for his "free use according to his conscience" if every essential requirement has first been fully met. As it is, this doctrine of democratic wartime motoring means that, in order to maintain the "rights" of every motorist, allowances of petrol for many important purposes are held down to an inadequate maximum, so that, out of the limited supplies available, the private motorist may be enabled to carry on.

Shortage and Maldistribution

The root of the present serious tobacco problem is actual shortage, which is due in most part to a demand that has been steadily rising and is abnormally high, but in part also to the reduced supply of leaf stock and to the inevitable lack of suitable factory labour in wartime. The nation is smoking far too much. The distribution problem, however, which the actual shortage sets, is hardly less important, because chronic maldistribution creates an impression of shortage far in excess of the facts; and the position is complicated by the great difficulty of rationing tobacco. In the circumstances, it was intolerable that maldistribution should be fostered by the practice of certain firms of wholesaler-retailers of issuing supplies predominantly to their own branches, to the detriment of the independent retail shops which were dependent on them for supplies. Apart from the commercial dishonesty which seeks to exploit the national shortage to procure a temporary monopoly and unmerited goodwill, the firms in question are guilty of a not inconsiderable waste of the nation's time and energy. One London firm of wholesaler-retailers has already had its retail licence withdrawn by the Tobacco Trade Association, and six others have also been penalised. The result—that the retail shops owned by the firms in question will be forced to close down—will be all to the good, provided the reports of successful evasion by the disbarred wholesalers are incorrect. The remaining shops will be better stocked and the labour released can be more profitably employed. There should be no tobacco problem. Fifteen per cent more tobacco is being released from bond than before the war, which is fantastic in view of the state of stocks and the shortage of shipping space to import fresh supplies—and it obviously cannot go on. All that is needed, and all that the authorities are asking, is that smokers should smoke no more than they smoked before the war. But so long as they continue to smoke 20 per cent more, the present shortage will remain.

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Release of the *Scheherezade*

An important point of policy is raised by the decision of the British Government, at the request of the United States State Department, to release the oil tanker *Scheherezade*, now bound for Casablanca. The tanker, which has a capacity of some 16,000 tons, was intercepted by a British naval patrol and taken into Bermuda. It can only be assumed, as Mr Churchill recently suggested in the House, that the anxiety of the United States authorities to meet the Vichy claims is based on a realistic appraisal of the position in French Morocco. Grave doubts have naturally been expressed in this country about the wisdom of this action, and it is surely unthinkable that the British authorities should have been urged to release the *Scheherezade* and also certain food supplies unless there were good reason to believe that Vichy resistance to further German infiltration in North Africa would be effectively stiffened and that leakage to the Axis Powers would be negligible. The onus is on the United States. It has been suggested that Washington will exact a *quid pro quo* in the form of an efficient control organisation in Morocco to supervise the distribution and consumption of the supplies thus passed through the blockade. The case is plausible, and it is said that steps of this kind might have been taken some months ago but for the determination of the British authorities to keep the blockade absolute and not to use it as a conditional instrument of diplomatic pressure. But this is a late hour to make any change in policy, and opinion in this country must be satisfied the game is really worth the candle. It is emphatically not worth while if the supplies of food and oil, directly or indirectly, are permitted to assist the war effort of the Axis Powers. The Vichy Government is better known for what it is than it was some months ago when these questions first arose. No element in it has yet given evidence of its capacity to maintain neutrality, and there is no reason to exempt General Weygand or the Vichy authorities in North Africa from this estimate. In the present instance, it may be suggested that the termination of German infiltration into Morocco might well be enforced by Washington in return for the release of the tanker.

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The End of the Syrian Mandate ?

The advance into Syria continues at its normal leisurely pace. After a week the fighting at Palmyra continues, but advance units are pushing on in the direction of Aleppo.

Beirut remains obstinately unreduced, and Allied troops are having a difficult time on the mountains and gorges of Lebanon, which form the cities' natural defences. The expedient of a coastal landing has not been repeated—*if*, indeed, it was ever tried. In spite of the snail's pace of the occupation, there is evidence that the situation is growing steadily more favourable to the Allies. The arrival of plentiful stores of food and fuel in Damascus, Sidon and Tyre has created a very good impression, and the precedent of plenty entering with the armies of occupation is one to be remembered later when the Allies face more formidable tasks. There will also be repercussions if the reports of General Le Gentilhomme's grant of Syrian independence and ending of the French Mandate are true, and become more widely known. The people of Beirut are restive, and disturbances have followed on their demand for a bloodless surrender. The effect on Aleppo may be striking, and if skilful use is made of the situation, the Allied offer of independence, bread and protection should be irresistible. But the propaganda campaign would have to be conducted with more dash than has been apparent in the military operations. The need for speed will be all the greater if the *demarches* made in Turkey by M. Benoit Méchain, Vichy Under-Secretary for Franco-German relations are a prelude to a more active Axis interest in the Syrian campaign. The purpose of M. Méchain's visit was first rumoured to be the modest one of securing the passage of Vichy's defeated armies through Turkish territory. Now it appears that he entertains the more ambitious scheme of drawing Turkey into a joint Axis-Vichy scheme for the Levant. It is unlikely, however, that the Turks will take this view of their commitments under their new Pact of Friendship with Germany. It remains to be seen whether the Germans will put on the screw.

* * *

India Watches

The course of opinion in India depends closely on the course of the war, and the loss of Crete was a setback, because belief in an ultimate British victory is necessary for the mobilisation of Indian sentiment behind the war effort. On balance, however, the development of events in Iraq and Syria has done something to restore confidence. At first, the repercussions in India of the war in Moslem Iraq were definitely threatening, but its quick end and the general Iraqi welcome to the British victory removed most of the danger—though it would not be true to say that, either in Iraq or in India, Moslem opinion is wholly pro-British in this matter, however minute the actual following of Rashid Ali may have been. In Syria, it is the French who are resisting the invaders, and the successes of Imperial and Free French forces, coupled as they have been with affirmations of Syrian independence, have been generally welcomed in India. The political crisis in India itself is less immediately acute. The Hindu Mahasabha has put off its threatened resort to "direct action"; and the civil disobedience campaign of Congress is running in low gear. The Moslem League is still publicly pledged to partition as

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the way out for India, but it is notable that the Premiers of Bengal and the Punjab, who do not support this intransigent and impossible programme, have been re-appointed to the League's executive body. The fact that India is relatively quiet, however, should not be misinterpreted. None of the major problems has been brought nearer to solution. It has been found necessary to ban the Moslem volunteer force known as Khaksars, which is trivial. Workers in the industrial districts are actively uneasy about the increase in the cost of living, which is more important. There have been the usual communal disturbances in Bombay and other towns; and on the north-west frontier the possibility of a move by the Faqir of Ipi has not been entirely removed. The echoes of events in the Near East have shown the tender places there are in India. It remains to be seen what effect the clash between Germany and Russia, with its implied menace to India's millions, will have there. At any rate, whatever the rights and wrongs of current controversies may be, it remains impossible for the men and the resources of India to be fully marshalled for the war while the Indians cannot agree among themselves and the British are convinced that there is nothing more that can be done. This is defeatism—on both sides; and, on the military side, there is vital work for General Wavell to do.

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Japanese Dilemma

Nearly a fortnight passed after the start of the Russo-German campaign before any declaration of policy was vouchsafed by the Japanese Government. When it came, its assurance of noncommittal vigilance did little to clarify the position. It was obvious from the start that Germany's latest *volte face* must prove exceptionally embarrassing to her Far Eastern ally, bound both by the Tripartite Agreement and by the Russo-Japanese Neutrality Pact, the latter only some two months old. Since the choice of action is also limited by the necessity of concluding the Chinese war before entering into fresh commitments, it is hardly surprising that the Supreme War Council has been sitting almost continuously since Monday, June 23, and that interminable liaison conferences have been held between the High Command and the Government. The possibility of a threat to Japanese expansion through the establishment of an American zone of influence from Alaska to Vladivostok via the Aleutian Islands is an important consideration from the Japanese standpoint. So is the alleged possibility, ventilated by the inspired Japanese press, of the conclusion of a military alliance between China, the United States and Great Britain. Coupled with the somewhat tardy German recognition of the Nanking Government and the recall of Chinese diplomatic representatives from Berlin and Rome, it seems likely that the repercussions of the Russo-German conflict on the China incident will be the most cogent influence on Japanese policy. There is no measure for the designs and ambitions of aggressive nations; but it remains unlikely that Japan will, or could, intervene actively in any sense in the European war, and action will probably be limited to the continued cultivation of a pro-Axis, anti-Ally sentiment. For Japan, the Russian war is a side show.

* * *

While England Burns

It is impossible to feel any sympathy with the attitude of the TUC towards compulsory fire watching. The Fire Prevention (Business Premises) Order imposes an obligation on all male employees in premises to which it applies to undertake a certain number of hours of fire prevention duty a month. In no cases have the compulsory hours amounted to more than 48 a month, which in effect means one night a week; provision was made for full prior consultation between employers and employees; and the obligation extended to managements as well as to subordinates. If the TUC had objected that, in practice, the burden of fire watching fell only, or mainly, on the workers and that higher officials were securing exemption, they might have made more of a case. But the chief object of their complaint is the use of compulsion by the Order, which they have variously described as "the first piece of anti-social legislation put on the Statute-book since 1927" and a step towards Nazism. Thus, the old compulsion bogey has been raised again—this time by a body which does not hesitate to use strict compulsion on its own members. Most probably, however, the TUC are using it in order to conceal their jealousy of a scheme which provides for direct consultation between employer and worker—not through the latter's union. There are, it is true, many unsatisfactory

features—for instance, there are wide discrepancies between the conditions under which fire watchers in the same job, but in different firms, take turns of duty. Some are paid expense allowances and others not, for the Order does not recognise any obligatory payment. But to argue that the scheme is a bad scheme because it is a compulsory one is fatuous. In actual fact, as is shown in almost every heavy air-raid, there is not nearly enough compulsion—whether on business premises or private houses—and until fire prevention is made a disciplined part of the civil defence services, like fire fighting, there will continue to be a quite unnecessary destruction of factories, shops, homes and historic buildings.

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Imperial War Conference Postponed

Owing to the inability of Field Marshal Smuts and Mr Mackenzie King to leave their countries, it will not be possible for an Imperial War Conference to be held in London in the near future. That Field Marshal Smuts should feel reluctant to leave South Africa is understandable. The political opposition to the war is as strong there as ever, even though it is out of all proportion to the opposition in the country as a whole: and Field Marshal Smuts may well feel that he cannot afford to allow political manœuvring to jeopardise his position in his absence. Moreover, though the war in Africa has subsided, it is liable to flare up at any moment—there is still a powerful Axis army on the borders of Egypt and from the Macedonian coast to Crete and Cyrenaica the enemy sprawls across the Mediterranean. Questions immediately affecting the Union, such as the transfer of South African troops to new theatres, may suddenly arise. No such difficulties, however, beset Mr. Mackenzie King, who has neither the same degree of opposition to the war nor the same personal authority in his country as Field Marshal Smuts has. Mr. King's excuse for his refusal of Mr Churchill's invitation, which has aroused strong protests in Canada, appears to be that he wants to inspect Canada's war effort for himself first, so that he can give a true picture to the people of Great Britain when he does come. It might have seemed reasonable to expect that his knowledge of this effort was already sufficiently close. He said, however, that he is willing to reconsider his decision. It may be that he thinks it an inopportune moment to leave Canada at a time when the conscription controversy is coming to the front once more. On his recent visit to Calgary, he was greeted with handbills asking for conscription, and there can be no doubt that the demand is gaining ground now in exactly the same way as it did last summer after Dunkirk. Now that the attitude of the French Canadians is complicated by the entry of Russia into the war, Mr Mackenzie King is probably wise in refusing to accept full conscription. Its effect on the French Canadians in the last war is still remembered. But it would be a great pity if the Canadian Prime Minister were to permit this one issue to cloud his whole attitude to the conduct of the war.

* * *

Australia Moves Ahead

Mr. Menzies, who is likely to return to this country for another visit, has begun to carry out the new war plans announced a few weeks ago. He is evidently spending no time on further advances to the Labour Party, and has enlarged and strengthened his Cabinet without them. The number of Ministers has been increased from 12 to 19, and the most significant of the appointments is a newly created Minister of War Organisation and Industry, who is to have the task of transferring non-essential civil industry to the war effort. The full Cabinet will meet only rarely; its work will be carried out by the War Cabinet and the Economic Cabinet, each with its separate personnel. In addition, a series of Parliamentary committees will be appointed, on which the Government and the Opposition will be equally represented, to share the administration of war measures, such as the allocation of manpower and resources, taxation, social measures and so on. It is not quite clear what the exact powers and functions of these committees will be, or what relation they will have to the Advisory War Council. Most probably, they represent Mr Menzies' attempt to effect a working reconciliation with the Labour Party. In this connection, his hand has probably been strengthened by the attack on Russia, which may rally the dissident rank and file of Labour to full support of the war. At Easter, 1940, the New South Wales Labour Party passed a "Hands off Russia" resolution, when feeling

against Russia over the Finnish war ran high, and since then there has been industrial unrest which has almost certainly been encouraged by Communists. Mr Curtin, the Labour Leader, who has wholeheartedly supported Mr Menzies' declaration in favour of help for Russia, has hitherto been handicapped in any negotiations for a National Government by his own party's extremists, who may now return to the fold. It is not, however, likely that a National Government has been made any more possible by the new war; Government and Opposition are too equally matched for either to give way—and a Prime Minister who is not Mr Menzies is in any case unthinkable. But at least it will strengthen unity in the country as a whole.

* * *

Grants to Local Authorities

In a written answer to a Parliamentary question, Mr Ernest Brown has given details of the Government's policy regarding grants to local authorities whose loss of income, owing to the war, is large enough for there to be a risk of a breakdown of essential local services. Normally, 75 per cent of any assistance ranks as a grant and the remaining 25 per cent is an interest-free advance, the question of repayment being left to be settled after the war. No precise formula for assessing the need for assistance has been devised, but factors taken into account are the estimated loss of productivity of a penny rate compared with the normal yield, the recent history of the rate poundage and the level of the rates compared with those levied by corresponding authorities. Before granting assistance, the Government must be satisfied that the local authority concerned has made all reasonable efforts to help itself, including in some cases an increase in rate poundage, but such an increase will not be required as a condition of assistance, if rates are already substantially higher than in the two preceding years or if the rate level is already very high. Some examples were given by Mr Brown to illustrate these principles:—

County Boroughs:—			Loss of Productivity of a Penny Rate	Condition of Grant
1. Rates, 1939-40	1940-41	1941-42		
1. Rates, 1939-40	12s. 5d.	13s. 10d.	53% (mainly by evacuation)	No increase in rates as a condition of assistance
2. Rates, 1939-40	21s. 6d.	21s. 6d.	38% (by evacuation and damage)	No increase in rates as a condition of assistance
1940-41	21s. 6d.	21s. 6d.		
1941-42	21s. 6d.	21s. 6d.		
Metropolitan Boroughs:—			Loss of Productivity of a Penny Rate	Condition of Grant
1. Rates, 1939-40	1940-41	1941-42		
1. Rates, 1939-40	13s. 2d.	13s. 2d.	11% (by evacuation and damage)	Increase of 3d. in the rates as a condition of assistance
2. Rates, 1939-40	18s. 0d.	18s. 0d.	43% (by evacuation and damage)	No increase in rates as a condition of assistance
1940-41	18s. 0d.	18s. 0d.		
1941-42	18s. 0d.	18s. 0d.		
Non-County Boroughs:—			Loss of Productivity of a Penny Rate	Condition of Grant
1. Rates, 1939-40	1940-41	1941-42		
1. Rates, 1939-40	9s. 6d.	9s. 6d.	40% (mainly by evacuation)	No increase in rates as a condition of assistance
2. Rates, 1939-40	14s. 0d.	14s. 0d.	57% (by evacuation and damage)	No increase in rates as a condition of assistance
1940-41	14s. 0d.	14s. 0d.		
1941-42	14s. 0d.	14s. 0d.		
Urban Districts:—			Loss of Productivity of a Penny Rate	Condition of Grant
1. Rates, 1939-40	1940-41	1941-42		
1. Rates, 1939-40	12s. 8d.	12s. 8d.	16% (mainly by evacuation)	Increase of 1s. in the rates as a condition of assistance
2. Rates, 1939-40	13s. 6d.	13s. 6d.	60% (mainly by evacuation)	No increase in rates as a condition of assistance
1940-41	13s. 6d.	13s. 6d.		
1941-42	13s. 6d.	13s. 6d.		

In most of these cases the rates were already high enough for the Government to decide that the fall in local income, which is mainly due to evacuation, should not be compensated by higher rates on those left behind. As a picture of local finance in wartime, the table is incomplete; it would, for instance, be interesting to have figures of reception area finance to show to what extent districts whose population has increased have benefited. It is as a possible peacetime solution of local finance problems that the Government policy of assistance is most interesting. Long before the war, it had been recognised that the present system of local finance is regressive; the rates are frequently highest in the poorest areas, and many Government grants are dependent upon local expenditure, which means that areas in most need receive less because they can spend little. The present policy of relating Government grants to income rather than to expenditure is a welcome development of the pre-war formula grant which served to counter-balance the local effects of derating and attempted to measure "necessitousness." Another important step is the attempt to introduce a more uniform level of rates by comparing the rates of the suppliant authority with those of others; at present there are wide discrepancies, even between neighbouring authorities. Unfortunately, it appears that uniformity will be secured by levelling up rather than levelling down, and some authorities will still have a level of rates quite disproportionate to the pockets of their inhabitants. The county borough in the table, with rates of 21s. 6d. in the pound, is enforcedly anonymous, but rates as high as this

are frequently found in towns with a mainly poor population. On the whole, however, it can be said that, under wartime pressure, a number of important and interesting principles are filtering into the financial relations of the Exchequer and local authorities; and, though the new grants are only a wartime measure, it is almost certain that they mark the beginning of the end of the old system.

* * *

Dominion Surpluses

The great producers and exporters of cheap primary products—chiefly the British Empire and Latin America—have been hard hit by the loss of European markets and by the reduction in Great Britain's imports, forced by the scarcity of shipping. Great Britain has already done much to assist Empire producers, by the purchase of the wool clips of Australasia and South Africa for example, and of the copper output of Rhodesia, while the United States is buying large quantities of coffee and metals from Latin America. In some countries, the reduction in food exports has been offset, at least in part, by an increase in the export of metals and other war materials. None the less, the reduction in the export of staple foods has given rise to a serious problem in countries such as Australia, New Zealand, and Argentina; and the Government's decision to assist the Australasian Dominions, announced by Mr Greenwood in the House of Commons last week, is welcome. The Government will continue to import food from these countries, in as concentrated a form as possible, within the limits of the shipping space available; and it will share with the Dominion Governments the cost of holding surplus stocks, pending their disposal. Arrangements will also be made to fix the prices of surplus products at a level which, while giving no incentive for an expansion in output, will ensure the maintenance of the industries concerned. The disposal of the wheat surpluses of British and other exporting countries is to be discussed at a conference of the International Wheat Committee in the United States. In addition to the temporary need for assisting surplus producers during the war, and for accumulating large reserves of food and materials for distribution on the cessation of hostilities, there is the wider peacetime problem of preventing economically and socially destructive booms and slumps in the prices of primary products. In so far as the present measures can pave the way to the solution of that problem they will serve a dual purpose.

* * *

Shorter Notes

On July 1, a further rationing of newsprint in Australia came into force. On July 1 last year, the cut imposed was 35 per cent of the tonnage used in 1938-39; this month the cut had risen to 55 per cent, and unless a good case is made for increasing the production of newsprint in Tasmania, it will become 60 per cent. on October 1.

*

Rarely, indeed, can a man have combined such a high degree of both patriotism and art as did Paderewski, who died this week at the age of 80. He was fifty years old by the time he first became prominent in politics; but afterwards he was pianist and statesman by turns, becoming the first Prime Minister of the new Poland at the end of the last war and ending his life as President of the Polish National Council in exile. The posthumous award of the "Virtute Militari," Poland's highest military decoration, is a fitting recognition of his country's debt.

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THE WORLD OVERSEAS

America's Armament Problems

(From Our New York Correspondent)

June 12th

THE big aviation strike on the Pacific Coast has ended and work has been resumed. The strike was broken when the Army took over the plant. The grievance related to wages, and the occasion of the strike was the alleged slowness of the mediation proceedings. So much for the facts. Whether they are the relevant facts is beyond your Correspondent's knowledge, as the several accounts differ so widely as to be beyond reconciliation; and much seems to depend on personalities and the rivalries of internal CIO union politics. At all events, production has been resumed, and the basic grievance is now under discussion—this is said to be a demand for a 50 per cent increase in the minimum wage (from 50 to 75 cents an hour) and a general 10 cent an hour increase for all employees.

The first executive report on the operation of the Lease and Lend Act indicates that, of the \$7,000 millions appropriated, about \$4,300 millions has been allotted. Of this, the largest general items are aircraft and aeronautical materials, \$2,000 millions; ordnance and ordnance stores, nearly \$1,000 millions; vessels and water craft, \$500 millions; tanks and other vehicles, \$300 millions; and agricultural, industrial and other commodities, almost \$300 millions.

The prospect of two shortages is now beginning to appear—petrol and oil, and steel. The difficulty with petroleum products is not a scarcity of the commodity, but of transportation. For the North Atlantic seaboard, a good part of its supply came by coastwise tanker, and tankers are relatively scarce. There have been proposals for petrol-less Sundays and for reduced temperatures in homes this coming winter (many homes are heated by oil-burning furnaces), but no actual rationing has yet been announced.

Big Steel Demand

The steel problem is more complicated, since two alternatives are advocated. Steel capacity is about 80 million tons a year, or roughly double the average annual consumption. Current prospective demand is estimated to be in excess of capacity, if the indicated armament demand and the indicated civil consumption are combined. The suggested alternatives are an increase in capacity and a rationing of civil consumption which is, like all other civil demand, now at boom levels. The amount of steel in question is about 9 million tons, or say 9 per cent of current capacity.

Economically speaking, this country is now in its greatest boom in history, but its phenomena are different from either 1920 or 1929. The 1929 boom was concentrated in the stock market and in urban real estate; the 1920 boom was concentrated in commodity prices. Neither of these is a marked phenomenon of the present. The stock market has rallied in the past week; but it rallied from an extremely low level—about half the tops of 1937 and about one-third the quotations of 1929. While building is active, there is an absence of the conspicuous real estate speculation of 1929. And although commodity prices have been rising, there is no analogy with the feverish speculation in commodities that characterised the 1919-20 boom.

The rise in commodity prices is still not a conspicuous feature of either the statistics or of individual experience. The current Bureau of Labour Statistics index stands at about 85, against a recent low of approximately 75 in the summer of 1939. In early 1937, this index was near its present figure, although industrial prices are now higher and agricultural prices lower than in 1937. This is by no means a startling record; but it must be remembered that the forces now operating on the price structure did not become very powerful until near the end of the first quarter of the current year.

To an uncertain but not negligible extent, the current heavy consumer buying is motivated by the purchaser's conviction of the advisability of "buying now" before prices go higher.

BUSINESS INDICES

1935-9 100 for industrial production
1923-5 100 for all other series

Unadjusted for seasonal

	April '40	March '41	April '41*
Industrial production (total)	112	143	141
Manufactures (total)	112	148	149
Durable	120	175	175
Non-durable	106	126	128
Minerals	111	116	98
Construction contracts (total)	73	94	107
Residential	73	78	88
All other	74	107	122
Factory employment (total)	103.2	119.9	—
Durable goods	98.7	123.7	—
Non-durable goods	107.5	116.3	—
Factory payrolls (total)	107.9	131.3	—
Durable goods	98.4	144.6	—
Non-durable goods	97.3	116.3	—
Freight car loadings	87	83	74
Department store sales	86	93	105
Department store stocks	71	75	—

* Preliminary.

Preliminary estimates indicate that the May index of industrial production was about 148, up 8 points from April and 5 from March. It is estimated that non-agricultural employment was about 3,200,000 above May, 1940—about 10 per cent.

The Russian Home Front

[BY A CORRESPONDENT]

June 30th

It is too early to give any opinion about the elasticity and adaptability of the Soviet economy in the transition from peace to war. It is also difficult to tell how the war is affecting the daily life of the Russians. Russia enters the war with a planned and a centrally controlled economy. Sudden adjustments, the introduction of war-time controls, rationing, the mobilising of various sectors of production by the Government, and the direction of essential war industries—these are not fresh problems. The entire economy can be ordered to shift from one branch of production to another, and the task of allocating and distributing supplies can be dealt with by the same national organisations as before. There are the disadvantages of an established bureaucracy, the tendency of officials and civil servants to put off decisions and to shift the responsibility for decisions to superiors or to other departments. Twenty years of socialist economy, however, have brought into being a large number of able administrators to run the war machine.

The Patriotic War Effort

The first proclamation, published immediately after the Nazis attacked the Russian frontiers, showed that the Soviet administration does not underestimate the importance of production and supplies. Only men up to 35 years were called up for military service, and the other military age groups were assured that their job in the factories was as important as that of the first line soldier. Working hours were increased to 48 a week, and a special decree was published empowering the directors and managers of

factories to force workers to do three hours overtime a week, and youths between the ages of 16-18 two hours weekly. Conscription of labour was also introduced, and workers can be shifted from one place to another according to the requirements of production.

The motif of M. Molotov's broadcast was his call to workers, peasants and intellectuals to defend themselves and the Fatherland. This remains the theme of the war propaganda. All the resolutions and declarations passed at the many meetings attended by hundreds of thousands of workers from different factories were similarly worded. The workers pledged themselves to do their utmost to help the Red Army to defend and fight the war for the Fatherland. No Communist ideas were mentioned, no world revolution preached. It is only a war against the Fascist aggressors who have attacked the Fatherland. Every possible means of propaganda is employed to emphasise that the only way to fight and defeat the enemy is to increase production, and do everything possible to keep up and improve the quality of the products. A drive for increased output has started all over the Soviet Union, and the Stakhanovite movement has been extended. Women are playing a great part in the patriotic drive. Young women are taking over their men's jobs in the factories. The Press, the radio, lectures, and special announcements are used to keep up the effort.

"Production heroes" are placed on the same pinnacle as fighting heroes; lists of achievements at the front by soldiers are published side by side with achievements on the home front—a worker who works well, a scientist who is responsible for some new way of speeding up production, an efficient administrator or efficient manager. The official communiqués of the Soviet Information Bureau deal not only with the position on the front and the military situation, but also with the home front; and workers are mentioned in these dispatches in the same way as soldiers and airmen.

Propaganda in Europe

The tolerant policy adopted towards the national minorities living in the Soviet Union is being used as a foundation for patriotic propaganda. The Commander-in-Chief, General Timoshenko, is praised as a national hero, and Russian and Ukrainian poets are writing special poems and composers special music for marching songs, in which he figures as the national leader. The fact that General Timoshenko is a Ukrainian is emphasised and used as a means to stir the patriotism of the Ukrainians.

The Central Information Bureau of the Soviet Union puts out communiqués twice daily; and the same bureau has taken over propaganda to foreign countries, especially to Germany. The Soviet short wave transmitters can be very clearly heard in England, and it can be assumed that the reception is extremely good in Germany. News and news-talks are being addressed to German soldiers, workers and peasants; the patriotic aspect of the Soviet workers defending their Fatherland is being strongly emphasised; the Germans are told that there is no reason for war between the Russians and the Germans. Broadcasts are being sent out to Sudeten Germans and Austrians, and no propaganda for socialism and world revolution is included, the main theme being the nationalist and patriotic sentiment of the oppressed Sudeten Germans and Austrians.

Soviet propaganda repeats over and over again that the Red Army will fight to the last and will not yield. The German soldiers are being warned against the patriotic fury of the Russian workers and peasants who are fighting to defend their homes, their freedom, and their socialist

country. Appeals are made to German soldiers and airmen to desert and commit sabotage; the names of soldiers and airmen who are said to have deserted already and gone over to the Red Army are given, with details of their regiments, and the names of places in Germany where they come from.

Trade Control in Hongkong

[FROM OUR HONGKONG CORRESPONDENT]

May 31st

It is only within the last few weeks that this last important stronghold of free trade has become enmeshed in the network of orders, regulations and prohibitions necessary to bring commerce in wartime under control. The process of applying these restraints has been no easy task for officials unversed in trade regulations, and has been irritating and irksome to foreign and Chinese merchants alike. Hitherto, formalities affecting trade have been confined to liquor, tobacco, and similar duties in the case of imports, and imperial preference certificates in the case of exports of local manufactures. Beyond this every merchant, shipper and dealer has been free to buy and sell as he wished; because of this freedom the colony has prospered and in the course of a century has built up commercial machinery of proved efficiency. To-day, nothing can leave the colony without an export permit, and few purchases can be made without first obtaining official sanction. Instructions from the Colonial Office have naturally been based on the urgent requirements of conserving shipping space and restricting supplies from Britain and America to material which will contribute to the general war effort or is necessary for the life of the community. But in a colony which has no natural resources, and is dependent for its existence on the interchange of goods or the products of its factories and shipyards, the withholding of any particular requirement may have wide-reaching results. The fear that restrictions of supplies might drive entrepôt trade to Manila or Shanghai has been shown to be groundless, as both these ports are as much handicapped as Hongkong, if not more so. In point of fact, a not inconsiderable amount of cargo shipped from the United States for account of Shanghai interests is lying here because of American restrictions on direct shipments to Shanghai, the ultimate destination of which has in many cases been Japan. It is, therefore, becoming evident to all concerned with trade here that control is unavoidable, if the realities of totalitarian war are to be faced, and so long as there is co-ordination between the various departments, civil, military and naval, the situation will be accepted with good grace.

The local government has been faced with the intricate problem of securing food and fuel supplies for a population of 1½ millions. The general disturbance to the normal flow of rice between producing and distributing centres of the Far East has been mainly responsible for the reduced quantities available for local consumption, but high freights have helped to increase prices to a level some 100 per cent above those prevailing in August, 1939. This has intensified malnutrition, and as a system of price regulation through licensed dealers proved a failure, the Government has now stepped in and has assumed control of the whole of the rice trade. A board of directors, mainly composed of British and Chinese business men, with the Financial Secretary as chairman, has been set up and is now taking over all stocks of rice in the colony. In the same way, the Government has taken charge of the firewood trade, after vain endeavours to control prices, and has had to arrange for the purchase and shipment of supplies from Borneo and Malaya. Rice and firewood are the main necessities for the subsistence of the population, and it is now hoped by Government action to improve the local supplies of fish, which is an important item in Chinese diet. Until the Japanese invasion of Kwangtung, abundant supplies of fish, eggs and vegetables arrived in the colony daily from many collecting points in the Canton River delta and along the coast, but owing to the Japanese blockade this trade has now become a small and uncertain trickle. So far, there has been little check on provisions for the foreign community, but delayed shipments have caused temporary shortages of certain things and have led to profiteering on the part of Chinese dealers hold-

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ing stocks. These lines can, however, be classed as luxuries, and consumers have the remedy in their own hands.

A renewed outburst of Japanese military activity in the area of Kwangtung has now subsided. The main object of these operations was to stop once again the passage of goods into Free China, and, for the third or fourth time since October, 1938, the important market town of Waichow was occupied by the Japanese military forces. They have now evacuated the town, according to reports just to hand, and pressure from Chinese guerillas appears to have led to a general withdrawal of the Japanese to their original base.

Effect of Shipping Shortage

In his review of the trade of the colony during 1940 the chairman of the Hongkong General Chamber of Commerce expressed satisfaction that so little effect was felt from the world shortage of shipping, although the prospect for the current year was unsatisfactory. He made an interesting analysis of the trade statistics, showing that, while the entrepôt trade accounted for the preponderant share, exports of local manufactures increased by 46.8 per cent over the figures for 1939.

No less than five American standard cargo ships have arrived in Hongkong on their maiden voyage during the past two months. It is expected that they will be followed by others in the course of the year, and at a time when British shipping losses are mounting up, it is comforting for us here to see replacements already arriving, while our own local yards are busily engaged on building similar cargo ships for the Ministry of Shipping.

German Troubles in the Protectorate

[BY A CZECH CORRESPONDENT]

June 30th

THERE has always been, among the Czechoslovaks, a strong feeling of friendship, or at least of admiration, for the big Russian cousin. It was, therefore, only natural that the German authorities in the Protectorate took appropriate steps to prevent the Czechs from demonstrating their feelings about Russia's entry into the war. President Hacha had to broadcast a message against Communism, and the Gestapo is busier than ever.

The most important political event in the Protectorate, since the removal of former legionaries from the public service in March, and the seizure of the Sokol movement in April, has been the change in the leadership of the "National Solidarity Organisation," the only Czech political organisation which is allowed. Its former leader, Josef Nebesky, his three deputies, and its Secretary-General were dismissed by President Hacha, though they had all been prominent members of the Agrarian party, which long before Munich flirted with Hitler's "social" policy. These people have been replaced by a group which are even more subordinate to the Nazis. They are led by Jan Fousek, a big landowner and formerly a captain in the Austro-Hungarian army, who is also the president of the "League for Collaboration with the Germans." This league is trying to spread German philosophy and culture among the Czech intellectuals, and its final aim is to replace the last shadow of Czech politics—the "National Solidarity Organisation." Jan Fousek, now the president of both competing organisations, may be counted upon to lead the Czechs safely up the path in Hitler's Garden of Eden. His first statement was a promise to make the Protectorate "the most perfect

part of the Great German Reich." A paid agent of the Gestapo, the Fascist leader Jan Pavlik, is Fousek's deputy. Fousek also published an article stating that the Reich measures the sincerity and genuineness of the Czechs to the "new order" according to their attitude towards the Jews, and that anti-Jewish measures must be carried out thoroughly.

Germanisation is in full swing. All telephone exchanges have been ordered to reply in German, and afterwards in Czech only if particularly requested by the caller. The local school councils in Czech communes were hitherto chosen from the teachers and the Municipal Council. This trace of democratic self-administration has now been removed, and in future the local school councils will be appointed by the respective *Oberlehrer*. K. H. Frank, the Protector's deputy, has announced that only 40 per cent of Czech children who leave the elementary schools will be allowed to join the high schools. Czech good humour survives all such measures. It is said that, as all the leading personalities have had to be replaced by trustworthy people, the time has now come for the Apostles in the old City Hall's clock. They would be succeeded by Hitler *der Mächtige*, Goering *der Prachtige*, Goebbels *der Schmüchtige*, and the rest are *Verdächtige*. *Verdächtig* (suspect), however, is the whole nation.

Sabotage

The railways in the Protectorate are continually overloaded with German military transport; and it is obvious that the German account of the insignificant number of casualties in the Balkan campaign is completely false. The railways in the Protectorate have had to couple on 600 second-class coaches for the transport of wounded. German military transport towards the Soviet frontier goes on unceasingly. In this connection the reports of frequent sabotage on the railways are significant. Quite recently a military transport collided with an express train not far from Opava, and two days later a crash occurred between a military and a workmen's train in Plana; other serious derailments have also taken place.

Executions are frequent. A hundred and sixteen workers of the Skoda factory in Pilsen are said to have been shot in one month, because guns produced by them burst after the first few shots. Sabotage is sometimes on a large scale. It is reported that 3,000 tons of steel were spoiled by the workers, who poured zinc and sulphur into the metal. This steel was then used for the production of 7,000 guns which were distributed all over Germany and the occupied territory. Nevertheless, Czech workers are wanted badly to relieve the labour shortage in the Reich. There are about 132,000 Czech workers in Germany, 7,000 of them women.

In Prague alone there are now about 200,000 Germans. There is plenty of money at their disposal. The Union Bank, which represents private Nazi capital in the Protectorate, shows a balance-sheet total of 1,110 million crowns, which is considerably higher than during its best times in pre-Munich days. The "other assets" item of the National Bank grew from 5 milliards to 8 milliards during the last year. These assets are the Reichsbank debt to the National Bank, which shows how ruthlessly the Protectorate is being looted.

Books Received

- My American Diary.* By The Rt. Hon. Sir Walter Citrine. (London) Routledge. 353 pages. 5s. net.
- The British Constitution.* By W. I. Jennings. (London) Cambridge University Press. 232 pages. 8s. 6d. net.
- Round Table War Pamphlets.* No. 7. *The Home Guard.* (London) Macmillan. 9 pages. 2d.
- The War Damage Act, 1941.* By H. Samuels. (London) Pitman. 259 pages. 10s. 6d. net.

Official Publications

- Twelfth Report from the Select Committee on National Expenditure.* Session 1940-1941. 6d. net. *Thirteenth Report.* 2d. net.
- Charges Made in Connection with the Construction of Militia Camps.* Report by the Hon. Mr. Justice Simonds. Cmd. 6271. 1d. net.
- Navy Appropriation Account 1939.* (In continuation of House of Commons Paper No. 25 of 1939-40.) 4d. net.

German Europe

Continental War Economy.—During the first stages of the war, Germany's war economy depended heavily on the resources of central and south-eastern Europe, and Russia. After the collapse of France, the conception of a Continental war economy slowly took shape, aiming at the balancing of the agricultural and mineral resources of the east and south-east with the productive capacities of Germany and the western countries, particularly France, Belgium and Holland. Germany incorporated the industrial areas of Czechoslovakia, Poland, Luxemburg, and Lorraine, and the most important industrial areas of Europe were thus unified under German administration, which private industry and the State shared. The next move resulted in active collaboration between German, Italian, French, and Dutch industries; and a central clearing system ensured the control of trade relations between continental countries. During the first months of 1941, the final object of Germany's economic policy became clear when the "Continental Oil Company" was founded, extending German cartels over the whole continent, and acquiring controlling capital interests in leading industrial and financial companies in all parts of Europe.

Slowly the emphasis of the German exploitation of other countries shifted from the Balkans to western and northern Europe. During the winter of 1940/41, Roumania and Hungary were disorganised by partitions and the cession of territory. Large scale troop movements; the war in Yugoslavia and Greece; the partition of Yugoslavia, and the creation of the state of Croatia—all these interrupted agricultural and industrial activities for a considerable time. Slovakia, Hungary, and Roumania are still fully mobilised; great parts of them are in the war zone. The war in the Balkans and the new war against Soviet Russia have put a heavy strain on agricultural production in south-eastern Europe, whose surpluses are needed in Germany and in western and northern Europe.

War Dividends.—In Germany another increase in industrial activity has been accompanied by greater concentration and by increased shortages of labour. The discussion about the position of private industries has flared up again. War orders benefit the big State-owned and private concerns. Repeatedly, the German Press has been compelled to give the assurance that small firms and private ownership are not threatened, and that concentration is a temporary war-time necessity. Actually, State-owned concerns and co-operative concerns owned by party or semi-party organisations have greatly increased their hold over industries.

Companies and shareholders, however, have found some compensation in increasing dividends. The Loanstock Law, which compelled the investment in Treasury bonds of dividends exceeding 8 per cent, was repealed in the spring of 1939. The recent campaign for a "dividend stop" shows that the population looks upon increasing dividends as war profiteering, and the government has been compelled to announce that a general "dividend-stop" will be imposed.

Since the Minister of Economic Affairs, Dr. Funk, announced a general limitation of dividends, more than three months have passed without any decision. There were rumours that dividends would be limited at 6 per cent. On dividends exceeding this limit, an excess profits tax, rising to 400 per cent, would be imposed. The latest statistics show that roughly 50 per cent of share capital earned a dividend of over 6 per cent. Any scheme aimed at limiting dividends would result in changes in the capital structure as well as in conditions on the capital markets. German as well as in conditions on the capital markets. German companies, which have been barred for a long time from the capital markets, are undercapitalised; on the average, the share capital of most companies has remained unchanged in spite of increasing activity and huge turnover. The companies were encouraged to build up large reserves which were only partly used for the so-called self-financing. The whole problem is a question of readjusting share capital to the increased scale of war-time activity, on the one hand, and to the persistent rise in share prices on the other. The index of the Berlin Bourse in the next column shows the movement of share prices since the beginning of the war.

The total share index has increased by 43.5 per cent. After a slump in March, caused by the announcement of a dividend-stop, the record level in February, 1941, was exceeded by the end of May. Average dividends increased

	Total Index	Mining and Heavy Ind.	Manufacturing Ind. (1,924-6=100)	Commerce and Transport
August, 1939	101.6	104.5	98.0	105.2
December, 1939	106.6	115.6	101.3	107.7
December, 1940	139.6	144.9	136.5	140.2
January, 1941	143.3	147.0	140.1	145.8
February, "	145.0	147.6	141.4	149.0
March, "	142.8	144.7	139.2	147.6
April, "	142.8	144.7	139.6	146.9
End May, "	145.8	147.8	143.6	148.0

from 6.4 per cent at the beginning of the war to 6.62 per cent at the end of March, 1941; average yields fell from 5.07 per cent in August, 1939, to 3.87 per cent at the end of March, 1941, which is very near to the yield on fixed interest securities.

Croatia.—Information about Yugoslavia, published by the German Press since the fighting ended, is exclusively related to the newly-formed state of Croatia, which covers roughly one-quarter of Yugoslavia's territory, and more than two-fifths of the Yugoslav population. The majority of the 7 million inhabitants are peasants. Wheat, maize, oilseeds, and fruit are the most important crops. The south of Croatia is favourable for the cultivation of olive trees and tobacco, and the livestock industry is fairly well developed. In recent years, German influence has been largely responsible for increased cultivation of oilseeds. Industrial centres are scarce and are mainly based on agricultural and forestry products; but the greater part of Yugoslavia's textile and chemical industry was in Croatia.

The Yugoslav resources of copper, lead, zinc, and chromium ore are in Serbia, but Croatia has bauxite as well as the only Yugoslav aluminium plant. Iron and coal, mainly lignite, are also mined in Croatia. The introduction of an authoritarian economic system is already fairly advanced. After an inventory of stocks and productive capacities, the rationing of textile goods, leather, and soap has been decreed. A price-stop and the prohibition of strikes have been proclaimed. The new Croatian central bank is about to issue a new currency which will replace the Yugoslav dinar. Jews and Serbs will be removed from all responsible positions in Croatia's economy. Plans have been made for the compulsory organisation of employers and workers. Apart from an agreement providing for the transfer of 54,000 workers to Germany, no details about the economic relations between Germany and Croatia have been published.

Synthetic Feeding Stuffs.—Norway, Sweden, and Finland are manufacturing cellulose for animal-feeding from wood in increasing quantities. In Norway and Sweden, output in the current year will reach 100,000 tons, and in Finland some 200,000 tons. Feed cellulose is used as substitute for carbohydrate natural feeding stuffs. In Sweden, it is called "wood oats," and it has good results when fed to cattle, horses, and sheep. Sometimes, it is mixed with protein substances, such as fish meal or soyabean meal. In Germany, where protein substances are particularly scarce, the sugarisation of wood has been practised for a considerable time. Recently a Government controlled company was formed by the name of "Berlin Cellulose Fodder," which will finance the erection of plants for the sugarisation of wood all over Germany. The plants will be equipped for the hydrolytic conversion of the cellulose into sugar, which is finally converted into a protein fodder. In the Scholler-Tornesch method sawdust and shavings can be used, and it is intended to erect the plants in combination with saw mills.

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THE BUSINESS WORLD

Floating Debt Policy

BETWEEN the outbreak of the war and June 30, 1941, the floating debt increased from £1,167,500,000 to £3,062,970,000, and this expansion accounts for over 60 per cent of the increase in the National Debt during these twenty-two months. The proportion seems at first sight to be exceptionally and, indeed, dangerously high; so large a dependence on short-term borrowing suggests rash unorthodoxy; it appears to store up difficulties for the day when, with increased freedom, the capital market will again be in a position to reveal the dangers of a huge volume of debt regularly coming up for renewal.

First impressions are, however, fortunately deceptive. A considerable part of the expansion in the floating debt since the outbreak of the war represents the investments of various Government funds. For instance, as the substantial gold and foreign exchange assets of the Exchange Equalisation Account have been sold, the Exchange Account has taken up Treasury bills issued through the "tap." Tap bills were outstanding, at the beginning of the war, to the sum of £618,300,000, and they have more than doubled since. It is impossible to give the exact comparative figure for June 30th last, for since that day fell on a Monday it is impossible to divide accurately the outstanding volume of Treasury bills into those issued through the weekly tender and those issued through the tap; one can, however, assume that the total of tender bills on June 30th was, in fact, that which obtained at the end of the previous week, June 28th, that is, £945 millions, which would leave the latest total of bills issued through the tap—bills which may in toto be regarded as held by various public departments—at £1,411,995,000. This increase of £793,695,000 since the outbreak of the war is in large part the measure of the net liquidation of gold and dollar assets, though it also provides the counterpart of the £100 millions increase in the fiduciary circulation of the Bank of England. Over the same period, ways and means advances to the Exchequer by public departments rose from £49,200,000 to £158,725,000. Thus, the combined increase in tap Treasury bills and advances from public departments amounts to £903,220,000 and accounts for nearly half the total increase in the floating debt. In this light, the expansion in the floating debt loses much of the disquieting implication which it might otherwise hold.

The wartime increase in the "true floating debt," that is, the debt held in the main by the banks and the money market houses, thus shades down to the comparatively modest figure of £992,250,000. Of this, the major part, £519,000,000, is accounted for by the funds deposited directly by the banks with the Treasury in the guise of six months' deposits. Of the balance, £445 millions represents the expansion in the issue of Treasury bills made through the weekly tender from £500 millions to £945 millions. The remaining £28,250,000 is the ways and means indebtedness at the Bank of England, which the Exchequer had temporarily incurred over the turn of June, whereas no such debt was outstanding on the outbreak of the war.

In so far as the increases both in the tender issue of Treasury bills and in Treasury deposits represent the investment of funds accumulating here on behalf of central banks and issuing authorities in the sterling area, the wartime movement must be still further differentiated from short-term Government borrowing from the banks. The investment of sterling area funds in Treasury bills or deposits is virtually a compulsory investment, made as a result of the revolution caused by the war in the United Kingdom's balance of international payments and by the strict control of sterling exchange. It is, therefore, the investment of "good" money and, though made for the moment in the form of very short-term debt, it is an investment which it is reasonably safe to assume will be fairly permanent. If this factor is allowed for, particularly in the issue of Treasury bills by the weekly tender, it will be found that the financing of the war by means of floating debt borrowing from the banking system has been even

more modest than the above calculations suggest. This is borne out by the clearing bank statements, which show that, between August, 1939, and May, 1941, the banks' holding of bills discounted actually fell from £279,069,000 to £172,807,000. Even if an appreciable reduction in the volume of commercial paper over this period is allowed for, this fall probably indicates a decrease in their holding of Treasury paper.

This, at least, is the conclusion suggested by the experience of the clearing banks which separate their holding of Treasury and commercial paper in their balance sheets. In the case of Lloyds Bank, for example, the holdings of British Government Treasury bills fell between August, 1939, and May, 1941, from £38,319,000 to £25,115,000. This drop may not be exactly representative of the experience of the whole banking system, but as a guide it cannot be disregarded. It suggests that rather more than the increase of £445 millions in the issue of Treasury bills through the weekly tender has, in fact, gone to satisfy the investment requirements of sterling area countries whose funds in this country have been steadily increasing since the outbreak of the war.

If this increasing diversion of Treasury bills into channels that form no part of the true domestic credit structure is recognised, there has at no time since the outbreak of the war been any suggestion of an excessive volume of bills being foisted on the banks. It may, therefore, be asked why the Treasury and its financial advisers should have gone out of their way to substitute for the Treasury bill another form of short-term borrowing, namely, the six months' Treasury deposit, as the truly "dynamic" element in the floating debt. It is this item which now takes the impact of what remains of the seasonal fluctuations in the flow of revenue and expenditure. The issue of Treasury bills through the weekly tender, which previously fulfilled this function, has now been virtually stabilised. It remained, with very few exceptions, at £65 millions a week between November, 1939, and April last. Then, in two steps of £5 millions each, it was brought up to the present figure of £75 millions a week. There it remains, unaffected by the week-to-week variations in the gap between expenditure, on the one hand, and revenue plus receipts from the long-term Government loans, on the other. The balancing function is now performed by Treasury deposits, the week-to-week demand for these made on the banks eligible to subscribe fluctuating within wide limits.

This new form of short-term borrowing has certain advantages to both parties. The Government gets its money for six months at less than 1 per cent higher than the rate it pays on three months' Treasury bills. The banks, for their part, have in their Treasury deposits an investment which they can encash at par at any time during the currency of the deposit, if they wish to reinvest the proceeds in any one of the longer-term new issues of the Government. This in itself, however, hardly justifies the abandonment of the Treasury bill as the live element in the floating debt. Some other consideration must have been at work in the decision to use the Treasury deposit instead. This was no doubt the convenience and effectiveness of a form of borrowing which would establish direct contact between the banks and the Treasury. In the pre-war organisation of the London money market, no such direct contact existed. The banks did not tender directly for Treasury bills, and Government borrowing from the banks by this means had to be made through the discount market. There was an understandable objection to canalising the whole of the large expansion in floating debt borrowing through the comparatively narrow channel of the discount market. The market could undoubtedly have handled the additional business, but it may well have occurred to the authorities that the extra adventitious profit on this increased turnover would not be altogether justified.

In the early months of the war, this objection was to some extent overcome by the practice of feeding the banks

direct with Treasury bills originally issued through the tap. These special "back door" sales of bills developed into a new technique of open market operations which completely by-passed the discount market. They persisted from the autumn of 1939 until July, 1940, when the issue of Treasury deposits was begun. This new method of marketing Treasury bills was at no time officially acknowledged. It was evidently on trial for those few months, and apparently it was found wanting. It blurred the distinction which has always existed between Treasury bills issued to the market through the tender and the tap bills which have been issued for inter-departmental operations. Moreover, the machinery of the London market did not really lend itself to this form of direct operation in bills between the banks and the Bank of England. There was no tradition for such direct contact in bill business; the organisation for it had to be built up from nothing; and the attempts made to do so were not conspicuously successful.

It was therefore decided to achieve this direct contact between the banking system and the Treasury by a new form of borrowing which could be openly operated through the Clearing Bankers' Committee. Each week the amount which the Treasury wishes to obtain from the banks is communicated to the chairman of the committee, and the apportioning of this total among the rota of banks which

take part in these operations is left to the committee. This form of borrowing combines the advantages of extreme simplicity of procedure with the elasticity that comes from the direct contact established between the Government, which is now overwhelmingly the most important spender and recipient of funds in the country, and the banking system through which virtually the whole of the turnover of funds flows. The amount required from the banks week by week is carefully adjusted to the known requirements of the Treasury; and, as the banks themselves are given discretion as to the days of the week on which they make their payments of Treasury deposits, it may be assumed that the new form of borrowing minimises the disturbance of bank cash by Government income and expenditure as far as is possible in the abnormal circumstances of to-day.

The principle of direct contact between the banks and the Treasury represented by this form of borrowing found some kind of precedent in the practice of banks during the last war to deposit surplus cash at interest with the Bank of England. But at no time did this procedure acquire either the scope or the organised procedure which Treasury deposits have already achieved. The new system of direct Treasury borrowing from the banks bears the promise of permanence; and the London discount market will take due heed of this development.

Finance and Banking

Half-Year End Stringency

The turn of the half-year in the money market proved rather more difficult than had generally been expected. Although the discount market had succeeded in keeping a fair number of June 30th maturities in its portfolios and although payments for new bills this week were not begun until the turn of the half-year had been passed, the market found itself struggling for loans on the last day of June. A number of banks, particularly non-clearing institutions, were calling funds from the market. The supplies of cheap "outside" money thus vanished, and the market learned once again that however "good" such money may appear to be in normal times, it cannot compete in permanence with clearing bank money placed at its disposal. Faced with a fairly appreciable withdrawal of funds, the discount market would, in normal circumstances, have been driven to the Bank for a considerable amount. Such procedure has, however, become anachronistic in the present operation of the money market. Instead the "special buyer" came into the market, and bought bills from all houses which found themselves unable to balance their books. The fact that there were heavy maturities of Treasury Bills on Monday, and that payments for the new bills issued this week did not begin until Tuesday, compelled the Treasury to seek temporary accommodation at the Bank of England. Another factor in this decision was the deferment by the banks of all payments in respect of the £20,000,000 Treasury deposits due to be made this week, until after the turn of the half-year. Thus at the close of business on Monday ways and means advances at the Bank of England were outstanding to the tune of £28,250,000. These advances are reflected in the latest Bank return, which shows an increase of no less than £44,400,000 in Government securities. As this also includes the heavy official purchases of bills made in the open market last Monday, it may be assumed that some repayments of the ways and means advances had already been effected by the close of business on Wednesday.

Back to Abundance

By Tuesday the additional bank cash pumped into the credit circulation by the ways and means advances to the Treasury and the open-market operations of the Bank brought its full effect to bear on the money market position. Substantial amounts recalled on the previous day for balance sheet purposes found their way back to the market, and from stringency the position changed abruptly to abundance. The banks became keen buyers of bills again, and the market which had only obtained a 27 per cent allotment at the previous tender and which had sold fairly heavily to the special buyer on the previous day found itself unable

fully to satisfy these demands. The ease of the position is fully illustrated by the latest Bank return. This shows bankers' deposits at the 'exceptionally high level of £164,443,000, an increase of £51,907,000 on the week. This expansion reveals the effect on bank cash of the Treasury's ways and means borrowing from the Bank and of open-market purchases of bills. It is also accounted for in part by a running down of public deposits to the tune of £13,069,000. The increase in bankers' deposits would have been greater still but for a further expansion of £4,381,000 in the note circulation. This has carried the total of notes outstanding to the record level of £643,365,000 and leaves only £36,876,000 of unissued notes in reserve. Another adjustment of the fiduciary circulation is looming up on the horizon.

* * *

Over £3,000 Millions

The National Debt return for the end of June marks another milestone in the expansion of the floating debt, which for the first time in the history of British Government finance has passed the £3,000,000,000 mark. The increase over the month of June amounted to about £113,000,000, of which £41,600,000 was accounted for by the increased Treasury bill issue, £20,500,000 by Treasury

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deposits, £22,700,000 by ways and means advances from public departments, and the balance of £28,250,000 by temporary borrowing from the Bank of England. The fact that June 30 fell on a Monday makes it impossible to divide exactly the total of Treasury bills into tender and tap bills. The former issue has, however, been rising during the past month at the rate of £10,000,000 a week, and it may therefore be assumed that almost the whole of the expansion in the total of Treasury bills is accounted for by the tender issue. The tap issue of bills is thus stabilising itself at around £1,411,000,000. The gradual disappearance of the considerable fluctuations to which this item in the floating debt has in the recent past been subject must be linked with the exhaustion of the gold and exchange reserves of the Exchange Equalisation Account. It was the expenditure of these reserves and the reinvestment of the resources thus liberated in Treasury bills issued through the tap that accounted for the main part of the huge increase in this part of the floating debt since the outbreak of the war. It should be noted that at the end of March, 1937, when the gold holdings of the EEA were near their apex, the outstanding volume of tap Treasury bills was no higher than £117,600,000.

Building Societies' Rates

Building societies as a whole are coming into line with the general movement to reduce the rates of interest paid on deposit and share accounts. The first move in this direction was made by the Halifax Society, which last February reduced the rates on new accounts. This week the Abbey Road has given notice that, from October 1st next, it will reduce the rate of interest on deposit accounts from 2½ to 2¼ per cent and on share accounts from 3 to 2½ per cent. The move is justified on the ground of the additional burden placed on the Society by the War Damage Act and by the further increase in taxation. If account is taken of the fact that these rates are paid free of tax, it will be evident that the reductions just announced must not be taken as evidence

of a further general reduction in interest rates. The gross yields represented by these rates are still comfortably above the level of interest rates fixed by privileged gilt-edged yields such as those given by Post Office and Trustee Savings Banks and National Savings Certificates. Indeed, the flavour of lower rates provided by this move may before long be counteracted within the building society movement itself by an endeavour to increase the rates paid by mortgagors. Other rumours of a resumption of the trend towards yet cheaper money have lost their potency in recent days. It now seems unlikely that the next series of National War Bonds, which must make its appearance before August 15th next, will bear terms appreciably dearer to the investor than the current series. The Chancellor has again given the most categorical refusal to any countenancing of a lower Bank rate or to any compulsion on banks and discount houses to lower their short term money and discount rates.

Financing Expenditure

The following table summarises the Exchequer returns of the financial year to date, and shows the respective shares of revenue and borrowing in meeting expenditure:—

£000		£000	
Total ordinary expenditure	1,071,241	Total ordinary revenue	319,158
New Shaking Funds	1,506	Loans raised:	
Loans repaid:		3½ Def. Loan 1934-38	45,731
4½ Conv. Loan	45	3½ Def. Bonds (net)	57,238
Public Dept. Advances	13,535	3½ Savings Bonds	129,675
Miscellaneous Issues (net)	1,277	2½ Nat. War Bds. 1940-48	201,400
		2½ Nat. War Bds. 1945-47	124
		Nat. Saving Certs. (net)	63,800
		"Other debt" (net)	10,304
		Floating debt (net)	
		Treasury Bills	
		Tap	145,358
		Tender	28,250
		Bank of England Adv.	89,500
		Treasury deposits	106
		Dec. in balances	
			1,000,611
			1,000,644

The items shown as net are given after allowing for repayments and receipts.

INSURANCE NOTES

Commercial Union.—In the life revenue account of the Commercial Union, extracts from which appear below, death claims display a marked rise; the statement circulated by the chairman (Sir Bertram Hornsby) explains, however, that the figure of £692,689 includes £50,221 due to enemy action and, even so, is within expectation:—

		Rise or Fall
New Business:—		
Net sums assured	£2,901,898	—£1,817,124 (38.5%)
Income:—		
Net premiums	£1,991,890	—£4,311 (0.2%)
Net interest	£819,509	—£49,302 (5.9%)
Outgo:—		
Claims by death	£692,689	+£146,305 (21.1%)
Claims by maturity	£965,017	—£2,469 (0.3%)
Surrenders of bonus	£172,899	—£58,119 (3.4%)
Commission and expenses	£223,104	—£16,159 (7.2%)
Commission and expenses — ratio to premiums	11.2%	— 0.8%

£171,920 has been written off securities in the life revenue account. The current bonus period ends on December 31, 1942; the question of interim bonuses is under constant consideration, and the directors hope to maintain the present scales for the remainder of the current year, at the same time reserving the right to change them at any time should circumstances so demand.

On a premium income which in the aggregate manifests but little variation, underwriting profits in the fire, accident and marine department exceed £1,000,000. In comparing these profits, however, with those for the previous year, allowance must be made for a change in accounting procedure; in 1939 Dominion, Colonial and foreign taxes were debited to underwriting, whereas in 1940 such taxes, amounting to £119,658, figure in the profit and loss account.

	Premiums	Rise or Fall	Underwriting Profits	Rise or Fall
Fire	5,554,418	+185,045	172,505	—190,108
Accident	7,533,871	—848,525	707,357	+256,303
Marine	1,337,716	+441,488	150,000	+75,000
	14,426,005	+21,992	1,029,862	+141,195

Fire business at home has been less profitable than for many years past, and in the United States, "despite a not unsatisfactory claims experience and a welcome reduction in the heavy burden of expense, the fire business left no margin of profit." The accident profit, although owing something to a substantial release of premium reserve, is exceedingly good; the American casualty account, which is handled by the "Ocean," again furnished satisfactory results.

Credit transfers to profit and loss, including net interest of £608,343, aggregate £1,664,088. Of this, Dominion, Colonial and foreign taxes, previously referred to, take £119,638; ARP expenses, freehold premises account and pensions £178,000, and income tax and NDC £356,156. Debenture interest requires £36,189. The dividend at the same rate as before costs £627,048; after providing for this and making a transfer of £335,000 to general reserve, the balance to be carried forward of £94,655 is higher by £12,056. The general reserve also receives a transfer of £114,391, representing accrued interest at December 31, 1940, an asset which apparently has not been taken credit for in the past; against these combined transfers of £449,391, the general reserve stands at £4,723,928, an increase of £162,695, the difference of £286,696 being mainly accounted for by losses sustained on the sale of certain United States railroad bonds. Assets in general are certified to be fully of the value stated taking into account the "provision for depreciation of investments," this presumably being an un-

defined part of the general reserve. There are additional reserves of £7,704,383 in the fire and accident funds.

Alliance Assurance.—Unfavourable mortality was experienced by the life department of the Alliance in 1940, the strain on the fund—the actual claims less the reserves held against the lives in question—being £45,000, against a mortality profit of £86,000 in 1939; these figures were quoted by the chairman (Mr. Lionel N. de Rothschild) in his address to the shareholders, but the extent to which the war has been responsible for the adverse results was not indicated. Extracts from the life revenue account are given below:—

		Rise or Fall
New Business:—		
Net sums assured	£1,226,174	—£1,568,053 (56.1%)
Income:—		
Net premiums	£1,431,185	—£54,865 (3.8%)
Net interest	£801,872	—£80,766 (9.1%)
Outgo:—		
Claims by death	£1,173,322	+£202,066 (17.3%)
Claims by maturity	£818,053	+£38,466 (4.7%)
Surrenders of bonus	£189,047	—£114,039 (6.0%)
Commission and expenses	£140,503	—£5,473 (3.9%)
Commission and expenses — ratio to premiums	9.8%	—

The fire account of the Alliance includes much of the "cream" of the business available at home, and even in a generally bad year registers a profit of over 10 per cent; the rise in claims is attributed in the main to an unprecedented number of losses caused by burst water pipes, a risk which is covered under comprehensive policies on private households. The experience of other offices will have prepared shareholders for a sharp drop in accident premiums, owing to

(Continued on page 19)

Investment

Short Money and Stock Values

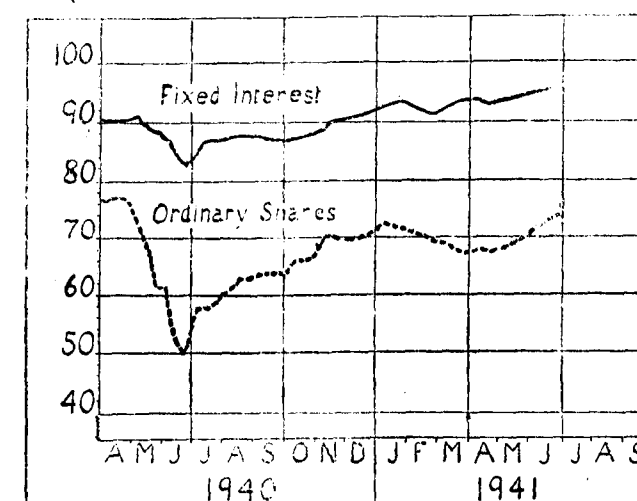
Despite uncertainty, both as to the progress of the Russian conflict, and as to the Government's intention with regard to the possible replacement of the existing "tap" issues of National War and Savings Bonds, the market recovery was continued until Wednesday when a technical reaction set in. The indices of *The Financial News*, and the figures selected from *The Actuaries' Investment Index* show the Funds at a new peak for recent years, fixed interest, in general, fully up to their best, and industrial equities still making very good progress, after more than two months of recovery. The marked fall in yields in the last section arises in part from lower dividends on gas, oil and iron and steel shares, as well as from a general upward trend

stocks. This movement has been effected partly by the purchase of shares in concerns which had previously been avoided as being exclusively occupied on production for war purposes.

Moderation Probable

While the qualified success of Russia in resisting Germany may be accepted as the explanation of the maintenance of activity, it is doubtful whether the general background of price movements would have been very different had Germany not attacked that country, but had pursued instead her drive directly towards Suez. It is reasonably certain that the operative causes are still the search for means of maintaining net income, and the upward pull of a falling rate of interest. There is considerable doubt how far the movement owes anything to the possibility that the Treasury will take drastic measures to reduce

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



ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Yields per cent.		
	April 30, 1940	Jan. 28, 1941	May 27, 1941	June 24, 1941	April 30, 1940	May 27, 1941	June 24, 1941
Fixed Interest							
2½ Consols	132.2	137.5	139.6	142.6	3.37	3.20	3.13
Home Corpn. (4)	128.2	128.3	134.4	135.3	3.63	3.47	3.44
Total Ind. Debt. (43)	111.4	108.2	111.5	111.2	4.25	4.29	4.23
Total Ind. Pref. (101)	97.1	90.9	92.3	93.4	4.66	4.94	4.90
Ordinary Shares							
Aircraft (5)	55.9	47.5	48.7	50.1	10.73	11.90	11.65
Building Mats. (6)	49.2	62.3	60.5	63.6	9.39	4.78	4.64
Coal (8)	94.5	70.6	69.6	74.4	6.06	8.17	7.53
Gas (8)	82.1	61.2	52.8	53.5	5.75	7.05	6.53
Iron and Steel (18)	54.7	49.2	46.6	50.3	6.72	7.14	6.71
Oil (4)	69.5	49.6	41.7	45.3	7.05	5.44	4.25
Total Productive (99)	62.0	54.7	52.5	54.7	6.19	6.36	6.03
Home Rails (4)	56.9	35.1	32.6	35.6	5.21	9.19	8.16
Miscellaneous (20)	58.1	53.5	53.4	53.6	5.20	5.62	5.40
TOTAL INDUS-TRIAL (159)	58.0	50.8	49.2	50.6	5.98	6.29	6.04

in quotations, even in these industries. If business is not quite so brisk as it was some days ago, this is due mainly to a reduction in the frankly speculative buying of developing kaffirs. With this exception, there has been some widening of the basis, including a spread into the high-yielding, lesser known industrials to which attention was directed in *The Economist* last week. Taking the month as a whole, the feature has been the renewed rise in the Funds, accompanied by a relative neglect of fixed-interest securities junior to corporation and Dominion loans, resulting in a widening in this particular yield margin, and a reduction in the yield margin between equities and any class of fixed-interest

still further the rate which it pays for short-term loans. In the more extreme form such a policy seems to invite trouble out of all relation to the benefit to be gained. To suggest a halving of all short-term rates would mean an adjustment downward of all long-term charges, which, it seems, would adversely affect the savings campaign. Whether this happened or not, it would markedly affect all long-term yields, for it would greatly widen the margin between the return obtainable on the old longer-dated Government stocks, and those on current offers, including the rate paid on Post Office deposits. A less drastic, and much more probable variant would affect longer-term rates

INSURANCE NOTES

(Continued from page 18.)
the loss of Continental business and to the laying-up of cars; the very satisfactory underwriting result includes a small profit on the motor section, which has shown a considerable improvement. Marine premiums advanced strongly in keeping with the general trend:—

	Premiums	Rise or Fall	Underwriting Profits	Rise or Fall
Fire	2,175,619	—20,790	242,350	—183,413
Accident	1,205,205	—166,435	134,744	+26,492
Marine	951,675	+369,103	74,223	+56,562
	4,332,499	+181,878	451,317	+100,359

Profit and loss account receives credit transfers of £827,180, including net interest of £287,958. Expenses not charged to the underwriting accounts and various other items, including £50,000 for pensions, take £195,624, and profits taxes £165,604. £100,000 is being utilized to form a reserve for contingencies arising out of the war. The dividend is maintained at the same rate as last year. The profit and loss balance, before making provision for the final dividend,

is £1,114,812, a reduction of some £36,000 on the figure brought in, but the chairman indicated that the final dividend will cost some £63,000 less than last year, so that the balance remaining will be slightly larger than the corresponding balance a year ago. In the balance-sheet, the paragraph of the directors' certificate applying to the life accounts states that book values of Stock Exchange securities exceed market values by an amount which is less than 2½ per cent of the total assets of the life accounts, but gives no information regarding the values of the other assets; in the other accounts the assets are certified to be, in the aggregate, fully of the value stated. In addition to the balance of profit and loss account and to the reserve for contingencies arising out of the war, referred to above, there is a general reserve of £1,900,000, as well as additional reserves in the fire, accident and marine funds totalling £3,740,000.

Standard Life.—Extracts from the life revenue account for the year ending November 15, 1940, are set out below.

Despite the fall in new business, premium income is well maintained, and the rate of interest remains remarkably high at a net figure of £4 8s. 4d. per cent. Death claims are lower notwithstanding the inclusion of £50,000 due directly to enemy action:—

		Rise or Fall
New Business:—		
Net sums assured	£2,244,913	—£1,785,495 (44.8%)
Income:—		
Net premiums	£2,569,691	+£27,478 (1.1%)
Net interest	£1,306,363	+£25,184 (1.9%)
Outgo:—		
Claims by death	£802,658	—£85,587 (10.7%)
Claims by maturity	£474,291	+£33,891 (7.4%)
Surrenders of bonus	£380,146	+£38,543 (10.1%)
Commission and expenses	£268,888	—£40,169 (13.4%)
Commission and expenses — ratio to premiums	10.5	— 1.7%
Consideration for annuities	£348,877	+£262,241 (75.2%)
Annuities paid	£584,201	—£11,024 (1.9%)

The life assurance and annuity fund has increased from £29,342,444 to £31,128,357. The chairman (Mr. H. A. Jamieson) stated at the annual meeting (Continued on page 29, column 2.)

only indirectly, through the usual machinery of encouraging banks, and other money houses, to take up a rather higher percentage of longer-dated securities. Since the banks' holdings of these are already unduly large, owing to the fall in advances, such a policy will meet with some resistance, and the effects of the change can easily be exaggerated. It is, however, very probable that the rise in long-dated Government stocks, which has been in progress for many months, will continue for other reasons, and it is only in so far as the recent movement has been based on exaggerated expectations of the effects of a further development of the cheap-money policy that it should be distrusted.

Australasian Investments

Since the war began, investors in Australasian securities have been little more immune from wartime disturbances than those whose holdings are exclusively at home. At the start, the outlook was extremely uncertain, but the situation was improved by the agreements to purchase staple products and the picture conjured up of an accumulation of vast sterling balances to be used for large-scale repayments or purchases of Government debt in this country. By this spring, the situation has been so far reversed by the demands of Australia for the raw materials to expand war-time industry and by shipping difficulties that the British Treasury thought it well to accord to the Commonwealth conversions the same support given to those of home corporations. Unfortunately, the shipping position has deteriorated further and, were it not for the new agreement, described on page 11 of this issue, the position of Australian balances might have given cause for anxiety, while the return of New Zealand to a healthy position would have been placed in jeopardy. The investment implications must await the working out of the scheme; but the main outlines are clear. Sterling payments by the British Treasury will remove all doubt of adequate funds to meet debt service, unless the shipping position grows much worse, and this should tend to accentuate the steady rise in the prices of the loans of the Commonwealth and the Dominion. Investors in manufacturing industry in the Commonwealth have had no cause for anxiety, but those in pastoral and land companies were less fortunately placed. It would seem that, if the new policy is a success, it should improve their position considerably, both by giving the producer an assured sale, at reasonable prices, during the war and by extending his market and leading to some modernisation of his product which may stand him in good stead over a longer period.

Company Notes

Elder Dempster Results

In common with other shipping concerns, the gross revenue of the operating company, Elder Dempster Lines, showed a substantial improvement in 1940, from £855,156, before expenses of £158,619, to £962,495 after expenses. Much of the increase is, of course, absorbed in income-tax and EPT, the provision for which has jumped from £150,000 to £425,000. Fleet depreciation remains at £300,000; in 1939 there was an additional allocation of £15,000 against German assets. Thus, the dividend, which is raised from 9 to 10 per cent, is covered by a rate of 16.4 against 13.0 per cent, and the allocation of £75,000, against nil, to general reserves permits a rise in the entry forward from £245,578 to £255,598. The holding company, with a net income from dividends of £136,533 for the year to June 15, 1941, against £144,907—there is, of course, again no dividend from the Belgian holdings—has raised the payment on ordinary shares from 8 to 9 per cent. The margin of cover, at £130,453, is extremely narrow for a payment absorbing £129,871, but the position shows some

improvement on that of the previous year, when the 8 per cent payment was supported by a rate of earnings of only 7.9 per cent. The directors state that general investments, standing in the balance-sheet of the holding company at £172,687 at cost, have, apart from the Belgian holdings, a market value in excess of book value. The balance-sheet of the operating company shows a substantial fall in the value of fleet at cost, after depreciation of £300,000, from £2,213,000 to £1,553,000, due in part to enemy sinkings. Against this, the company holds reserves of £1,693,000, of which £302,600 is, however, represented by reserve for fleet replacement in terms of the Government tonnage scheme, and is not yet available for the company's use. The company has invested some £1,167,000 in British Government securities at cost during the past year, while cash holdings are some £63,000 higher at £419,590. The jump in debtors from £295,000 to £1,868,000—a rise which exceeds the increase in creditors including taxation, and net receipts in open voyage accounts by some £340,000—is probably to be explained by sums owed on Government account. The whole of the company's fleet has, of course, been under Government requisition since mid-1940, and the directors do not expect that profits will be fully maintained during the current year. The £1 shares of the holding company, at 25s. 9d. ex dividend, yield £6 19s. 10d. per cent.

Ironfounders' Recovery

The full accounts of Allied Ironfounders for the year to March 31st last show a very minor rise in total income from £113,677 to £114,853, and a rather larger one in the main contribution to this total, namely, dividends from the operating concerns. Since these amounts are after tax in each case, they conceal a much more substantial recovery in earning power, and it is possible to raise the dividend on the ordinary capital from 5 to 6 per cent after providing the preference payment and placing £25,000 to income-tax reserve, in itself an indication that profits are expected to be fully maintained. A year ago, there were no reserve allocations, but the addition to the carry-forward was substantial. The table below summarises the position during the past three years:—

	Years to March 31st.		
	1939	1940	1941
Total revenue.....	203,389	113,677	114,853
Directors' commission ..	4,961	2,811	2,827
Obsolescence and Depen.	20,000		†25,000
Preference dividend	50,476	41,773	36,019
<i>Ordinary Shares:</i>			
Earned	127,952	69,093	51,007
Paid	109,256	53,372	50,639
Earned %	10.5	6.5	6.0
Paid %	9	5	6

Contingencies

Carried forward†	15,000	160,918	178,197	179,617
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† Income Tax Reserve. ‡ After crediting £1,558 in 1940 and £1,052 in 1941 for refund of income tax

The group specialises in light castings, and has, in consequence, not found it easy to replace by Government work the heavy fall in orders resulting from the collapse of new building. In his speech accompanying the report Mr A. W. Steven, the chairman, refuses to make a forecast, but sees in the progress of the past year reasonable grounds for expecting even better things during the current period. The consolidated balance sheet shows that depreciation has exceeded additions to plant, and this, with the transfer to reserve, has improved the cash position. Work in progress is down on the year, but total liquid assets show a rise of some £157,000 against an increase in creditors of £110,000. The balance sheet still contains an item of some £320,000, representing the goodwill element in the original purchase price of the operating concerns. The price of the £1 ordinary shares is 16s. 10½d. ex dividend, offering a yield of £7 2s. 2d. per cent.

Distillers' Profits

The preliminary statement of Distillers, for the year to May 15th last, shows a fall in net profits—after tax, contingencies, directors' fees, debenture interest and an unspecified sum written off buildings and investments—from £2,399,467 to £2,110,936. In the previous year, the amount written off investments and fixed assets was disclosed as £29,374. The distributable surplus is increased,

in the year to May 15, 1941, by the inclusion of £78,137 over-provided for ordinary distribution in the previous year. Thus, it is probable that the reduction in equity earnings is moderate. The dividend is maintained at 16½ per cent, paid in 1939-40 on the ordinary capital after a 40 per cent scrip bonus, and the carry-forward is raised from £537,272 to £544,139 despite increased allocations to fire insurance fund and general reserve, from £100,000 to £225,000, and from £476,385 to £600,000, respectively. These results earned in a full year of wartime trading are highly satisfactory. The company was hampered last year by restrictions on distilling and by reduced retail sales in the home market. No information is yet available regarding the maintenance of exports to the United States, but it is probable that total receipts were up on the year and that higher taxation has been the main influence in restricting net earnings. The £1 ordinary stock, at 65s. ex dividend, yields £5 per cent.

Rubber Profits

The following analysis of the results of five leading rubber companies provides evidence of a further general and substantial improvement in profits last year. Of the five concerns included in the following table, all but two have interests located wholly or primarily in Malaya. *Sialang* is an important Sumatra company; *Grand Central* has no interests outside Ceylon. The results of the five companies tend to suggest that the past year has been more favourable for the Malayan concerns than for those situated elsewhere. None of the Malayan companies has failed to realise an improvement both in total profits and in equity earnings, and two of them, *Kepong (Malay)* and *United Sua Betong*, have raised dividends, from 11½ to 12½ per cent and from 12½ to 15 per cent, respectively. The setback to *Sialang* earnings is due mainly to a rise in NEI taxation, but estate expenses and freight charges are also much increased. Gross revenue actually improved from £71,573 to £105,008. The reduction in equity earnings of *Grand Central (Ceylon)*, despite higher total profits, from £84,414 to £82,762, is accounted for by the allocation of £75,000 against nil to tax reserve.

Company (Years to December 31)	Total Profits	Earned for Ord.		Divi- dend	Present	
		Amount	Rate		Price Ex Div.	Yield
	£	£	%	%	£1 Shares	£ s. d.
London Asiatic:						
1938	140,198	88,030†	13.1	10	2/9**	7 5 5
1939	171,463	84,765†	14.4	10		
1940	311,788	92,446†	18.7	10		
Kepong (Malay):						
1938	54,224	43,646	6.4	4½	2/10½**	8 13 11
1939	120,690	102,847	15.6	11½		
1940	259,959	120,391	19.9	12½		
Grand Central (Ceylon):						
1938	74,295	43,182	3.4	3	11/6	10 8 8
1939	102,160	84,414	7.2	5		
1940	171,061	82,762	6.5	6		
Sialang:						
1939	23,594	12,225†	4.1	4	9/4†	8 10 8
1940	30,458	13,319†	4.8	4		
1941	22,442	8,595†	2.9	4		
United Sua Betong:						
1938	150,829	129,077	17.5	12	43/9	6 17 1
1939	178,322	142,343	17.8	12½		
1940	317,311	198,823	29.2	15		

* Years to January 31. † After depreciation of investments.
‡ After amounts written off matured areas.
§ After estate expenses. ** 2s. shares.

The improved results for the past year have been based on a combination of higher selling prices and higher output for the second year in succession. In the majority of cases, these influences have been sufficient to offset the adverse effects of rising income tax and EPT, and rising freight and insurance charges. Despite the increasing use of synthetic products and the separation from German-controlled markets, absorption remains high in the countries to which producers still have access, and there is every prospect that the United States demand will increase still further in the coming year. Subject to the solution of shipping problems, shareholders may regard current prospects with temperate optimism. Yields range from £6 17s. 1d. per cent for *United Sua Betong* to £10 8s. 8d. per cent for *Grand Central (Ceylon)*.

English Sewing Cotton

The preliminary figures of English Sewing Cotton for the calendar year 1940 shows that revenue has been well

maintained. The net profit figure, after taxation, depreciation and fees, amounts to £205,812 against £214,329. Since the allocation to staff pensions is halved at £5,000, equity earnings are only moderately reduced from £154,329 to £150,812. With a repetition of the payment of a total 7½ per cent distribution on ordinary stock, the cover provided by surplus earnings, at a rate of 7.6 against 7.8 per cent, is extremely narrow. The position is, however, more satisfactory than in 1938, when the 7½ per cent ordinary dividend was only earned to the extent of 4.3 per cent and £50,000 was drawn from dividend equalisation reserve. In view of rising costs and taxation in 1940, the results must be considered highly satisfactory, but whether the level of net earnings and of dividends can be maintained in the current year is doubtful. It may be that demand will be maintained, but there is every possibility that charges against profits will continue to increase and no guarantee that these will be offset by a parallel rise in gross receipts. Further analysis of the position, however, must wait for the publication of the full accounts. The company's £1 ordinary stock, at 25s., offers the sound yield of £6 per cent.

Clan Line Earnings

Against the general trend of markedly higher earnings for both liner and tramp companies, Clan Line have suffered a fall in profit of £52,067 to £540,953 for the year 1940. This figure is after tax, which will doubtless account for most, if not all, of the decline, but does not explain the difference in the company's experience. The fall in earnings does not contain any immediate threat to the dividend on the ordinary shares, which is maintained at 20 per cent. The earnings percentage, which fell, with a break in 1937, from 94.0 for 1934 to 37.5 for 1939, probably dropped further last year. Possibly the anomaly will be explained in the report. Meanwhile the shares at 47s. yield £4 3s. 4d. per cent less tax, which suggests public confidence in a recovery in earnings.



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THE STOCK EXCHANGES

London

Note: all dealings are for cash

THE resistance of Russia against the initial German attacks, and the news from Syria continued to serve as a background to the investor's need for higher yields. Before the week-end, the high level of activity in the gilt-edged market, further stimulated by fresh rumours of an impending loan, rather over shadowed the activity of other markets, which, however, closed extremely firm, small price increases being general. Monday witnessed a good opening with considerable activity, but the less encouraging news from the Russian front led later to much quieter conditions, although the general tone in all sections remained extremely firm until Wednesday, when some falls occurred.

Gilt-edged issues finished well up at the week-end, while after increases of $\frac{1}{8}$ to $\frac{1}{4}$ on Thursday and Friday, $2\frac{1}{2}$ per cent Consols, $3\frac{1}{2}$ per cent Conversion and 3 per cent Local Loans all attained the highest levels since 1937. Monday witnessed a further upward movement with $2\frac{1}{2}$ per cent Consols, Local Loans and others rising $\frac{1}{8}$, and both War Loans, the $3\frac{1}{2}$ per cent Conversion Loan and a long list all up $\frac{1}{8}$. Tuesday's news, however, saw the movement come to a halt, $2\frac{1}{2}$ per cent Consols losing $\frac{1}{8}$, although $3\frac{1}{2}$ per cent Conversion and $3\frac{1}{2}$ per cent War Loan and Victory bonds rose a similar amount, prices otherwise remaining unchanged. The $2\frac{1}{2}$ per cent and 3 per cent India Loans which had opened the week with increases of $\frac{1}{8}$ to $\frac{1}{4}$ added $\frac{1}{8}$ on Tuesday while the $3\frac{1}{2}$ per cent failed to recover the previous day's loss of $\frac{1}{8}$. In midweek, prices were generally easier, selling being concentrated on undated Funds.

A certain amount of optimism animated the foreign bond market before the week-end, particularly the Far Eastern issues, outstanding among which were the Japanese issues, led by the 5 per cent and 6 per cent bonds of 1907 and 1924 before the week-end, while on Monday the $5\frac{1}{2}$ per cent 1940 Loan rose 3 points. Tokyo Corporation loans moved in sympathy, while South Manchurian 5 per cent and Chinese loans, especially the Boxer Loan, gained point increases. In the European issues, German 7 per cent Potash bonds were strong before the week-end, while Tuesday saw a revived interest in French railway issues. Brazilian loans dominated an otherwise quiet South American market, and both before and after the week-end Egyptian Unified strengthened a point on the Syrian news.

Before the week-end, business improved in the home rail market, GWR ordinary and Southern deferred gaining $\frac{1}{4}$ while LNER 4 per cent Debenture and 4 per cent 2nd Guaranteed rose by $\frac{1}{8}$. Monday saw a considerable increase in the volume of business, the main feature being the improvement in LNER senior stocks, while GWR and LMS ordinary advanced fractionally, and LMS 4 per cent guaranteed and 4 per cent preference and 1923 preference all added $\frac{1}{8}$ point. The following day, however, business was slight, and apart from small gains by LMS ordinary and 4 per cent debentures prices remained unchanged. In the foreign railway market, Argentine issues were in favour and fractional price increases were general. As elsewhere business slackened off on Tuesday, although there were a few upward changes in the price of B.A. Pacific issues, while Canadian Pacific ordinary recovered the previous day's loss of $\frac{1}{8}$ and the 4 per cent preference added $\frac{1}{8}$.

Towards the week-end, business in the industrial market lessened, but the general tone remained very firm. Interest continued to be taken in motor and aviation shares but at the week-end movements

were irregular, although later a firm tone developed with small price changes, except Raleigh Cycle Holdings, which are $\frac{1}{2}$ up on the week. Breweries, however, were a strong feature, Benskins rising $\frac{1}{8}$ and a further $\frac{1}{8}$ on Monday, while Distillers, Guinness and Barclay Perkins were all up on Friday. After closing strongly at the week-end, stores were firm, but on Tuesday both Woolworths and Marks & Spencer dropped slightly. Steel shares found steady support but price changes were very slight with gains and losses of a few pence over a wide field. Electrical equipment shares were quiet but steady, while Cable and Wireless preference shares were up $\frac{1}{8}$ on Friday but the ordinary lost $\frac{1}{8}$, recovering this loss on Tuesday. Textiles were strong, Coats, Bradford Dyers and Calico Printers finding support at the beginning of the week, while Courtaulds, after closing strongly at the week-end, dropped $\frac{3}{4}$ on Tuesday. Emmies found considerable support on Monday, but suffered a slight setback on Tuesday. Elsewhere, tobacco shares were firm, but, on Tuesday, BAT lost $\frac{1}{8}$.

In the kaffir market there was little business either before or after the week-end, due to the fact that Cape prices were not ex dividend until Tuesday. The week opened with some buying of Government Areas, Grootvlei and New State Areas. On the following day, business was on a larger scale, but losses predominated, Blyvoors, Libanon, Venterspost and Rand Mines all being quoted lower. The rubber market closed on a firm note. At the beginning of the week, turnover was small, but prices were held, while on Tuesday Bukit Rajah, Sungai Way and Sua Betong all improved. At the beginning of the week there was a good demand for tea issues, Jokai, Jorehaut and Singlo attracting attention. Oil shares were very strong at the week-end in the absence of sellers, but in the current week there has been a marked decline in interest, Shell Transport ordinary losing $\frac{1}{2}$ on Tuesday. There was general support for Canadian and Mexican Eagles.

"FINANCIAL NEWS" INDICES

1941.	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	30 Ord. shares.*	20 Fixed Int.†
June 26...	2,529	2,438	72.4	129.1	
" 27...	2,590	2,613	72.5	129.2	
" 30...	3,147	2,275	72.7	129.2	
July 1...	2,470	2,991	72.6	129.2	
" 2...	2,528	3,087	72.4	129.2	

* July 1, 1935 = 100. † 1928 = 100. ‡ 30 Ordinary shares, 1941: highest, 73.7 (Jan. 17); lowest, 69.8 (Apr. 24). 20 Fixed Int., 1941: highest, 129.3 (May 28); lowest, 126.1 (Jan. 2).

New York

BUSINESS on Wall Street was at an extremely low ebb both before the week-end and during the current week. Dealers were unwilling to enter into commitments without definite news on the progress of the Russo-German war. Opinion remained confused by the conflicting claims, and sentiment was also discouraged by the prospect of further heavy taxation. Fractional losses predominated in most sections, in particular among rail, chemical and motor issues. Steel stocks were also out of favour. In midweek, sentiment was again diffident, but toward the close a number of securities realised fractional gains.

The Iron Age estimates steel mill activity at 93.5 per cent of capacity against 100.5 per cent in the previous week.

New York Prices

Total share dealings: June 26, 530,000; June 27, 410,000; June 28, 140,000*; July 30, 270,000; July 1, 350,000; July 2, 350,000. * Two-hour session.

July 5, 1941

1. Railroads.	Close June 1941	Close June 1941	Close June 1941	Close June 1941
Balt. & Ohio.	24	30	24	30
Ill. Cent.	25	25	25	25
N.Y. Cent.	12	12	12	12
Norfolk Pac.	12	12	12	12
Pennsylvania	23	23	23	23
Southern	12	12	12	12
2. Utilities, etc.	156	156	156	156
Amer. Tel.	156	156	156	156
Amer. Wks.	44	44	44	44
Pub. Sv. N.Y.	21	21	21	21
8th Cal. Ed.	23	23	23	23
United Gas	61	61	61	61
3. Commercial and Industrial.	17	17	17	17
Amer. Metal.	17	17	17	17
Am. Roll. Ml.	14	14	14	14
Am. Smelting	41	41	41	41
Anacosta	27	27	27	27
Briggs	19	19	19	19
Celanese of A.	22	22	22	22
Chrysler	57	57	57	57
Curt. Wr. "A"	27	27	27	27
Eastman Kdk	133	133	133	133
Gen. Elec.	32	32	32	32
Gen. Motors	38	38	38	38
Inland Steel	73	73	73	73
Int. Harv.	49	49	49	49
Int. Nickel	25	25	25	25
Liggett Myers	86	86	86	86
Nat. Dairy	13	13	13	13
Nat. Distillers	20	20	20	20
Nat. Steel	53	53	53	53
Proct. Gamble	56	56	56	56
Sears Roebuck	71	71	71	71
Shell Union	14	14	14	14
Socony Vac.	9	9	9	9
Std. Oil N.J.	39	39	39	39
20th Cen. Fox	5	5	5	5
U.S. Steel	56	56	56	56
West. Hose. El.	93	93	93	93
Woolworth	29	29	29	29
Yngstn. Sheet	36	36	36	36

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1941	June 11, 1941	June 18, 1941	June 25, 1941
Low	Apr. 30	Jan. 15	June 11	June 18
High	Apr. 30	Jan. 15	June 11	June 18
347 Industrials	83.6	89.0	88.6	89.4
32 Rails	82.4	82.0	26.8	26.8
40 Utilities	67.0	78.7	70.7	70.0
419 Stocks	71.9	82.1	75.6	76.1
Av. yield*	6.80%	6.13%	6.50%	6.44%
	(c)	(d)	(e)	(f)

* 50 Common Stocks. (a) Jan. 22. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 28.

DAILY AVERAGE 50 COMMON STOCKS

June 19	June 20	June 21	June 22	June 23	June 24	June 25
97.5	96.3	96.5	98.3	97.6	97.6	97.8

1941 High: 105.80, January 10. Low: 90.70, April 30.

Capital Issues

Week ending July 5, 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.†	4,087,096	Nil	4,087,096
3% Defence Bonds (e)	3,305,785	Nil	3,305,785
24% Nat. War Bds.†(w)	27,050,000	Nil	27,050,000
3% Savings Bonds† (f)	5,127,000	Nil	5,127,000

† Week to June 24, 1941. Total sales, Nov. 22, 1929, to June 24, 1941, £316,568,608. (a) Total sales to June 24, 1941, £305,469,110. (b) Total sales to June 24, 1941, £208,291,372. (c) Total sales to June 24, 1941, £336,326,143.

Year	Conversions	Excluding Conversions
1941 (New Basis)	822,852,153	773,317,571
1940 (New Basis)	870,856,297	517,901,164
1941 (Old Basis)	821,893,735	772,539,240
1940 (Old Basis)	896,073,265	503,318,132

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
'41 (New Basis)	770,695,232	2,622,339	Nil
'40 (New Basis)	517,138,152	769,012	Nil
'41 (Old Basis)	770,039,240	2,500,000	Nil
'40 (Old Basis)	503,175,676	142,456	Nil

Nature of Borrowing (Conv. Excl.)

Year	Deb.	Pref.	Ord.
'41 (New Basis)	770,251,896	206,960	2,858,715
'40 (New Basis)	503,212,946	1,189,005	15,499,213
'41 (Old Basis)	770,039,240	Nil	2,500,000
'40 (Old Basis)	502,218,500	77,500	909,132

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

MUNICIPAL REPAYMENTS

Liverpool Corporation. — The £3,500,000 $5\frac{1}{2}$ per cent. stock 1941-61 is to be converted into £2,910,692 new $3\frac{1}{2}$ per cent stock redeemable 1968-78. The balance of £589,308 to be paid off from the sinking fund. Any stock not converted will be repaid in cash on October 1, 1941.

Birmingham Corporation. — The £3,000,000 $5\frac{1}{2}$ per cent. stock 1941-61 is to be repaid on October 1, 1941, out of existing resources.

July 5, 1941

THE ECONOMIST

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Industry and Trade

The Coal Problem

One of Sir Andrew Duncan's chief and most urgent tasks at the Board of Trade will be an expansion in the production of coal. More than 50 million tons of coal were exported or shipped for the use of steamers in 1937; it is doubtful whether the current rate of shipments exceeds one-third this quantity. True, home demand has risen, but the increase in urgent requirements has hardly offset the fall in shipments. But output has been allowed to fall to dangerously low levels. Stocks at vital establishments are running down. Ever since last March, the Government has drawn attention to the danger; but the position has not yet been remedied. No further time must now be wasted, for the winter is already looming ahead. If there is reason to believe that the Government's aim of increasing stocks by 20 million tons by the end of October cannot be realised through exhortation and the appeal for the return of former miners to the coal-fields, more drastic measures must be applied—such as the restriction of the use of coal to vital purposes and the recall of miners from the Services.

Wages and Hours in Food Distribution

The Retail Food Trades Joint Industrial Council has reached an agreement covering the wages, hours and holidays of over a quarter of a million people. It fixes minimum wages in the following trades: retail grocery and provisions, cooked meats and other cooked foods (excluding fried fish), fresh, cured, dried and smoked fish, game, poultry and rabbits, fruit, vegetables and flowers, and excisable liquor (off licence). It does not include butchering and bakery. As from July 27th, the minimum weekly rates of pay for branch managers and manageresses will vary from 70s. for men and 58s. for women in London, where the weekly trade is under £60, and 90s. and 78s., where the trade is £200, plus 1s. for every £10 of trade up to £350. There are two categories of provincial shops. In "A" shops earnings will be from 67s.-87s. for men, and 55s.-75s. for women, and in "B" shops 65s.-85s. and 53s.-73s. respectively. Minimum wages for shop assistants, warehouse staff, van salesmen, cashiers and clerks are, in London, 21s. 6d. for boys of 16, rising to 65s. at 25. In the provinces they are 18s. 6d.-62s. in category "A," and 16s. 6d.-60s. in "B." The corresponding figures for women are: 19s. 6d. at 16 to 43s. at 24 in London; provincial "A," 16s. 6d.-40s.; provincial "B," 14s. 6d.-38s. Other male workers have a starting rate about 1s. lower, and rise at 24 to a full rate, which is from 5s. to 7s. lower than those for the classes specified. These rates are for a week of 48 hours excluding meals, and subject to a daily allowance of not more than 30 minutes for clearing up. Overtime, which does not apply to managers and manageresses, is at the rate of time and a quarter. A week's holiday on full pay is provided for all employees, except managers and manageresses, who get a fortnight.

Clothes Rationing Changes

The Board of Trade has gone a long way towards rectifying those discrepancies in the clothes rationing scheme, which resulted from the impossibility of consulting the trade before its first introduction. The principal general change is the further subdivision of many groups, and in particular, the more general use of a distinction between woollen (defined as over 15 per cent wool), and other articles. This removes such anomalies as the requirement of the same number of coupons for a substantial short coat which is a real and important garment, and a "bolero" which may amount to little more than a flimsy bit of trimming. One of the most important changes is the reduction from three to two in the number of coupons required for children's footwear. All handkerchiefs under one square foot will be sold at the rate of four to a coupon instead of two, as hitherto, and single, small handkerchiefs may be used, like the packet of pins which used to do duty as a "farthing change," to make up broken units of coupons when cloth is bought by the yard. The table in the next column shows the changes.

CHANGES IN COUPON REQUIREMENTS					
MEN			BOYS		
Increase	Old	New	Increase	Old	New
Long-sleeved pullover	5	8	Long-sleeved jersey	3	5
Overall	6	7	Overall	4	5
Unlined woollen jacket or blazer	13	10	Woollen blouse	2	4
Unlined cotton jacket or blazer	13	6	Other blouse	2	3
Non-woollen dressing gown	8	7	Decrease		
Woollen shirt or combinations	8	7	Unlined woollen jacket or blazer	8	6
Non-woollen singlet	4	3	Unlined cotton jacket or blazer	8	4
Non-woollen pants with short legs	4	3	Non-woollen shorts	3	2
Bathing costume	4	3	Non-woollen dressing gown	6	5
Cotton socks	3	1	Woollen combinations	6	4
Plimsolls	7	4	Non-woollen combinations	4	3
Tennis shoes	7	5	Boots, shoes and plimsolls	3	2
WOMEN			GIRLS		
Increase	Old	New	Increase	Old	New
Winter overcoat	14	15	Long-sleeved woollen cardigan, jersey, etc.	5	8
Lined raincoat	14	15	Woollen blouse	3	4
Lined woollen or fur jacket	11	12	Overall with sleeves	4	5
Long-sleeved cardigan	5	8	Woollen combinations	3	4
Woollen blouse	5	6	Decrease		
Overall with sleeves	6	7	Unlined woollen jacket or blazer	8	6
Woollen combinations	4	6	Unlined non-woollen jacket or blazer	8	4
Unlined non-woollen (long) coat	14	0	Skirt, woollen	5	4
Unlined woollen jacket	11	10	Skirt, other	5	3
Unlined cotton or rayon jacket	11	6	Non-woollen shorts	3	2
Bolero	11	2	Non-woollen dressing gown	6	5
Non-woollen blouse	5	4	Boots, shoes, slippers, plimsolls	3	2
Blousette	5	2			
Skirt, woollen	7	6			
Skirt, other	7	4			
Non-woollen slacks	8	5			
Non-woollen shorts	5	3			
Non-woollen dressing gown	8	7			
Cam-knicker	4	3			
Suspenders	3	1			
Brassiere	3	1			
Bathing costume	4	3			
Plimsolls and heelless bedroom slippers	5	4			

Ribbon and elastic over three inches wide require coupons, as do also scarves and handkerchiefs to be worn on the head. There are a number of exemptions, including rubber aprons and gloves, household gloves of undressed leather, American cloth, butter muslin, buckram, anti-gas garments and feminine collars, cuffs and ties. Certain heavy furnishing materials are also exempt. The second-hand clothes "racket" is to be stopped. It has taken two forms: the selling of clothes which are not genuinely second-hand, and the charging of exorbitant prices. In future second-hand clothes above a prescribed price will require coupons, and no clothes can rank as second-hand unless they have been in the possession of someone other than the retailer. The question of knitting wool in the Service colours is still under discussion. Negotiations are in progress with the

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T.U.C. with a view to finding means of ensuring that dungarees and similar protective garments are not obtained coupon-free by anybody except workmen. Other difficulties arising out of the scheme are still receiving attention.

The Refugees' Contribution to Industry

The Christian Council for Refugees from Germany and Central Europe has published a pamphlet* describing the contributions which refugees are making to British industry. This contribution takes two important forms. In many war industries, their labour, often highly skilled, is proving very valuable, and employers, both in these industries and in agriculture, speak very highly of them and would be glad to employ more. As organisers of industry, they are also doing important work. Many of them applied for sites on trading estates established by the Government in depressed areas some time before the war, and most of them provided their own capital. Nearly a hundred such refugee undertakings, capitalised at over half a million pounds are now in existence, manufacturing, among other things, plastic goods, buttons, brushes, zip fasteners, gloves, Viennese leather goods, leather belting, knitted wear, silk, printing, cigarette paper, booklets and boxes, and electric batteries and torches. Many of their products are lines new to this country, for which the refugees have a ready market among customers with whom they had established connections before they left their own country. In this way, they have contributed to the reduction of unemployment among British workpeople and to the expansion of British export trade. Refugees are also responsible for numerous enterprises outside the Government trading estates. Their activities include the manufacture of toys, glass and optical glass; fur trimming and dyeing; and a flourishing plywood and veneer industry on Tyneside. Already these refugee industries employ between 20,000 and 30,000 British workers, and as many others are only awaiting the opportunity to start, it is hoped that they will be able to contribute to the solution of the post-war employment problem by increasing this number to 100,000. The story of these refugees and their work is an eloquent commentary on the wisdom of a liberal policy towards friendly aliens.

Rubber and Tin Under Control

Since the beginning of last week, the international rubber market has virtually ceased to function. On June 23rd,

* *The Refugees and Industry*. Bloomsbury Street, W.C.1.

COMMODITY AND INDUSTRY NEWS

A POINT of interest in the commodity markets has been the rise in prices of pepper. The spot price of white Muntok was 13½d per lb. on July 1st, and Lampong black, spot, was 8d per lb. These prices compare with 12½d and 7½d on May 30th. The increased demand for pepper for preservative purposes and a fear of control appear to be the causes of the rise.

Tin prices have suffered a further setback during the week. Standard cash closed at £256 10s-15s per ton on Wednesday, compared with £259 10s-15s a week ago. The forward quotation was £260 15s-£261 per ton against £262-£262 5s.

Raw Cotton Prices.—When the Liverpool cotton market was closed on March 31st last the Cotton Controller fixed prices for raw cotton at the official maximum rates for that day in Liverpool. A little later it was announced that there would not be any change before July 31st and that the Controller would endeavour to give one month's notice of any alteration. This week, he announced that prices will remain unchanged up to October 31st. This decision has been reached despite the fact that values in the New York market during the last three months have risen by about 2d per lb. Spinners of yarn who have been given nucleus status under the concentration of production scheme are now able to accept orders for delivery up to October 31st. The Controller hopes that licences to use raw cotton for August and September will be approximately at

the same rate as for July. These decisions have given considerable satisfaction to the trade and should result in more business being done. During the last few weeks' trading has been restricted owing to the uncertainty which has prevailed.

Cotton Concentration.—The Board of Trade have approved the scheme submitted to them by the Cotton Board for dealing with the cost of care and maintenance of spinning mills stopped under the concentration of production scheme. The amounts paid by running mills will be deducted from tax liability and the amounts drawn by stopped mills will be treated as trading receipts. It is estimated that the maximum rate of maintenance of a closed mill of 100,000 spindles will be £7,000, or equivalent to 1.4d per month for each spindle. From running mills, it is proposed to collect contributions at the rate of 1d per spindle per month for the months of April, May and June and contributions are not likely to exceed 1.455d per month for each spindle. The cost to running mills has been criticised in some quarters, but it is expected that margins of spinners will be improved, owing to the transfer of orders and operatives from mills that are stopped. The amounts granted to closed mills will vary according to any earnings which result from rental for sub-letting and storage or requisition.

Oils and Fats Prices.—There is only

the United States Rubber Reserve Company became the sole importer of rubber into the United States. All its purchases will be made at a price of 18½ cents per lb., free on board at an Asiatic port. Simultaneously, steps have been taken to reduce crude rubber consumption from its recent annual rate of 817,000 tons to one of 600,000 tons, by allowing consumers to use only a certain percentage—still to be fixed—of their past intake. The New York rubber market, after closing temporarily on June 23rd, has limited its business to the winding-up of old contracts. The fall in the London cash tin price from £270 per ton at the middle of last month to £256 early this week indicates that market operators expect the Government of the United States to take similar steps.

Ever since the fall of France, the menace of a possible war in the Pacific has played a predominant part in America's raw material policy. Steps were taken last summer to accumulate huge Government reserves of tin and rubber, two raw materials in which the United States is totally dependent on imports, chiefly from British Malaya and the Dutch East Indies. The necessary agreements, covering 75,000 tons of tin (just extended to 112,500 tons) and 330,000 tons of rubber (increased earlier this year to 430,000 tons), provided for purchases on the open market by the newly-formed Rubber Reserve and Tin Reserve Companies respectively. For tin the maximum price was fixed at 50 cents per lb., c.i.f. American ports, and for rubber at 20 cents per lb., c.i.f. American ports. The international regulation committees for tin and rubber with whom the United States reserve agreements have been concluded, agreed to release the tonnages required by raising their export quotas. But the introduction of minimum prices has not succeeded in stabilising the market prices, for the danger of a Pacific clash—the very reason for the accumulation of stocks by the United States—induced private consumers to raise their demand. The prices of the two materials have throughout the past five months been kept above the levels at which the American Rubber and Tin Reserve Companies are allowed to place contracts. As a result, their accumulation of stocks has fallen into arrears, and by the end of June only about 36,000 tons of tin and 200,000 tons of rubber—in each case less than half the final aim—were actually received. The introduction of import and consumption control should speed up the accumulation of Government stocks, and tend to stabilise prices, for the British and American Governments—the chief buyers of rubber and tin—are in agreement on policy and unlikely to compete with each other.

one alteration in the schedule of maximum prices of controlled oils and fats allocated to primary wholesalers and large trade users for the five weeks ending August 2nd. This is mixed soft acid oils, the price of which is raised by £1 to £19 per ton naked, ex store.

Raw Cocoa Controlled.—The sale or purchase of raw cocoa beans held or stored in the United Kingdom is prohibited except under licence by an order of the Minister of Food which came into force on June 23rd.

Fertiliser Distribution.—Arrangements have been made under the Control of Fertilisers (No. 12) Order, issued by the Ministry of Supply, for the controlled distribution next season of phosphate fertilisers, including basic slag, and of potash fertilisers. Potash is restricted in its use to potatoes, carrots, onions and flax, and maximum dressings per acre have been laid down. The Fertiliser Control is to set up a trade liaison with the County War Agricultural Executive Committees in order to facilitate the distribution of all fertilisers. Encouragement is given to farmers to order sulphate of ammonia early to avoid delays next spring by the special Government distribution allowance of 28s per ton on orders over 2 cwt. received by a producer during July. Before deducting the 28s allowance, prices will be the same as last year, beginning at £9 10s per ton for minimum 6-ton deliveries and increas-

(Continued on page 29)

COMPANY MEETINGS

FRIENDS' PROVIDENT AND CENTURY LIFE OFFICE

SPECIAL DIFFICULTIES SURMOUNTED

MR. HUGH E. SEEBOHM'S STATEMENT

The annual general meeting of the Friends' Provident and Century Life Office was held, on 2nd instant, in London.

Mr. Hugh E. Seebohm, J.P. (chairman), submitted a statement, of which the following is a summary:—

I propose to follow the example of other chairmen and make available in print with the annual report and accounts the remarks which I should in the ordinary course have made to the assembled members. They can then all be taken as read and the business of the meeting be merely formal.

NEW BUSINESS

The new life assurances effected by the office and its two associated companies, the Century Insurance Company and the English Estates Assurance, amounted to £1,393,793, compared with £2,123,575 for 1939, a reduction of 34 per cent.

The consideration for annuities granted was £453,808, as compared with £594,080.

New sinking fund assurances were granted in the Friends' Provident and the Century together for £223,392, compared with £360,264.

LIFE AND ANNUITY REVENUE ACCOUNT

Notwithstanding the reduction in new life business, the annual premiums showed a slight advance, which may be taken as a tribute to the general determination of our members to maintain their life assurances, a more valuable protection than ever.

The reduction in new business also contributed to a fall in the ratio of expenses.

As members are aware, we have always been proud of our excellent mortality experience, but the profit from this source was severely reduced in 1940 by a strain of £30,000 in respect of persons killed as a result of enemy action. There still remained, however, a small profit, and the relation of the amounts of actual to expected claims was 83 per cent. after inclusion of the war claims.

The rate of interest earned was reduced to £4 9s. 5d. per cent. before, and £3 4s. 1d. per cent. after deduction of income-tax. It should, however, be explained (as I have explained before) that if the alternative method adopted by many offices of applying the income-tax deducted from payment of annuities to the improvement of net interest income were used the net rate would be £3 18s. per cent.—that is, 13s. 11d. more than the rate for which we have taken credit.

INTERIM BONUS

In view of the special difficulties of the present time, the directors have reconsidered their policy in regard to the payment of interim bonus to with-profit policyholders. They have decided to continue to pay interim bonuses in respect of each premium due and paid for the years 1935-39, but to cease to pay interim bonus in respect of premiums due and paid for 1940 onwards.

The profits now being earned are so much affected that it is not deemed prudent to allocate part of them to the provision of interim bonus in respect of war years, but to reserve the whole of the profits becoming available towards meeting the various war costs, including special taxation, war damage contributions, war claims, and possible further depreciation.

Serious although the effects of the war have been upon the well-being of life offices, the directors feel that, in many respects, we have fared relatively better than might have been expected. Our business has withstood its special difficulties so far as they have yet revealed themselves, and this success gives us hope and courage to face the problems which are yet to come.

Mr. Robert H. Marsh, F.C.A. (deputy chairman), seconded the adoption of the report, which was carried unanimously.

CABLE AND WIRELESS (HOLDING), LIMITED

LORD PENDER'S STATEMENT

The twelfth annual general meeting of Cable and Wireless (Holding), Limited, was held, on the 30th ultimo, at the Incorporated Accountants' Hall, Victoria Embankment, London, the Rt. Hon. Lord Pender (the governor) presiding.

The secretary (Mr E. K. Jenkins, M.C., F.C.I.S.) read the notice convening the meeting and the report of the auditors.

The following are extracts from the governor's statement, which was circulated with the report and accounts:—

The report and accounts deal fully with the financial position of the Holding Company and there is, I feel, very little that I can add as useful comment or explanation regarding the year under review, except to remark generally upon certain matters concerning the investments of the group.

PROBLEM OF REINVESTMENT

You will recall that last year I referred to the powers conferred on the British Treasury to requisition certain American and other securities, and I foreshadowed that further lists of such requisitioned securities would appear from time to time and that these transactions would naturally have an effect on the investment income of the companies in our group. In the year under review four such lists were issued, while since the end of 1940 a further two lists have appeared.

This requisitioning of comparatively high-yielding holdings, at a time when suitable stocks affording a moderate return have been in increasingly short supply, has presented investors, and particularly institutional investors, with a difficult problem as regards reinvestment. The necessity to support the war effort to the greatest extent possible, on terms which quite rightly demand the acceptance of a very small return, is another factor involved in this problem.

As regards the investments as a whole, the past year has witnessed some recovery in prices generally. The market for high-class fixed-interest-bearing stocks has continued strong, the rise in British Government securities being outstanding. On the whole, the experience of the holder of the leading Ordinary shares has not been so satisfactory, as increased income-tax, a 100 per cent. excess profits tax and limitation of supplies for civilian consumption have all tended to increase the hazards for equity holdings and to remove any prospect of recovery in the near future. I must point out that at the present time we have no knowledge of how the excess profits tax will affect your companies.

VALUATION OF INVESTMENTS

You will see from the report that the reserve fund investments, having a book value of £13,725,845, were valued at December 31st last at £11,150,093, thus showing a depreciation of £2,575,752, or 19 per cent., as against 17 per cent. at the end of the previous year.

The income from investments received in 1940 amounted to £540,234, which compares with £547,572 in the previous year.

In view of the nature of the duties upon which this great group of companies is engaged, the stockholders will appreciate that in the existing circumstances it is not possible for me, as was customary in normal times, to dwell in detail upon its worldwide activities, but I would like to add a word in recognition of the admirable work on the part of the staffs concerned. Apart from the difficulties and strain endured by all under present conditions, they carry on cheerfully and resolutely, even at times in the face of personal danger. Whatever the conditions and wherever they are, their work goes on.

My address to you is once more made under the shadow of war. For this reason I know you will not expect me to make any forecast concerning the results of the present year, a course which even in normal times is fraught with difficulty. Suffice it for the present that the associated companies are making no mean contribution to the national effort and playing a part we hope in the realisation of a new era when oppression and aggression are spectres of the past and sanity prevails in the counsels of all men.

The report and accounts were unanimously adopted and the dividend recommended was approved.

"SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

VISCOUNT BEARSTED'S STATEMENT

The annual general meeting of the "Shell" Transport and Trading Company, Limited, was held, on the 1st instant, in London, the Right Hon. Viscount Bearsted, M.C., the chairman and one of the managing directors, presiding.

The following are extracts from a statement by the chairman circulated with the report and accounts:—

The investments show a decrease of approximately £700,000, but the cash, on the other hand, shows an increase of some £1,450,000. This item has since been reduced by investment in Government loan. It will be noted that as for many years past the financial strength of the company has been maintained.

Again this year it is impossible for me to give you any indication of the present trend of the earnings of the companies in which we are interested. More markets have been closed to trade and to the list to which I referred last year must now be added Roumania, Bulgaria, Yugoslavia, and Greece. Again, in these latter countries, destruction of stocks and property must have taken place.

We are still without information as to the extent of damage caused to our property in any of the occupied territories, but we fear it must be considerable. Hence the need for a cautious policy in the part of the operating companies.

Turning now to the United States of America, operations during the year under review have, of course, been largely dominated by the war. The increase in demand for petroleum products as a result of the National Defence programme has required considerable expansion throughout the industry. The industry is in an excellent position to cope with any demands which may be made upon its resources, and I am pleased to record here that Shell Union is playing its full part in this development.

Statistically, the year was noteworthy for the fact that record levels were obtained in the volume of crude oil produced, amounting to some 1,352,000,000 barrels for the year, or about 6.9 per cent. above 1939, in refinery operations, and, despite reduced export business, in the total demand for crude petroleum and its products.

A noticeable feature of the year has been the decline in flush production of the Illinois fields, which, as I mentioned last year, was then tending to become a serious threat to market stability. Although a number of new fields were found during the year, there was no discovery of outstanding importance.

Generally, crude oil producers in the major producing States have kept well in line with pro-ration requirements; as a result total crude stocks, after increasing by about 24,000,000 barrels during the first eight months of the year, mainly due to excess output in Illinois, have shown no important change since August.

Demand for motor fuel reached a new peak in 1940 of 589,424,000 barrels, or an increase of 6.1 per cent. over 1939, largely as a result of which stocks at the end of the year were only slightly higher than at the end of 1939. Although during the first quarter of 1941 the usual increase of stocks occurred in anticipation of summer demand, withdrawals this year have been at a much faster rate than during the corresponding period last year, and the statistical position to-day is measurably stronger.

The report and accounts were adopted.

KEPONG (MALAY) RUBBER ESTATES, LIMITED

BURDEN OF TAXATION

The thirty-sixth annual general meeting of this company was held, on the 30th ultimo, Sir Francis Voules, C.B.E. (chairman and managing director), presiding.

The chairman, in the course of his speech, said: The better price and larger output have resulted in a profit of £253,151 15s. 1d., which, after providing £130,881 9s. 6d. for taxation, has enabled us to set aside £25,500 to reserve and to recommend a final dividend of 7½ per cent., less income-tax, thus making a total distribution of 12½ per cent., less tax, for 1940, which compares with 11½ per cent., less tax, paid for 1939.

We are producing rubber at the rate of 1,100,000 lb. every month. As rubber is a wasting asset this production is on an

uneconomic basis from the stockholders' point of view, and is mainly to satisfy the Government's requirements: in fact, we are not only paying the greater part of the profit on our rubber sales in taxation but we are mortgaging our future. It seems to me only right that the Government should recognise the sacrifice we shareholders in rubber-producing companies are making in aid of the war effort, and some additional relief should be granted, to be treated as an advance repayable by the Government after the war without interest.

It is quite true that the company have been allowed to replant their older areas, but this rubber will come into production at a time when it is quite probable that demand may be less than the supply.

The report and accounts were unanimously adopted.

VIROL, LIMITED

DEMAND EXCEEDS RESTRICTED SUPPLIES

Speaking at the forty-first annual general meeting of Virol, Limited, held in London on 2nd instant, Lord Luke (chairman) referred to the difficulty of carrying on business in these times. In the case of Virol, or any other product made up of many ingredients, there might be a full supply of some part of the product and yet a shortage of one or more ingredients needed to make up a well-balanced food.

Some of his hearers, continued Lord Luke, might have played draughts and, at the end of serious games, decided to reverse the scheme and see who could get first off the board. It soon appeared that this game required nearly as much thought and skill as the other, and that was just what was happening in many long-established businesses to-day. Virol and Bovril and other old favourites were wanted by consumers in ever larger quantities, but they could not be supplied. Makers could not meet anything like the demand, and salesmen had to develop a new technique—that of rationing the shops in the hope that they also might see that their old customers got a fair share. This was more difficult than the reversed game of draughts, but shopkeepers were patiently doing their best with a very difficult job and were, on the whole, giving wonderful satisfaction.

A large quantity of the Virol sold went out carefully regulated through the Public Health authorities; the remainder through the chemists into homes, where young people ought to have the first claim on it. The company did its best to treat all chemists with equal consideration, and much appreciated their forbearance in the present difficulties.

NIRMALA (JAVA) PLANTATIONS AND LANDS COMPANY, LIMITED

DIVIDEND POLICY

The annual general meeting of the Nirmala (Java) Plantations and Lands Company, Limited, was held, on the 27th ultimo, in London.

Mr Walter Hilliers, the chairman, said: The profit under normal conditions would be sufficient for a fair dividend on the Ordinary stock. Unfortunately, there is uncertainty as to when remittances will be permitted from Java, and the directors are of opinion that the resources on this side should be retained and the question of dividend reconsidered as soon as possible. They hope it will not be long.

After allowing for the Preference dividend there remains £19,144, from which we allocate £2,000 to taxation reserve and £500 to staff furlough fund, leaving £16,644, against £10,984 last year.

The average selling price of rubber, 8.63d., is net in godown Java. If the export duty is taken into consideration the selling price works out at fully 1d. per lb. more. The same applies to forward contracts, and as the conditions free the company from shipping, freight, and insurance, the price must be considered advantageous.

As regards tea, the year was difficult and unfavourable, prices having been unprecedentedly low for the greater part of the time. Prospects for the current year are considerably better.

The Preference dividend for the half-year to June 30th will be paid on that date.

TANAH DATAR RUBBER ESTATE, LIMITED

INCREASED OUTPUT AND PROFIT

The twenty-ninth annual general meeting of Tanah Datar Rubber Estate, Limited, was held, on 25th ultimo, in Oxford.

The chairman, Mr. W. Arthur Addinsell, said in the course of his address: You will have noticed a change in the form in which the balance sheet is presented. The re-grouping of items enables the total of fixed and liquid assets to be seen at a glance. I would call your special attention to the current assets, £34,187, compared with liabilities of £4,343.

The year's working resulted in a profit, before providing for taxation, of £19,657, which compares with £9,884 in the previous year. The output was increased by 71,846 lb. and there was a rise of 2.64d. per lb. in the average net price realised.

It is estimated that approximately £8,500 would be required to meet taxation in Sumatra; and, with the liability for N.D.C. and British Income Tax, it is necessary to provide a total of £11,223. With the balance brought forward, there remains a credit of £11,002, which, despite the increased earnings, is some £1,400 less than the balance with which the directors had to deal last year, and that is the reason why the board are now recommending a dividend at the same rate as for 1939, namely, 10 per cent.

We also propose that the book value of buildings should be written down to the nominal amount of £1 and to transfer £500 to the Special Cultivation Reserve. After providing for Estate Staff Commission there will be a net carry-forward of about £1,730 as compared with £2,568 brought in.

Having regard to existing circumstances, I confidently ask you to approve the board's recommendations.

In his last report our visiting agent states, *inter alia*, that the property continues to be maintained in a splendid state of upkeep at a remarkably low average cost. The steady increase in yield from the younger area is most encouraging, whilst the growth of the clearing of 146 acres planted in 1939 is fully up to expectations.

GEDULD PROPRIETARY MINES, LIMITED

SATISFACTORY OPERATING RESULTS

The fortieth ordinary general meeting of Geduld Proprietary Mines, Limited, was held on May 15th, at Johannesburg.

Mr. P. M. Anderson, chairman of the company, presided, and in the course of his remarks said: Operating results continued to be satisfactory. The tonnage milled, at 1,370,000 tons, exceeded that of the previous year for the twelfth year in succession and, due to the increase in the price received for gold, working revenue rose by £291,575 to £2,631,916.

On the other hand, working costs per ton milled have increased considerably. During 1940 they averaged 17s. 10d., a rise of 3s. 0d. compared with the previous year, while current costs are in the neighbourhood of 19s. 5d. These increases are attributable to a number of causes, which are set out in the Consulting Engineers' Report. Increased gold realisation charges and the higher cost of stores are due to war conditions, but the expenses incurred in reorganisation of work underground and re-equipment in of some of the old workings is largely of a temporary nature. In addition, we have decided to explore the Black Reef, involving higher costs of development which it is hoped will be fully justified.

HIGHER WORKING PROFIT

In spite of working costs having risen, the working profit of £1,408,760 was £82,230 higher than in 1939. Revenue from investments and sundries, at £511,916, also showed an increase, due chiefly to higher dividends on our shareholdings in East Geduld Mines, Limited, and The Grootvlei Proprietary Mines, Limited. After providing for taxation £758,462, and adding income from investments, less sundry charges, there remained a net profit of £1,140,074. From this two dividends, totalling 15s. 0d. per share, were declared.

Development work consisted chiefly of splitting large low-grade blocks. Preliminary work was also commenced for the purpose of exploring the Black Reef by an incline in the No. 5 Shaft area and from No. 7 Shaft. We have no knowledge as to whether any substantial tonnage of payable ore is likely to result but there is every justification for a thorough exploration being undertaken.

The ore reserves at the year-end were estimated to be 9,000,000 tons of an average value of 4.5 dwt. over 53 inches, being an increase of 100,000 tons and decreases of 0.2 dwt. and 3 inches as compared with the previous year.

No change has occurred in our shareholdings in East Geduld Mines, Limited, and The Grootvlei Proprietary Mines, Limited. The operations of these two companies continue to be satisfactory. The report and accounts were adopted.

VAN DYK CONSOLIDATED MINES, LIMITED

INCREASED PROFIT AND DIVIDEND

The seventh ordinary general meeting of Van Dyk Consolidated Mines, Limited, was held, on May 16, 1941, at Johannesburg.

Mr. P. M. Anderson, chairman of the company, presided, and in the course of his remarks said: The ore milled during the year showed an increase of 101,600 tons over the previous year, the total being 1,128,200 tons, which is substantially in excess of the estimated capacity of the plant; and the yield per ton milled increased from 4.80 dwt. to 5.01 dwt.

The working revenue amounted to £2,387,217, or £551,116 more than in 1939, the increase being due to the larger tonnage milled, the rise in yield and the higher price received for gold. Working costs totalled £1,403,090, or 24s. 10d. per ton milled, which is 2s. 0d. more than in the previous year. The rise in working costs—which have increased still further during the current year—is due to increases in gold realisation charges, the development of redemption charge, the cost of stores due to war conditions and to more extensive support of workings having been found necessary in some parts of the mine.

The working profit was £984,127, or an increase of £319,577 over the previous year. After adding £61,834 in respect of over-provision for taxation in 1938 and 1939, and sundry revenue, and deducting £15,835 appropriation for capital expenditure, £368,381 for taxation, and sundry charges, the amount available for disposal after including the balance brought forward from the previous year, was £734,536. From this two dividends were declared, totalling 1s. 9d. per share—an increase of 3d. over the previous year.

INCREASED FOOTAGE DRIVEN

The footage driven during the year totalled 97,410 feet, being an increase of 33 per cent. over the previous year. Of 56,310 feet sampled, 15,850 feet, or 28 per cent., were payable with an average value of 11.1 dwt. over a width of 24 inches. While the total footage payable was maintained at about the same figure as in 1939 and the value remained satisfactory, there has been a decrease in the percentage of payability in some areas and development work in these areas is being energetically pursued in order to test ground for more promising conditions, which may reasonably be expected to exist. On the other hand, due to satisfactory disclosures in other parts of the mine, the ore reserves as at December 31st last show a substantial increase of half-a-million tons to a total of 3,100,000 tons having an average assay value of 5.4 dwt. over an estimated stopping width of 39 inches. While this position may be regarded as satisfactory it is sound policy further to strengthen the ore reserves by the maintenance of a high rate of development. Provision for this has been made in the development redemption charge, which in October last was increased by 1s. 0d. to 6s. 6d. per ton milled.

It has been decided to sink a shallow vertical circular shaft, which is much needed in the north-eastern part of the mine for ventilation purposes. The cost of sinking and equipping this shaft, which could also be used for hoisting if needed in the future, is estimated at about £57,000.

Turning now to the outlook for the current year, I would mention that, apart from the cost of the ventilation shaft which

I have previously mentioned, there are no other major items of a capital expenditure nature contemplated this year. With the increase in the development redemption charge to working costs, the amount to be provided out of profits under this heading should be much reduced. On the other hand we now have to meet an additional 5 per cent. in the Special War Tax.

The report and accounts were adopted.

THE GROOTVLEI PROPRIETARY MINES, LIMITED

INCREASED TONNAGE MILLED

The thirty-fourth ordinary general meeting of The Grootvlei Proprietary Mines, Limited, was held, on May 15, 1941, in Johannesburg.

Mr. P. M. Anderson, chairman of the company, presided, and in the course of his remarks, said: The operations of the company during the past year yielded very satisfactory results. Compared with the previous year, the ore milled shows an increase of 287,000 tons at 1,234,500 tons; and the average yield per ton milled, at 5.21 dwt., reflects an improvement of nearly half-a-pennyweight. Working revenue rose by £1,048,064, or 8s. 9d. per ton milled, to £2,717,980. There was, however, also an increase in working costs of 10d. per ton milled, which is much more than accounted for by higher gold realisation charges, an increase in the cost of stores and sundry other items, all of which result from war conditions. The working profit of £1,277,239 was a little more than double that of the previous year.

After adding income from investments and sundry revenue, and deducting taxation £603,505 and sundry charges, the net profit was £668,983, from which two dividends, each of 2s. 3d. per share, were declared.

During the year under review an agreement was entered into to purchase the property and assets of the Palmietkuil Gold Mining Company, Limited. Arising out of this agreement we have to find for purchase price, etc., a cash amount equal to about 1s. 9d. per share on our present issued capital. It was originally anticipated that this money would be provided by additional profits during the current year without undue curtailment of the dividend distributions; but unforeseen delays in the shipment of certain essential items for the enlarged reduction plant will mean a delay of at least six months in reaching the full capacity of about 150,000 tons per month, with a corresponding deferment of profit. In addition, taxation has been increased by 5 per cent. on the profit before amortization, so that there is bound to be not only some curtailment of the dividend during the current year, but also, though to a lesser extent, next year.

A PROFITABLE INVESTMENT

The acquisition of this property should prove to be a profitable investment and the inclusion of the additional area of 400 claims lying between the two properties, the lease of which has not yet been formally concluded, will increase our mining area to approximately 6,625 claims, the second largest on the Witwatersrand.

Development work totalled 66,159 feet, of which 42,720 feet were on reef. The payable footage was 18,825, or 44 per cent., having an average value of 13.1 dwt. over 26 inches, which compares with 12.5 dwt. over 28 inches last year, while the percentage payable is somewhat lower. The charge of 5s. 0d. per ton to working costs for development redemption is at present in excess of the actual cost of current development, but it is being maintained at this high level to meet the cost of making underground connection with the workings of the Palmietkuil section. In due course the cost of development should be substantially reduced.

At the year-end the ore reserves were estimated at 7,500,000 tons of an average value of 5.2 dwt. over 49 inches, being an increase of 2½ million tons and a decrease of 0.3 dwt. and 3 inches compared with the estimate of a year previously. About one-third of the increase in tonnage is due to the inclusion of low-grade ore which has become payable owing to the increased price of

gold. Without such inclusion, the value of the ore reserves would have been fully maintained.

In addition, we have now acquired from the Palmietkuil Gold Mining Company, Limited, an ore reserve, as calculated by its consulting engineer, of 2,070,000 tons of an average value of 4.9 dwt. over 37 inches.

The report and accounts were adopted.

EAST GEDULD MINES, LIMITED

INCREASED WORKING PROFIT

The fourteenth ordinary general meeting of East Geduld Mines, Limited was held, on May 15, 1941, at Johannesburg.

Mr. P. M. Anderson, chairman of the company, presided, and in the course of his remarks said: During the year 1,910,000 tons were milled, being an increase of 81,000 tons. Working revenue rose by £714,571, or 5s. 8d. per ton milled, to £4,626,863, due to the increased tonnage milled and the higher price realised for gold. Working costs per ton milled, which have been steadily decreasing for a number of years, have risen by 1s. 0d. to 16s. 8d., owing to increased gold realisation charges and a considerable increase in the cost of stores as the result of war conditions. The working profit was £3,033,390, which exceeded the figure for the previous year by £557,074.

After deducting taxation £1,765,057, and adding the income from investments, less sundry charges, there remained a sum of £1,277,260 for disposal, from which two dividends, each of 7s. 0d. per share, were distributed.

SATISFACTORY DEVELOPMENT RESULTS

Development results during the year continued to be very satisfactory. 27,264 feet were accomplished, of which 19,305 feet were on reef and sampled. 13,125 feet, or 68 per cent., were found to be payable, averaging 13.2 dwt. over 32 inches.

The ore reserves at the year-end were calculated on a lower pay limit than in the previous year, to reflect the higher price obtainable for gold, and amounted to 15,200,000 tons averaging 5.2 dwt. over 57 inches. Compared with the previous year this was an increase of 3,700,000 tons, of which 2,600,000 tons was contained in blocks of low-grade ore brought into the reserves for the first time. Without the addition of this low-grade ore the value of the ore reserves would have been fully maintained.

The Grootvlei Proprietary Mines, Limited, in which company our shareholding remains unchanged, continues to make satisfactory progress.

The report and accounts were adopted.

MARIEVALE CONSOLIDATED MINES, LIMITED

SATISFACTORY RESULTS OBTAINED

The sixth ordinary general meeting of Marievale Consolidated Mines, Limited, was held, on May 16, 1941, at Johannesburg.

Mr. P. M. Anderson, chairman of the company, presided, and in the course of his remarks said: The year ended December 31st last covers the company's first full year of production. During this period operating results made such satisfactory progress that it was possible to declare a maiden dividend after paying off the debit brought forward from the previous year.

The ore milled amounted to 531,500 tons and the average yield per ton milled was 5.15 dwt. The working revenue for the year was £1,154,080, of which working costs absorbed £798,827, or 30s. 1d. per ton milled, leaving a working profit of £355,253, equivalent to 13s. 4d. per ton milled. After taking into account sundry revenue and deducting £51,128 for excess expenditure on development, £38,209 for taxation and sundry expenditure the net profit was £264,068. From this the loss of £19,518 brought forward from the previous year has been extinguished, £64,857 has been appropriated for capital expenditure and £56,250 was absorbed by the initial dividend of 3d. per share.

DEVELOPMENT WORK

Development work during the year showed an increase of about 20 per cent. over the previous year, the footage driven totalling 42,648 feet. The results obtained were satisfactory and of 26,665 feet sampled, 11,765 feet, or 44 per cent., were payable, the average value being 10.5 dwt. over 23 inches. The ore reserves as at 31st December last showed an increase of 300,000 tons to a total of 2,000,000 tons of an average value of 5.7 dwt. over an estimated stoping width of 39 inches, the value and width being respectively one-tenth of a pennyweight and one inch lower.

Results in the lowest levels of the No. 1 Shaft Area continue

to give cause for satisfaction. The No. 2 Incline Shaft area has had to remain flooded to the seventh level owing to lack of men to undertake the work of dewatering below that point. Arrangements are in hand, however, to drain the area from the 12th Level Drive advancing eastwards from the North-East Incline. As soon as this has been done development work in the No. 2 Incline Shaft area will be resumed.

The outlook for the current year is that provision out of profits for excess development and capital expenditure should be much reduced; on the other hand the amount payable in taxation will be greater.

The report and accounts were adopted.

(Continued from page 24)

ing by 1s 6d per ton each month until the maximum of £10 2s is reached. The price paid by the farmer will be the one relevant to the month in which delivery is made, less the allowance.

Control of Transhipment.—From July 15th the Board of Trade will control by licence all goods imported into this country for transhipment. Goods despatched before that date will need no licence, but a licence must be obtained before arrangements are made for the despatch after July 15th to the United Kingdom of any goods to be exported after transit through the country, or by way of transhipment. The control will not apply to goods remaining on board for onward carriage in the same ship, or to ships' surplus stores transferred under Customs Transhipment Regulations to other ships for use as stores.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	June 14, 1941	June 21, 1941	June 22, 1940	June 21, 1941
Argentina	...	14	3,497	57
Atlantic America ..	19	...	351	106
Danube Region	...	...	474	...
S. & E. Africa	...	...	694†	...
Indo-China, etc.	...	...	91	...

* Unreceived. † Incomplete.

Source: The Corn Trade News.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	June 14, 1941	June 21, 1941	June 22, 1940	June 21, 1941
N. America	654	747	24,270	24,811
Argentina, Uruguay ..	148	316	19,529	10,012
Australia	...	...	4,540†	...
Russia	...	...	114	429
Danube and district ..	...	...	6,697	182
Other countries	...	...	345	...

* Unobtainable. † Incomplete.

Source: The Corn Trade News.

"THE ECONOMIST" SENSITIVE PRICE INDEX

(1935=100)

	June 26, 1941	June 27, 1941	June 30, 1941	July 1, 1941	July 2, 1941
Crops	108.7	108.7	108.7	108.7	108.7
Raw materials	170.4	170.1	169.9	170.0	169.7
Complete Index	136.1	136.0	135.9	135.9	135.8
Crops	Mar. 31, 1937*	Aug. 31, 1939	July 2, 1940	June 3, 1941	June 25, 1941
Crops	147.9	92.2	106.5	108.5	108.7
Raw materials	207.3	122.9	169.6	171.2	170.7
Complete Index	175.1	106.4	134.3	136.3	136.2

* Highest level reached during 1932-37 recovery.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM

(1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	June 15, 1940	June 10, 1941	June 24, 1941
Cereals and meat	98.0	66.9	86.7	97.9	95.5
Other foods	70.4	61.1	79.0	94.1	94.1
Textiles	74.2	54.8	88.9	92.8	93.0
Minerals	113.2	77.6	117.7	129.7	129.5
Miscellaneous	87.0	77.6	107.6	113.2	113.2
Complete Index	87.2	70.3	95.8	105.3	104.6
1913=100	119.9	96.8	131.8	144.8	144.0

* 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 April	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	+ 7.8
" Sept.	148	54	143	- 8.4
" Oct.	157	73	152	- 4.0
" Nov.	81	88	81	-26.9
" Dec.	76	71	76	-21.2
1941 Jan.	63	67	63	- 5.4
" Feb.	106	88	105	-19.1
" March	124	102	123	-35.9
" April	102	93	101	-31.1
" May	88	109	88	...

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. Purchase Tax is included; figures are therefore comparable throughout.

Source: Board of Trade Journal.

INSURANCE NOTES

(Continued from page 19.)

that the directors have made a most careful and rigorous valuation of the assets; utilising market values of Stock Exchange securities, and converting currencies at the rates of exchange ruling on November 15th, a considerable margin in balance-sheet values was found. British Government securities now total £7,826,000, an increase since the outbreak of war of £3,149,000. Liabilities were valued at 2½ per cent on the occasion of the last valuation at November 15, 1938. There is a guarantee fund of £1,700,000. Intermediate bonuses are being maintained at the high rate of 30s. per cent compound.

Equity and Law Life.—The life revenue account of the Equity and Law Life for the year ending December 31, 1940, is summarised below:—

		Rise or Fall
New Business:—		
Net sums assured	£597,471	—£1,250,678 (67.7%)
Income:—		
Net premiums	£860,160	—£129,386 (13.0%)
Net interest	£1,072,401	—£12,883
" " rate earned	24.4.0%	+ 20.7.9%

Outgo:—

Claims by death	£835,055	+ £180,007
Claims by maturity	£710,327	+ £123,086
Surrenders including surrenders of bonus	£168,118	+ £27,906
Commission and expenses	£149,143	— £15,367
Consideration for annuities	£409,390	— £449,604
Annuities paid	£1,097,874	+ £18,256

Chief interest centres in the results of the society's triennial valuation and the accompanying drastic writing down of assets. During the triennium 1938-40, no less than £3,201,934 has been applied to revaluation of securities and transfers to investment reserves. The requisite funds have been found partly by utilising the profits of the triennium, in consequence of which the surplus amounts to only £142,950, against £1,266,803 for the triennium 1935-37, notwithstanding that the triennium 1938-40 had the benefit of a figure of £332,522, carried forward from the previous triennium as a special reserve. The balance has been derived from a modification of the valuation bases, which are now, for life assurance policies, at 3½ per cent interest for contracts effected prior to January 1, 1938, and at 3 per cent for contracts effected subsequently, against 3 per cent throughout three years ago, except for endowment assurances under house purchase contracts, for which the rate was 3½ per cent; and for annuities 4 per cent for contracts effected prior to January 1, 1940, and 3½ per cent for contracts effected subsequently, against 3½ per cent throughout three years ago. While these rates are within the present interest yield on the funds, to weaken the reserve bases, in view of the downward trend in interest rates, is not a happy step to have to take; the directors have, therefore, acted wisely in suspending all bonuses, both reversionary and interim, and in indicating that at future valuations it will be their primary concern to strengthen the reserve bases.

In the balance-sheet, after the revaluation referred to above, Stock Exchange securities stand at market prices on December 31, 1940, with the exception of Victory bonds allocated to specific policies, which are taken at 85, the price of issue; the directors certify that the assets are in the aggregate fully of the value stated, less the mortgage and investment reserve taken into account. The dividend is at the modest rate of 1s. per share, less tax, against 4s. 9d. per share, less tax, last year. The board has been substantially reconstructed during the course of the year, following the amendment of the Articles of Association to permit one-third of the directors to be persons not connected with the law, and reducing the minimum number of directors from twelve to nine; these changes have enabled the directors to make three appointments which, as the present chairman (Sir Geoffrey Ellis) stated at the annual meeting, "bring to our board that element of wide business experience which we felt to be so desirable." The tenor of the speech made by the chairman may be expressed in these words: "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."

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the nine days ended June 30, 1941, total ordinary revenue was £38,144,000, against ordinary expenditure of £99,112,000, and issues to sinking funds of £130,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £756,629,000 against £508,244,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	April 1 to June 30, 1940	April 1 to June 30, 1941	8 Days to June 30, 1941	9 Days to June 30, 1941	
ORDINARY REVENUE					
Income Tax	23,299	79,597	2,275	8,256	
Sur-tax	6,520	7,859	320	390	
Estate, etc., Duties	22,950	23,715	2,350	1,650	
Stamps	3,570	2,711	...	271	
N.D.C.	4,310	4,004	240	427	
R.P.T.	6,660	40,595	1,940	3,360	
Other Inland Revenue	90	125	...	10	
Total Inland Revenue	67,399	158,606	7,125	14,364	
Customs	70,637	81,850	5,886	6,605	
Excise	36,400	56,900	300	14,900	
Total Customs and Excise	107,037	138,450	1,186	21,505	
Motor Duties	5,538	4,898	...	...	
P.O. (Net Receipt)	2,850	1,600	Dr. 100	600	
Crown Lands	280	280	40	50	
Receipts from Sundry Loans	423	807	...	...	
Miscell. Receipts	4,642	14,517	53	1,625	
Total Ord. Revenue	188,169	319,158	13,304	38,144	
SELF-BALANCING					
Post Office & Broadcasting	20,250	24,500	2,100	2,700	
Total	208,419	343,658	15,404	40,844	

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	April 1 to June 30, 1940	April 1 to June 30, 1941	8 Days to June 30, 1941	9 Days to June 30, 1941	
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	79,388	86,779	1,694	1,393	
Payments to N. Ireland	1,697	1,573	402	346	
Other Cons. Fund Serv.	604	484	174	70	
Total	81,690	88,836	2,270	1,809	
Supply Services	613,144	985,444	71,515	97,303	
Total Ord. Expenditure	694,834	1,074,281	73,785	99,112	
SELF-BALANCING					
Post Office & Broadcasting	20,250	24,500	2,100	2,700	
Total	715,084	1,098,781	75,885	101,812	

After decreasing Exchequer balances by £273,896 to £2,520,443, the other operations for the week (no longer shown separately) raised the gross National Debt by £58,842,226 to about £12,101 millions.

MONTH'S CHANGES IN DEBT

Net Increases (£ thousands)		Net Repayments (£ thousands)	
Treasury Bills	41,525	41% Conversion Loan, 1940-41	35
Int. Sav. Certs.	19,800		
5% Nat. War Bonds	15,650		
5% Nat. War Bonds	59,100		
5% Nat. War Bonds	9		
5% Nat. War Bonds	35,040		
5% Nat. War Bonds	6,781		
5% Nat. War Bonds	50,015		
5% Nat. War Bonds	20,500		
Total	250,200		

NET ISSUES (£ thousands)	25
Overseas Trade Guarantees	
NET RECEIPTS (£ thousands)	2,000
P.O. and Telegraph	8
Housing	2,008

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1st, 1941, to June 30, 1941, are:—	
(£ thousands)	
Ordinary Exp. 1,074,281	Ord. Revenue 319,158
Misc. issues (net) 1,277	Gross bor. 757,800
	Less:
	Sinking fds. 1,506
	Net borrowing 756,294
	Dec. in balances 106
1,075,558	1,075,558

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 30	770-0	850-0	36-6	...	...	1602-6
Mar. 22	845-0	...	Not available	...	...	...
Mar. 31	2211-6	172-3	...	420-5	2813-4	...
Apr. 5	845-0	...	Not available	...	...	...
Apr. 12	850-0	...	...	...	...	...
Apr. 19	855-0	...	...	...	...	...
Apr. 26	865-0	1370-4	163-5	8-0	502-5	2009-4
May 3	875-0	...	Not available	...	...	...
May 10	885-0	...	...	...	...	...
May 17	895-0	...	...	...	...	...
May 24	905-0	1410-4	136-0	...	498-5	2049-9
June 7	915-0	...	Not available	...	...	...
June 14	925-0	...	...	...	...	...
June 21	935-0	...	...	...	...	...
June 30	935-0	158-7	28-2	510-0	3063-0	...

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate	Per Cent. Allotted
	Offered	Applied for	Allotted		
1940					
June 30	65-0	110-3	65-0	20 5-22	51
Mar. 14	65-0	153-8	65-0	19 11-79	24
Mar. 21	65-0	131-0	65-0	20 2-05	17
Mar. 28	65-0	148-3	65-0	20 2-46	28
Apr. 4	70-0	184-7	70-0	20 2-41	26
Apr. 11	70-0	156-6	70-0	20 2-72	30
Apr. 18	75-0	161-8	75-0	20 2-03	30
Apr. 25	75-0	168-0	75-0	20 2-20	22
May 2	75-0	170-4	75-0	20 3-16	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	166-1	75-0	20 0-22	34
June 13	75-0	166-5	75-0	19 11-38	20
June 20	75-0	158-5	75-0	20 0-15	31
June 27	75-0	163-1	75-0	19 11-33	27

On June 27th 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 27 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 16s. 0d. for bills to be paid for on Saturday were accepted in full. 275 millions of Treasury bills are being offered on July 4th. For the week ending July 5th the banks will be asked for Treasury deposits to a maximum amount of £20 millions.

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

Week ended	N.S.C.		3% Defence Bonds		New 2½% Savings Bonds	
May 20	7,735	5,531	45,522	17,852		
June 7	7,698	8,001	47,191	19,864		
June 14	5,013	5,587	6,050	5,959		
June 21	5,802	3,423	7,352	11,080		
June 28	4,051	3,359	9,812	7,867		
July 5	4,087	3,306	27,050	5,127		
	...	...	17,494	18,028		
Totals to date	316,569	305,480	353,820	226,319		

* 83 weeks. † 26 weeks.
Interest free loans received by the Treasury up to July 1st amounted to a total value of £35,428,154. Up to June 30th, principal of Savings Certificates to the amount of £38,872,000 had been repaid.

BANK OF ENGLAND RETURNS

JULY 2, 1941
ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	£
In Circul.	643,365,251	Other Govt.	11,015,100
In Bankg. Department	36,876,324	Securities	666,485,735
		Other Secs.	2,211,440
		Silver Coin	257,725
		Amt. of Fid.	680,000,000
		Gold Coin & Bullion (at 169s. per oz. fine)	241,575
	680,241,575		680,241,575

BANKING DEPARTMENT

Props. Capital	£14,553,000	Govt. Secs.	£182,312,838
Res.	3,295,980	Other Secs.	...
Public Depts.	12,251,170	Discounts & Advances	8,401,486
		Securities	18,440,313
Other Depts.	164,443,154		
Bankers	55,100,967	Notes	36,876,324
Other Accts.	217,342,187	Gold & Silver Coin	1,643,209
	217,704,260		217,704,260

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

THE WEEK'S CHANGES (£ thousands)

Both Departments	Amt. July 2, 1941	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	643,365	4,381	35,180
Deposits	12,251	13,070	4,347
Bankers	164,443	51,900	24,322
Others	53,161	2,807	4,334
Total outside liabilities	873,220	40,021	59,489
Capital and res.	17,840	10	55
COMBINED ASSETS			
Govt. debt and securities	850,844	44,052	61,885
Discounts and advances	8,401	1,189	2,955
Other securities	20,682	67	5,268
Silver coin in issue dept.	258	1	253
Gold and silver bullion	1,885	30	116
RESERVES			
Res. of notes and coin in banking department	38,520	4,111	14,935
"Proportion" (reserve in outside liabilities in banking dept.)	10-7%	6-1%	5-3%

COMPARATIVE ANALYSIS (£ millions)

	1940		1941	
	July 3	June 18	June 25	July 2
Issue Dept.				
Notes in circulation	608-2	637-5	639-0	643-4
Notes in banking department	22-1	42-7	41-3	36-4
Government debt and securities	626-7	677-6	677-2	677-4
Other securities	2-8	2-4	2-5	2-3
Silver coin	0-5	0-0	0-3	0-3
Gold, valued at 1s. per fine oz.	0-2	0-2	0-2	0-2
	168-00	168-00	168-00	168-00
Deposits				
Public	16-6	0-8	25-3	12-7
Bankers	140-1	122-4	112-5	104-4
Others	48-8	51-7	50-4	53-1
Total	205-5	183-0	188-2	229-9
Banking Dept. Secs.				
Government	171-2	132-7	137-9	182-8
Discounts, etc.	5-4	5-1	0-9	8-1
Other	23-2	10-3	18-3	18-1
Total	199-8	157-1	167-1	209-0
Banking depart. res.	23-6	44-5	42-0	38-1
"Proportion"	11-4	24-2	22-8	16-6

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issues raised from £6 millions to £880 millions on April 30, 1941.

THE REVENUE

I.—AN ACCOUNT OF THE TOTAL REVENUE OF THE UNITED KINGDOM, in the undermentioned periods of the Year ending 31st March, 1942, as compared with the corresponding periods of the preceding Year.

	Quarter from 1st April, 1941, to 30th June, 1941, compared with the corresponding Quarter of the preceding Year.				Period from 1st April, 1941, to 30th June, 1941, compared with the corresponding Period of the preceding Year.			
	Quarter ending 30th June, 1940.	Quarter ending 30th June, 1941.	Increase.	Decrease.	Period ending 30th June, 1940.	Period ending 30th June, 1941.	Increase.	Decrease.
	£	£	£	£	£	£	£	£
ORDINARY REVENUE.								
<i>Inland Revenue</i>								
Income Tax	23,299,000	79,597,000	56,298,000	—				
Sur-tax	6,520,000	7,859,000	1,339,000	—				
Estate, &c., Duties	22,950,000	23,715,000	765,000	—				
Stamps	3,570,000	2,711,000	—	859,000				
National Defence Contribution	4,310,000	4,004,000	—	306,000				
Excess Profits Tax	6,660,000	40,595,000	33,935,000	—				
Other Inland Revenue Duties	90,000	125,000	35,000	—				
<i>Total Inland Revenue</i>	67,399,000	158,606,000	92,372,000	1,165,000				
<i>Customs and Excise</i>						(see preceding columns)		
Customs	70,637,000	81,650,000	11,013,000	—				
Excise	36,400,000	56,800,000	20,400,000	—				
<i>Total Customs and Excise</i>	107,037,000	138,450,000	31,413,000	—				
<i>Motor Vehicle Duties</i>	5,538,000	4,898,000	—	640,000				
<i>Post Office (Net Receipt)</i>	2,850,000	1,600,000	—	1,250,000				
<i>Crown Lands</i>	280,000	280,000	—	—				
<i>Receipts from Sundry Loans</i>	422,960	806,861	383,901	—				
<i>Miscellaneous Receipts</i>	4,042,490	14,517,127	9,874,637	—				
<i>Total Ordinary Revenue</i>	188,169,450	319,157,988	134,043,538	3,055,000				
			£130,988,538					
			Net Increase.					
SELF-BALANCING REVENUE.								
Revenue required to meet expenditure on Post Office and Broadcasting	20,250,000	24,500,000	4,250,000	—				
<i>Total</i>	208,419,450	343,657,988	138,293,538	3,055,000				
			£135,238,538					
			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. 15th, 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, of Feb. 15th; Egypt and Japan, of May 10th; Bulgaria, Turkey, of May 31st; U.S. Federal Reporting Member Banks, Greece, Yugoslavia, of June 7th; Sweden, Roumania, Argentina, of June 21st; Canada and Prague, of June 28th.

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

ASSETS	Apr. 30, 1940	Feb. 28, 1941	Mar. 31, 1941	Apr. 30, 1941
Gold in bars	28.2	40.1	40.1	36.6
Cash	35.5	45.6	41.0	27.4
Sight funds	16.9	15.1	16.2	15.6
Commercial bills	117.0	108.5	111.4	115.7
Treasury bills	45.4	33.6	29.6	25.7
Time funds at interest	22.0	22.4	21.5	21.2
Sundry bills and invests.	195.1	236.8	233.4	230.9
LIABILITIES				
Deposits: Annuity	153.1	152.7	152.6	152.7
German	76.5	76.3	76.3	76.3
Central Banks	23.6	45.5	33.9	16.1
Other	1.2	1.5	1.2	1.3
Gold	12.6	35.6	35.6	32.0

U.S. FEDERAL RESERVE BANKS

Million \$'s	June 26, 1940	June 12, 1941	June 26, 1941	June 26, 1941
12 U.S.F.R. BANKS				
RESOURCES				
Gold Certifs. on hand and due from Treas.	17,653	20,314	20,314	20,314
Total reserves	18,043	20,614	20,611	20,608
Total cash reserves	379	289	288	285
Total U.S. Govt. secs.	2,473	2,184	2,184	2,184
Total bills and secs.	2,485	2,195	2,195	2,195
Total resources	21,298	23,818	23,818	23,806
LIABILITIES				
F.R. notes in circn.	5,144	6,542	6,573	6,633
Excess m. bank res.	6,800	5,590	5,310	5,150
Mr. bank res. dep.	13,723	13,312	13,311	12,985
Govt. deposits	301	941	1,024	1,081
Total deposits	15,168	16,065	16,009	15,957
Total liabilities	21,298	23,818	23,818	23,806
Reserve ratio	88.8%	91.2%	91.3%	91.2%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	19,871	22,593	22,612	22,620
Treas. & bank currency	3,012	3,138	3,142	3,148
LIABILITIES				
Money in circulation	7,780	9,393	9,433	9,490
Treas. cash and dep.	2,487	3,181	3,282	3,356

AUSTRALIAN COMMONWEALTH BANK.—Million £A's

ASSETS	Apr. 20, 1940	Apr. 21, 1941	Apr. 21, 1941	Apr. 28, 1941
Gold and English ster.	16.06	17.71	17.71	17.71
Other coin, bullion, etc.	6.06	6.06	7.06	5.60
Call money, London	44.80	50.24	58.22	57.25
Secrts. and Treas. bills	83.50	44.13	42.79	42.48
Discounts and advances	34.84	22.22	22.18	22.40
LIABILITIES				
Notes issued	52.53	64.12	66.12	65.02
Deposits, etc.	114.29	117.44	119.66	116.67

RESERVE BANK OF INDIA

Million Rupees	June 7, 1940	June 6, 1941	June 13, 1941	June 20, 1941
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	396	358	357	363
Balances abroad	194	361	371	374
Sterling securities	1,295	1,188	1,188	1,188
Indian Gov. rupee secs.	486	913	913	913
Investments	72	80	79	80
LIABILITIES				
Notes in circn.: India	2,400	2,507	2,613	2,586
Burma	134	181	181	181
Deposits: Govts.	107	126	117	113
Banks	208	268	280	314
Reserve Ratio	86.4%	56.2%	56.3%	56.1%

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s	Apr. 20, 1940	Apr. 14, 1941	Apr. 21, 1941	Apr. 28, 1941
ASSETS				
Gold and stg. exch.	16.65	22.34	22.80	23.32
Advances to State	22.78	18.52	16.49	18.07
Investments	2.06	3.77	3.77	3.77
LIABILITIES				
Bank Notes	17.95	21.90	21.90	21.95
Demand liab. State	6.83	8.21	8.00	9.02
Banks and others	15.62	13.12	13.84	13.86
Reserves to sight liab.	41.8%	61.6%	61.8%	62.1%

SOUTH AFRICAN RESERVE BANK

Million £'s	May 23, 1940	May 9, 1941	May 16, 1941	May 23, 1941
ASSETS				
Gold coin and bullion	36.17	50.12	50.30	50.47
Bills discounted	8.44	0.62	0.50	0.35
Invest. and other assets	24.57	39.28	39.14	39.28
LIABILITIES				
Notes in circulation	21.31	23.52	22.82	22.71
Deposits: Government	7.68	2.28	2.84	2.98
Bankers'	29.40	53.24	54.13	53.45
Others	5.86	7.39	6.51	7.44
Reserve Ratio	55.6%	57.7%	58.4%	58.4%

NATIONAL BANK OF HUNGARY

Million pengo	May 7, 1940	Mar. 7, 1941	Apr. 1, 1941	May 7, 1941
ASSETS				
Metal Reserve:				
Gold coin and bullion	124.1	124.1	124.1	124.1
Foreign exchange	74.2	30.2	27.3	27.3
Int. bills, wts., & secs.	573.1	609.1	782.0	817.4
Advances to Treasury	313.4	610.4	608.7	705.5
LIABILITIES				
Notes in circulation	927.8	1326.2	1483.5	1723.0
Sight liabilities	161.0	152.1	197.5	188.5
Cash certificates	93.5	...	...	...

BANK OF PORTUGAL

Million escudos	Feb. 10, 1940	Feb. 26, 1941	Mar. 5, 1941	Mar. 12, 1941
ASSETS				
Gold	1,251.6	1,255.9	1,255.9	1,255.9
Balances abroad	1,055.2	1,063.4	1,106.9	1,122.0
Discounts	350.7	349.3	342.8	346.6
Securities	324.1	324.1	324.1	324.1
LIABILITIES				
Notes in circulation	2,687.8	2,720.3	2,775.1	2,754.3
Deposits: Government	409.4	373.0	360.2	370.6
Bankers'	1,176.1	1,100.7	1,261.7	1,311.3
Others	174.7	231.2	219.3	216.8
Foreign commitments	287.5	288.3	283.5	288.6

MONEY MARKET

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between June 28th and July 4th. (Figures in brackets are par of exchange.)

United States. \$ (4-88) 4-02-03; mail transfers 4-02-03. Canada. \$ (4-88) 4-45-47; mail transfers 4-43-47. Switzerland. Francs (25-22) 17-80-80. Sweden. Krona (18-159) 16-85-85. Argentina. Peso (11-45) 16-05-17-18; mail transfers 16-05-17-18. Dutch East Indies. Florin (18-11) 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); 45-55 (Voluntary rate). Turkey. Lira (1-10) 5-20. Italy. 71-25 lire.

Market Rates

The following rates remained unchanged between June 28th and July 4th.

Finland. Mark (193-23) 180-210 Nominal. Egypt. Piastres (97) 97-1-1. India. Rupee (18d. per rupee) 17-1/2-18-1/2. Hongkong. 14-15-16d. per \$.

Japan. Yen (24-64d. per yen) 18-1/2-18-1/2. Singapore. \$ (28d. per \$) 28-1/2-28-1/2. Colombia. Peso 6 (nominal). Belgian Congo. Francs 176-1-1. Shanghai. \$-3-3-1/2.

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 1 cent pm.-par. Canada. 1 cent pm.-par. Switzerland. 3 cents pm.-par. Sweden. 3 cent pm.-par. Dutch East Indies. 1 1/2 cents pm.-par.

MONEY RATES, LONDON

The following rates remained unchanged between June 28th and July 4th:—Bank rate, 3% (changed from 3% October 26th, 1939). Discount rates: Bank 3 1/2%, 6 months, 1 1/2%; 3 months, 1 1/4%; 4 months, 1 1/4%; 6 months, 1 1/4%; Treasury bills: 3 months, 1 1/4%; 4 months, 1 1/4%; Day-to-day money, 1 1/4%. Short loans, 1-1 1/4%. Bank deposit rates, 1%. Discount deposit at call 1%; at notice 1 1/4%.

GOLD AND SILVER

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

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

Date	Cash	Two Months
June 26.....	22 1/2	22 1/2
.. 27.....	23 1/2	23 1/2
.. 30.....	23 1/2	23 1/2

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended June 29, 1940	Week ended June 28, 1941	Aggregate January 1 to June 28, 1941
Working days:—			
Birmingham	2,187	1,988	58,347
Bradford	3,107	2,652	41,374
Bristol	2,047	2,008	44,409
Hull	660	625	20,915
Leicester	700	724	19,687
Liverpool	5,406	5,403	151,357
Manchester	11,076	11,549	295,214
Newcastle	1,341	1,258	36,126
Nottingham	383	300	11,211
Sheffield	510	508	10,850
10 Towns	28,017	27,201	695,490
Dublin*	5,539	5,464	150,486
South-point	86	46	2,495

* June 22, 1940, and June 21, 1941. † Clearing begun May 14, 1940.

NEW YORK EXCHANGE RATES

New York on	June 26, 1941	June 27, 1941	June 28, 1941	June 30, 1941	July 1, 1941	July 2, 1941
London:—						
Cables	403 1/2	403 1/2	403 1/2	403 1/2	403 1/2	403 1/2
Paris	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4
Montreal, Can. \$	88.00	88.310	88.250	88.250	88.000	88.000
Japan, Yen	23.45-48	23.45-48	23.45-48	23.45-48	23.45-48	23.45-48
Shanghai, \$	5.54	5.51	5.51	5.51	5.50	5.50
B. Aires, P. (mkt. rate)	23.75*	23.75*	23.75*	23.75*	23.00*	23.00*
Brazil, Mils.	5.05	5.05	5.05	5.05	5.05	5.05

* Official rate 29-78.

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	
Financial, Land, &c.		£	£	£	£	£	£	%	£	£	£	%		
Australian Agricultural	Dec. 31	48,195	1,118	19,245	20,603	...	20,000	44†	...	755	66,974	24,799	5	
Elder Dempster Holdings	June 15	136,533	...	130,453	133,304	...	129,871	9	...	582	144,907	138,368	8	
Coal, Iron and Steel														
Allied Ironfounders	Mar. 31	115,905	...	87,877	266,068	35,818	50,639	6	...	1,420	115,235	112,424	5	
Rubber														
Alor Pongsu	Dec. 31	22,537	617	14,037	28,950	1,903	7,148	8	5,000	—	14	8,446	8,098	31
Batu Caves	Dec. 31	42,009	1,902	10,921	17,501	...	11,016	6	...	—	95	18,710	10,171	5
Besocki Plantations	Dec. 31	17,341	2,529	3,113	14,453	...	3,300	6	...	187	8,437	5,395	5	
Bruss-Perak	Dec. 31	5,184	...	2,836	2,478	647	1,498	5	...	691	2,752	2,656	21	
Bukit Tuhah	Dec. 31	30,550	...	10,349	13,619	...	9,900	7‡	...	449	18,292	8,757	24	
Glasgow Estates	Dec. 31	22,792	1,500	11,753	12,888	...	8,880	8	1,500	+	1,373	11,443	8,353	8
Hawagani	Dec. 31	17,752	...	11,266	11,746	...	10,300	4	...	466	14,050	10,204	44	
Java United	Dec. 31	17,142	4,990	Dr. 1,148	7,370	...	...	...	...	1,148	10,183	Dr. 1,507	10	
Klabang	Dec. 31	40,463	...	10,159	25,578	...	10,000	10	...	159	25,975	13,127	10	
Lok Kawi	Dec. 31	73,533	2,000	7,271	8,825	...	7,176	8	...	95	7,956	5,096	6	
New Crocodile River	Dec. 31	38,554	1,344	19,537	25,410	...	19,719	7	...	182	48,380	9,783	8	
Rambutan	Dec. 31	21,009	1,000	18,060	19,723	...	14,000	7	...	4,060	13,667	8,025	4	
Selangor	Dec. 31	56,916	...	8,172	22,463	...	8,400	7	...	228	11,038	5,512	21	
Sialang	Jan. 31	39,350	500	10,760	56,457	...	12,000	4	...	1,231	37,284	11,145	4	
Sungei Way (Selangor)	Dec. 31	3,209	...	20,760	31,579	...	21,119	9	...	359	23,102	14,392	6	
Tangga Batu	Dec. 31	...	...	433	2,841	...	570	6	...	137	1,672	779	5	
Shipping														
British India Steam	Sept. 30	1,230,252	1,022,084	207,268	263,703	145,000	57,432	6	...	4,836	1,134,326	121,147	6	
Elder Dempster Lines	Dec. 31	962,494	318,475	217,520	463,098	...	132,500	10	75,000	+	10,020	855,156	207,077	9
Indo China Steam	Dec. 31	361,255	101,758	237,319	257,066	59,506(d)	...	...	180,000(c)	2,187	150,279	34,572	10	
Tea														
Assam Consolidated	Dec. 31	41,416	3,000	15,953	29,851	12,000	...	...	...	3,953	47,845	26,415	5	
Craighead Tea	Dec. 31	11,137	...	2,417	8,710	351	2,455	7	...	389	9,408	4,772	7	
Trusts														
Nineteen Twenty-Nine Invest.	Mar. 31	37,175	...	26,904	32,489	16,457	7,225	3‡	...	222	41,666	31,016	3‡	
Other Companies														
Allen (W. G.) & Sons	Mar. 31	14,194	3,981	7,312	13,096	...	6,370	10	744	+	198	18,364	11,736	10
Anglo-Portuguese Telephone	Dec. 31	164,206	...	70,376	111,731	...	54,674	8	20,000	+	1,702	149,089	81,853	8
Booth's Distilleries	Mar. 31	609,990	4,121	48,573	85,235	29,897	12,000	4	6,000	+	676	599,060	50,507	4
British Alkaloids	Mar. 31	78,574	469	11,464	13,168	2,665	6,034	24	1,000	+	1,765	87,125	25,891	45
Cerebos Limited	Dec. 31	672,390	...	270,110	387,435	...	207,500	40	50,000	+	12,610	581,377	323,849	55
Cranston London Hotels	May 17	6,547	Dr. 7,685	Dr. 6,821	...	...	...	7‡	Dr. 8,320	+	635	...	...	...
Glaucier Metal	Feb. 28	64,262	16,249	9,205	19,521	5,500	6,375	7‡	...	172	56,425	19,794	7‡	
Glanfield (G.) & Son	Dec. 31	65,529	...	5,547	10,551	...	5,375	7‡	...	...	23,087	6,043	7‡	
Gordon Hotels	Dec. 31	7,390	...	16,166	22,773	8,825	7,500	5	...	84,309	32,618	Dr. 56,691	10	
Johnson (H. & R.)	Mar. 31	55,094	10,000	32,982	70,221	13,125	16,250	9	...	41	54,068	21,726	5	
Kennards Ltd.	Feb. 10	48,115	...	15,200	36,589	3,817	6,984	8‡	...	3,807	51,205	42,213	14‡	
Mellor Bromley & Co.	Feb. 28	1,149	...	...	...	...	...	...	...	4,399	73,071	20,749	7‡	
Miller's Timber, &c.	Dec. 31	86,154	11,000	73,198	141,695	29,750	36,883	11(a)	...	6,615	64,580	49,130	36	
Oxendale & Co. (Prop.)	Feb. 28	20,397	...	18,441	25,837	1,524	15,375	10	...	1,542	22,597	20,405	19	
Parkland Manufacturing	Dec. 29	63,790	3,276	35,218	46,403	...	29,700	13‡	7,500	—	1,982	68,541	41,752	18‡
Quaglin's Limited	Dec. 29	998	Dr. 197	972	...	...	...	...	...	...	21,896	13,254	16‡	
Ramsey Electric Tramway	Dec. 31	180,135	81,000	73,238	91,306	15,000	41,178	16	10,000	+	7,080	172,404	74,247	16‡
Siamam Motor Units	Dec. 31	53,391	13,220	7,400	23,511	4,312	2,438	6	...	650	22,932	11,322	4	
Smithfield, &c., Meat	Dec. 31	64,394	25,000	21,856	80,172	...	...	...	15,644	—	107,214	64,676	2‡	
Steel Brothers & Co.	Dec. 31	429,798	10,296	232,544	278,000	183,000	75,000	30†	...	5,456	326,700	222,381	25†	
Union Drapery Stores	Feb. 28	40,027	...	16,020	38,955	4,744	12,500	21	...	715	44,118	19,509	2‡	
White (A. J.)	Mar. 31	42,000	...	65,557	...	43,750	12‡	...	1,750	—	46,431	46,431	12‡	
Woodrow (John) & Son	Mar. 31	33,781	3,035	9,690	18,887	3,737	3,000	6	2,940	+	13	31,430	11,134	66
Totals (£000's)	No. of Cos. 48	6,246	1,675	2,054	3,460	615	1,134	...	355	—	5,501	1,939	...	
											290,962	114,834		

untiringly. Each blow struck now will be ten times as effective and will entail infinitely less expenditure and sacrifice than if it were delivered later." Direct aid to Russia is not easy to give. The distances are great; British commitments in the west and in the Middle East are still exacting; and it has been amply shown in battle this year that there is no margin of men and equipment to spare. To continue in resistance, Russia needs modern fighter planes, fire-fighting equipment, non-ferrous metals, rubber, railway equipment, machine tools, boots and shoes and clothing; and it is only from the United States—and from the eastern parts of the British Empire—that these can be forthcoming. If they are, the contribution will still be Britain's insofar as goods are diverted from the Atlantic and Red Sea routes to nourish Russia, and the order of priorities will be hard for either Americans or Britons to devise. But the issue of this eastern battle comes too close to the destinies of the English-speaking nations for parsimony to prevail. Russian resistance might save the world, just as a Russian surrender would place all the peoples—from China and India to Britain and the Americas—in the direst peril.

But it is not in supplies that the "quickest aid can be given. Supplies are essential, but the "war on two fronts" is no less so. Britain's opportunity is to make the Western Front a reality. The prelude to larger-scale day bombing is probably being played already in the continuous forays of the RAF, while the number of German towns sharply visited in darkness is growing nightly. True, the *Luftwaffe* has not been blasted from the sky. It has gone east to fight or stand in reserve; and it would be unwise to assume yet that what the Air Ministry, picturesquely but very stupidly, has called the air "invasion" of Germany is the beginning of supremacy and control in the west. It will be sufficient at this stage to force upon the enemy the choice between weakening his air artillery in Russia and suffering grievous wounds on the home front; and already he has resumed the night bombing of this country. Britain's part is, of course, limited by Britain's resources, and by the willingness to venture them in battle. It is very doubtful whether the bombers and long-range fighters yet exist to permit a massive day offensive against German territory while the *Luftwaffe* is still unbroken; and, publicity apart, it is questionable whether the daily attacks, which include much bombing that would surely be routine whether there was fighting in the east or not, have yet reached an intensity to shake the Germans' faith in the risk they are taking—though it may well be that a shrewd plan to raise the pressure by continuous steps is going forward day by day.

Action in other elements is not impossible—sea raids and landings from Murmansk and Norway to the Channel coast and the Bay of Biscay. There is no virtue in raiding for raiding's sake, and there will be no prospect of starting a re-invasion of Europe for a very long time to come. Dunkirk, Greece and Crete are too fresh in the memory for bloody escapades to be lightly undertaken, and evacuations will neither win battles nor earn the world's confidence. But the enemy's flank, for a time, is exposed. There may be points where damage and dislocation could effectively be caused. There may be northern places where straight aid to Russia would be welcomed, and there may be countries where determined and reinforced descents would yield a dividend of stiffened resistance against the Nazi invaders. The limiting factor is still resources—men, equipment, planes and ships; and the Germans have not withdrawn from western Europe. But the precedent of Lofoten is sound and the opportunity of the moment is unique.

If direct action below the skies can be taken, it will be sea power that will make it possible, and it is on the Atlantic that Britain's chance—and America's—is greatest. It is true that, most obviously, this is the time to clear up the Middle Eastern front in Syria and Africa, and to turn of General Rommel's men, if the strength is now in Egypt to do what the Imperial forces failed to accomplish in their last stroke against Sollum. America's part here, too, is considerable, for American supplies are

now moving to Suez. It will be common sense to make haste in preparing a stout and unthreatened line of resistance from Egypt to India before the German armies can wheel southward to Iran. But the Atlantic is still paramount. In the United States, both Colonel Knox and Mr Willkie have put on record their view that the war can be lost by Britain on the Atlantic and that, while the Germans are fighting Russia, it is the time for the American Navy to take their hand in winning it. It was with his own outstanding sense of the hour and the opportunity that President Roosevelt announced the landing of large American forces in Iceland to frustrate a pincer movement by the Axis in the Atlantic.

If the enemy's sea raiders—backed by the sea and air descents upon strategic outposts that the ill-starred expedition of the *Bismarck* seemed temporarily to threaten—could cut still more deeply into the commerce of the North and South Atlantic, the common stock from which the widespread resistance of Britain, Russia and the United States must draw its resources would dwindle and even fail. It is not known whether the American ocean patrol which now operates from Trinidad to Reykjavik is to be given more than its present watching brief, or whether American ships will sail to Iceland with materials of war under American convoy. The real question is still whether American aid at sea is to become active. American vessels could not take goods in bulk to Iceland to be transhipped for passage to the British combat zone, because there are not the handling facilities there to do the job. The reconnaissance duties of American patrols are notably useful. The defence of Greenland and Iceland by Americans is a great relief to Britain. The area of the enemy's depredations has been cut down by these passive interventions. But the Battle of the Atlantic will be won or lost at sea, and it can still be strongly waged from Dakar as well as from Lorient and the Norwegian coast. It will be beaten by sinkings and by fighting, not by manoeuvres, and there is not a single responsible leader in the United States who does not know this. It has been officially stated that the American naval commanders have been given "new instructions." The American Navy will clearly have to protect, and not merely to watch American supply ships *en route* for Iceland. The British and American navies will have common duties in the same waters. President Roosevelt has said again that it is the policy of the United States to ensure the delivery of supplies to Britain. But no one in authority has yet dared to tell the American people whether the new move means "shooting" or not.

It is among the American public and in Congress that the clear sight of the President has still to find a plain reflection, and the war in Russia has not been an unmixed blessing. The support of American labour for the war has grown; but there are new schools of apathy. It is not only that some menace in the Pacific is feared from Japan. There are those who would not risk their country's non-belligerency to aid the "Bolsheviks"; and there are those who loudly state that, when the Russians are striking hard at the German armies, it is no longer necessary to take chances and make great efforts for the Allies. It is a tribute to the President's skill and determination that, against this background, he has been able to make this important move in Iceland; and it will be a tribute to the general good sense of the people of America when they take in fully the counsels of their strategic leaders and decide "to take arms against a sea of troubles."

The issues of the hour are clear enough. Belligerency or no belligerency, ideology or not, there is a working alliance between Britain, Russia and America; and the link in the alliance is the freedom of the seas. Together, drawing their strength from a common pool of resources, they have the power to destroy a danger that threatens the existence of them all. For Britain and the United States to raise their output to a peak should be automatic. For them to reinforce the Russians to the utmost, and for them to seize this moment to clear the underwaters of the Atlantic of their acutest foe, would be simple self-preservation; and for them to hesitate or relax, to be complacent or apathetic, would be suicidal.

Japan Irresolute

THERE is no problem about Japan's fundamental policy in foreign affairs. Since the doctrine of "East Asia" was first pronounced in 1934, the efforts of Japanese soldiers and diplomatists have been directed towards the creation of what is called the "sphere of co-prosperity," a rather vague geographical phrase which covers China, Indo-China, Siam, and the Dutch East Indies and may very possibly include Burma, India and Australasia as well. This "sphere" is Japan's *Lebensraum*. Its future organisation is conceived very much on the lines of German Europe, with a single centre of overwhelming military and industrial power, ringed round by satellite States of colonial producers and organising the whole political and economic life of the area.

It follows that Japan's hand is turned against every Great Power that is already ensconced within this *Lebensraum* and, though less directly, against every Power that might eventually encroach upon it. Between Britain and the United States, on the one hand, and Japan on the other, there is an irreconcilable conflict of interests. The same is to a lesser extent true of Russia and Japan; and, if Germany were to succeed in the dream of a united Eurasia, it would also be true of Japan's relations with the Third Reich. Thus, there is no doubt that the Japanese aim with regard to all the Powers is quite simply either to get them out of East Asia or to keep them out.

The dilemma for Japan is that while the war in the west should offer a god-sent opportunity for creating an East Asian monopoly, the country is not really in a fit state to take advantage of it. With Britain and the United States preoccupied in the Atlantic, with France and Holland defeated and now with the Russians fighting for their lives on their western frontiers, it should in theory be easy, either by a direct attack or by blackmail, to secure their inheritance. Yet, in the year which has elapsed since the collapse of France, some concessions in Indo-China are the sum of Japan's achievement; and even now, with Russia added to the ranks of belligerents, it is doubtful whether more can be secured.

The primary reason for this inability to fish in the waters Hitler has conveniently troubled is quite simply the "China Incident." The war with China is entering its fifth year, still without any decision. Free China has even been strengthened in recent months, not only by loans from the democracies, but also by the German attack on Russia, which has brought the Communist faction in Free China to heel. It is true that General Chiang Kai-shek faces formidable difficulties. Commodities of every kind are short; prices are rising; and, although £500,000 worth of rice will be bought in Burma with the proceeds of the British loan, there is a dangerous dearth. But the armies of Free China are intact and fighting; and, as long as Chungking remains as a centre of resistance, Japan's problem of occupation will continue to resemble the laying of a picnic tablecloth on a windy day.

The drain of this inconclusive struggle affects most spheres of Japan's economic life. The impossibility of securing vital supplies without depleting the country's reserves of gold and foreign currency—the deficit for 1940 has been reckoned at \$200,400,000—has now been intensified by a growing unwillingness of the Powers to provide the supplies. With the exception of high octane motor spirit, the Japanese are still able to buy from America and the Dutch East Indies the types of petrol they require; but even so, civilian needs, including the needs of industry, have been cut to an irreducible minimum. In other spheres, even the supplies are not available. The American embargo on scrap metal, coupled with the British Empire's increasing unwillingness to sell its strategic raw materials, has reduced Japan's steel output by about 20 per cent. Most serious of all is the shortage of rice. There is a general shortage throughout the Far East and Japan, a country that counts on being self-

sufficient, has had to strip her dependencies and buy up supplies in Indo-China and Thailand to make good the deficiency. Even so, at the beginning of this year, rice was added to the list of rationed goods in Japan.

Since it is men and materials rather than money that give the decisive index of a country's strength these actual shortages in key raw materials and foodstuffs are more significant than Japan's financial stringency. Nevertheless, the fiscal position is very unhealthy. The national debt at the end of 1940 was 30 thousand million yen, far larger than Japan's national income and three times than in 1936. During the same period, the note issue rose by 250 per cent and in 1940 alone it is estimated that the cost of living increased by 20 per cent.

These conditions, which spring from Japan's fundamental dependence upon outside supplies and from the waste of men, money and materials in China, without any compensating economic gains, save some transitory advantage of loot, are now so serious that, although there is no question of collapse, it seems almost certain that Japan cannot risk a war with another Great Power. This cannot be argued with complete certainty, for a desperate situation may breed an equally desperate determination to "solve" the crisis by further war. Japan's domestic policy is dominated by two groups, representing these two opposed possibilities. The Conservatives, the party leaders, the Emperor's household and the business world, believe that the "China incident" must be settled before other adventures are undertaken; the military-fascist set are for forward action in the South Seas. Unhappily, it is the latter who are in close touch with the Germans, whose obvious interest and intention is to embroil Japan with the democracies.

The whole of the last year has been taken up by a fierce struggle between the conservative moderates and the militarists. The fortunes of this battle have ebbed and flowed with the tides of war in Europe and Africa. In June, 1940, with the collapse of France and the apparently imminent collapse of Britain, the army clique turned out the moderate Yonai Cabinet and brought in Prince Konoye, with the express purpose of creating a totalitarian state on Nazi lines. The first impetus was sufficient to lead to the dissolution of all political parties, trade unions and independent cultural associations. The churches, too, were brought into a unified Japanese system of control. Labour was organised on the lines of the German Labour Front, and a new organisation, the Imperial Rule Assistance Association, was set up to fulfil roughly the same role as that of the Nazi Party. It was during this first totalitarian frenzy that the Pact with the Axis was signed.

By September, 1940, however, the international situation was changing to the disadvantage of the extremists. The RAF were winning the Battle of Britain; the British Government had re-opened the Burmah Road and was about to reinforce Singapore; negotiations both with Indo-China and the Dutch East Indies were proving unexpectedly difficult; and, most important of all, it was becoming daily clearer that the United States was committed to the Allied cause—and was not going to be frightened out of the Pacific. The moderates began to fight back and their campaign centred upon two aspects of the totalitarian reform which were still unsettled, the regimentation of industry and the status of the Imperial Diet. The militarists had planned a total State organisation of industry, on the lines of their experiment in State-socialism in Manchukuo. The business world attacked it on the grounds of bureaucratic inefficiency, and won the case. The scheme, when it emerged, was so emasculated that the public corporations which had been planned were now nothing but private cartels under another name.

The struggle over the Diet at the beginning of 1941 took place under the shadow of the war in Libya, and, once again, the moderates had their way. Standing on the

ground of the inviolability of the Diet under the Meiji Constitution, they defeated the attempt to reduce its rôle to that of a Reichstag subordinate to the Imperial Rule Assistance Association. Instead, they secured the prolongation of the existing Diet by one year and a shelving of all the more objectionable laws of economic organization. Prince Konoye recognised the turn of events by taking some well-known moderates into his Cabinet.

It was with this double defeat to extremism behind him that Mr Matsuoka made his visit to Berlin, where he arrived for King Peter's *coup d'état*, and to Rome, where his visit coincided with the Battle of Matapan. The result of the European tour was not therefore a closer understanding with the Axis Powers, but a Neutrality Pact with Russia. It was made as a re-insurance against the democracies in the event of a Japanese move to the south. It is likely to be kept as a re-insurance against Germany in the event of a German drive into Asia. Both moderates and extremists hoped that it would reduce the flow of Russian supplies to China, but all calculations of policy were upset by the German offensive in June.

With Russia added to the belligerents, Germany is now engaging all Japan's political and actual rivals in East Asia. The extremists are under a heavy fire of propaganda, urging them that the hour of destiny has come and that they must fight to free themselves of the Western

yoke now, while Germany is doing the work for them. The moderates point out that the Nazis are, in fact, asking Japan to pull their chestnuts out of the fire, by engaging in yet another war while the "China incident," whose outcome Germany cannot influence one way or the other, is still unsettled. For a week, the dispute raged in the Cabinet and the Imperial Court. The outcome was inconclusive, a statement of vigilance and nothing more. To this extent it was a victory for the moderates.

The next phase of the war will determine the degree of Japan's participation. Every sign of strength on the part in Britain, America and now Russia strengthens the moderate element and postpones any adventures in the South Seas. The only campaign upon which both extremists and moderates might agree would be an attempt to take over Indo-China. It could be interpreted to the Germans as a move on Singapore; it could be glossed over to the democracies as the affair of Vichy; it would provide a cheap victory for the Japanese people. A more ambitious move, southwards to Singapore and the Dutch East Indies, will follow only on a turn of military events in the West more catastrophic than any envisaged at present. Like so many other battles, the battle of the South Seas, the battle of China and even the battle of the Diet and the Imperial Court are being fought out in the factories and on the fields and in the skies of Europe.

Wages and the War Effort

IN his Budget speech on April 7th, Sir Kingsley Wood announced his decision to "prevent or minimise," by means of subsidies, "the impact of increased costs . . . on the prices of essential goods and services, apart from any increases in their prices rendered inevitable by further increases in wage rates"—in the hope of creating "conditions which will enable the wages situation to be held about where it now is." The Chancellor's reference to wages was somewhat vague; he only expressed the hope of creating the conditions for their stabilisation. Nevertheless, the statement did seem to imply that no new claims for advances in wages should be made after some early appointed date. Since April 7th, the trade unions have not only pressed for the settlement of outstanding wage claims; many have put forward fresh demands; it has even been suggested that Sir Kingsley Wood's "hope" did not apply to bargaining by individual unions. There has been no statement of Government policy, though it is now reported that one may be coming; there has been no wage-stop, no appointed day. Nor, similarly, has there been a general price-stop, though the index of the cost of living has now been steady for three months. Both the price of coal—a key commodity—and the wages of coal-miners have recently been allowed to rise.

Thus, the stabilisation of incomes is still in abeyance. Its corollary, the establishment of a basic ration of necessities for all consumers, is still very incomplete; and the problem of the distribution of sacrifices among the various sections of the public—a problem which includes, but goes far beyond, the wages question—has consequently been rendered more acute with every fresh reduction in the supply of essential consumers' goods and services. The economic case for sacrifices all round, in order to engage all the country's available resources in the war effort, is generally recognised; but, in the absence of an all-round price policy, political resistance to particular sacrifices, not surprisingly, remains. It is plain that, if Great Britain's striking power is to be developed to the full, the standard of living of all but the poorest section of the community must be reduced still further for the duration of the war. It is no less clear that a general increase in incomes cannot augment the dwindling supply of essential consumption goods, or prevent an all-round reduction in the standard of living of individuals. In these conditions, any increase in the incomes of one section of the community—wage-earners, entrepreneurs, rentiers or salaried people—must be at the expense of the incomes of

others; and, within the field of wages, an advance in the wages of one industry must generally mean a reduction in the purchasing power of workers in other industries. These arguments are not disputed. But no section of the community will willingly risk a loss or accept a sacrifice which is greater than the price asked of its neighbours. There is no general policy of compensation for war losses of livelihood or remuneration; and there is no single plan to spread sacrifices evenly and fairly.

There is even some danger that discussions about the distribution of sacrifices may obscure the vital object of wartime economic policy, which is to expand the production of the goods of war. Everything else, including the problem of wages and prices, must be subordinated to this task; and the present emergency should not be regarded by any one section of the community as a chance to improve its position relatively to the lot of other sections. It is only fair that the sacrifices imposed upon the community by war should be distributed according to the capacity to bear them; and it is equitable and essential that rich people should be taxed to the utmost. But the main mass of the population is not rich, and their consumption and their spending, which make up the bulk of national consumption and spending, have to be held in line with the limited supply of civilian goods. Hitherto, trade union practice has not entirely conformed to these principles. Before the war, they often sought to justify pressure for better wages and conditions by reference to the profits in the industries concerned—or, if profits were falling, to their right to a decent standard of living. Since the outbreak of war, they have based their claims chiefly on the rise in the official index of the cost of living and on the deterioration of working conditions, though, as the experience of the past three months has shown, the stabilisation of the index has scarcely arrested the general demand for higher wage rates. With the EPT at its present level and with the Government as industry's chief customer, there is less incentive for employers to resist demands for higher wages. Moreover, the unions' present policy, which enables the strongest of them to obtain the best terms, is scarcely fair to the workers in the less well organised trades, or to those poor or unfortunate members of the community who are dependent on allowances from the Government. A continuation of this policy would wreck the scheme for stabilising prices and wages and accentuate, and not lessen, the problem of securing "equal" sacrifices.

It is now reported that Sir Kingsley Wood and Mr. Bevin have put a scheme for the stabilisation of prices and gross incomes (that is, including the varying parts paid in taxation) before the General Council of the Trades Union Congress and the British Employers' Federation as a basis for discussion. It is imperative that the problem of incomes and prices should be removed from the arena of politics. The broad outlines of the stabilisation that is wanted are clear enough. If wages are to be pegged, it is only equitable that all other incomes should be stabilised as well. The introduction of a standstill Order for wages would have to be accompanied by a similar measure to fix salaries, directors' fees and dividends—or to tax away the entire increment above the appointed level; and, in order to maintain incentives, provisions for promotion from one grade of work to another, better paid and more responsible, would be needed. For salaries and directors' fees, a standstill Order would not involve insuperable difficulties, though vigilance would have to be exercised over expense allowances. The remuneration of owners of capital has already been severely limited by EPT; and, in contrast to the majority of wage earners, shareholders as a whole have not been compensated for the rise in the prices of consumers' goods and services. On June 26th Mr Bevin announced in the House of Commons that weekly full-time rates of wages had risen, on the average, by 20 per cent between September 1st, 1939 and June 1st, 1941. If allowance is made for increased hours, up-grading and overtime pay, the rise in actual earnings has been considerably greater. There is no information concerning the average increase in salaries, but, as *The Economist's* analyses show, there has been no comparable rise in industrial profits or dividends. Indeed, many concerns will soon be using up their capital in that they will be unable to make necessary replacements or accumulate sufficient funds for replacements after the war.

The introduction of a general standstill agreement on all forms of remuneration would not in itself be enough. There are still members of the community who cannot buy their ration of essential goods and services. There are still gross errors in the distribution of food. A veto on increases in gross incomes should be accompanied by measures to guarantee a minimum of the essentials of life

to every member of the community; and, in order to prevent inflationary rises in the prices of individual commodities, rationing and price control would need to be extended further to cover all articles in common use.

The fact is that stabilisation—of incomes or consumption—is only one item in war economy, which should be a single whole. Even with compensation to even out the indiscriminate incidence of wartime losses, the sharing of financial sacrifices is only one aspect of the problem. Every individual is equally an agent of the State. The prime war need is for the closest collaboration between all sections of the community in the joint effort to raise production. The trade unions complain of inefficiency in industrial management, while others point to slackness on the part of labour. If production is to be speeded up, workers and managements must do their share together, and they must be directed by the Government, which is the chief employer of both. Many of the privileges of workers, such as the right to change their jobs, have been abolished in several industries, and salaried employees and managements must equally be regarded as servants of the community to be set to serve where they are most needed. There is a case for giving the representatives of labour every opportunity for contributing their share to management in so far as labour problems are concerned; and there is a case for replacing inefficient by efficient managers regardless of the "claims" of separate firms.

The time has come, in short, when the nation must cease to dissipate its energies, either in haggling over the distribution of sacrifices or in mutual accusations of inefficiency. It is true that it is, first, the task of the Government to establish the conditions of service—by stabilising prices as well as wages and by compensating the groups and individuals who suffer disproportionately by the chances of war. But there are no indications that labour's share in the national income has been diminished in the war. Its share has rather risen; and the introduction of a stop on wages, salaries and dividends, as well as prices, coupled with a national minimum, could do much to allay suspicions and, while resting wartime expediency on a foundation of social justice, to remove the political obstacles which still linger in the way of achieving the highest possible output of war goods in the swiftest and most efficient way.

The Druggist's Dilemma

THE Pharmacy and Medicines Bill, which implements Sir Kingsley Wood's decision to repeal the medicine stamp duties, is an important landmark in the centuries old conflict between pharmacists and other shopkeepers. As long ago as 1617, when the Company of Apothecaries was granted its first charter by James I, the king insisted that it was necessary to confer a privilege on the apothecaries in order to defend them against "grocers" who "bring home wrotten wares from the Indies, Persia and Greece, and therewith through mixtures make waters and sell such as belong to the Apothecaries, and think no man must control them because they are not apothecaries." But in spite of this privilege, by 1841, when the Pharmaceutical Society of Great Britain was founded, the practice of pharmacy had degenerated and was conducted by a miscellany of retail traders, most of whom had no scientific knowledge, but to whose care was entrusted, not only the sale of drugs, but also the sale of poisons.

The Pharmaceutical Society, which celebrated its centenary last April, was thus founded with the wholly laudable object of educating its members and protecting the public. Its formation was the prelude to a long series of important legislative enactments, which culminated only recently in the Poisons and Pharmacy Act of 1933. This measure made membership of the Society compulsory for all registered pharmacists; set up a Poison Board to advise the Home Secretary on the control of poisons; and provided for the establishment of a committee of the Society to exercise disciplinary control over pharmacists and companies carrying on business under the Pharmacy

Acts. But, though the Society claims that education is still its main concern, its individual members are also naturally concerned with their business interests. From the justifiable assumption that the sale of poisons and all medicines requiring strict prescription and dispensing should be in their hands alone, they have proceeded to the assumption that unregistered pharmacists and other retailers should not be allowed to sell any sort of drugs at all. Not all medicines are poisonous or need a doctor's prescription, and some tonics and aperients combine refreshment with cure. But the chemist resents bitterly the sale of aspirin, gargles and tonics by other shops, even though the other shopkeepers have had to pay an Excise licence of 5s. a year in order to do so.

In the new Bill a compromise has been reached. Hitherto, the registered chemist has been able to sell, free of medicine stamp duty, all remedies, "known, admitted and approved," so long as no proprietary rights are claimed. The ordinary trader must sell the same preparation stamped, even though he holds an Excise licence. For years chemists have been pleading for a big increase in the licence fee as an additional means of preventing poaching on their preserves, but the fact that there are 160,000 patent medicine licences and only 14,000 genuine chemists' shops shows how unsuccessful their restrictive efforts have been. Moreover, the chemists have weakened their position by advancing on to their enemy's ground. It is not easy for them to claim that theirs is a skilled profession, which none but the qualified must presume to enter, when on their own counters are displayed a vast

array of unmedical objects—ranging from cosmetics and cameras to carriers for gas masks.

From September 2, however, both the medicine stamp duties and the licence fees are to be abolished. This, at first sight, would appear to withdraw a considerable trading privilege from the chemists; but the Bill also embodies an agreement between the trade interests concerned, under which all articles recommended as medicines shall be sold only by doctors, dentists or chemists. Proprietary medicines not described in the British Pharmacopoeia or the British Pharmaceutical Codex—or, even though so described, if they are sold under their proprietary name only—together with certain other types of medicine, such as mineral waters and herbal remedies, can still be sold by ordinary retailers. Thus—apparently—aspirin and Epsom salts will in future only be procurable at a chemist's, whereas "Aspro" and "Eno's" you may buy where you will.

The dilemma confronting the pharmacist—how to maintain both his professional status and his business interests at the same time—does not concern himself alone. On the one hand, a skilled and efficient pharmaceutical profession is an essential part of a nation's health services; on the other, the public interest demands that monopolies and the restraint of trade should be fought wherever they are found. There can be no doubt that a public which in health matters was already far too given to the bottle habit has been confirmed in its addiction by the lavish promises of cures held out by patent medicine advertisers. And whereas Mist. ADT can give the patient mental satisfaction for a few pennies—or for nothing if he is insured—the same satisfaction purchased from a patent medicine manufacturer generally costs as many shillings. The positive harm done by quack cures is probably far less in these days than it used to be; but at the least they frequently postpone proper medical treatment and absorb money which in many cases the purchaser can ill afford.

It is not likely that the repeal of the medicine stamp duties will encourage the consumption of patent medicines. For one thing, under the new Bill the prohibition on advertisements of supposed remedies for venereal diseases and cancer is extended to similar advertisements for Bright's disease, cataract, diabetes, epilepsy or fits, glaucoma, locomotor ataxy, paralysis and tuberculosis, as well as for articles suggesting that they are abortifacients. For another, an end will be put to "secret remedies," which have proved so alluring, and occasionally dangerous, to the public, by a clause providing that the composition of all medicines must be declared on the wrapper or label.

The chemist's attitude towards the tax, however, has not been solely governed by a desire to educate the

public. He appears to have no objection to the sale of patent medicines, provided that it is in his hands alone—an ambition which has clearly not been achieved by the new Bill. This attitude is clear from the close connection between himself and the manufacturer. Most retail chemists are not only, in their professional capacity, registered with the Pharmaceutical Society; they are also members of the National Pharmaceutical Union and, through this, affiliated to the Proprietary Articles Trade Association, whose council consists of twelve representatives of manufacturers, twelve wholesalers and twelve retail chemists. This association is very powerful; its list of proprietary goods, which it tries to ensure are sold at a uniform price, contains some 3,000 lines, and from time to time it publishes a Stop List of offending wholesalers and retailers from whom supplies are to be withheld. For all his professional training, the pharmacist in practice has learnt the tricks of modern trade.

His professional representatives, the Pharmaceutical Society, fully realise the growing domination of the business side of this dual character, and, at the annual meeting of the British Pharmaceutical Conference last April, the chairman urged that "pharmacists would be doing far more for themselves and for the medical services of the country if they devoted their energies to fields of activity which did not involve legislation, rather than by striving for such politically unattainable goals as the reservation to them of the sale of all medicines." The Society itself, as a purely professional body, is powerless to interfere with the business habits of its members. A test case in 1920 decided that the Society's statutory powers were limited, and that it could not regulate wages, prices or hours of business, nor could it use its funds to subscribe to any body proposing to do so. Thus the National Pharmaceutical Union, which came into being as a result of this decision, is evidently independent of the Society, and for the individual chemist it may be difficult, if a clash comes, to decide which of the two bodies is paramount.

There is, of course, no reason why a clash of professional and business interests should come at all. Many chemists have to struggle hard to make both ends meet; and so long as they are mainly dependent for their livelihood on having things to sell, they are forced to have a business as well as a professional outlook—though the extension of compulsory health insurance to incomes up to £420 a year will put the dispensing of medicines more and more on a salary basis. What the public interest demands is, not that chemists should withdraw completely from the business arena, but that they should not use their professional status merely to further their business ends—that in claiming to protect the public they should not really be seeking protection for themselves.

NOTES OF THE WEEK

The Course of the War

The main attack on the Stalin Line has been launched and although the Germans have obviously made a deep and dangerous penetration at Bobruisk and have probably reached the Dnieper at this point, the Russians are holding them and using their defence system, not as a line of static fortifications, but as a basis for vigorous counter-attacks. There is obviously no shortage of mechanised material yet and tanks have been a feature of all the engagements. The position in the air is believed to be less favourable, and the Russians are very short of the most modern types of fighter plane. These counter-attacks, launched, in all probability, at the moment when the German army was beginning to feel the strain of its enormously rapid advance—the mere need to overhaul tanks and other vehicles would in itself account for a halt after two weeks' movement—have effectively held the Germans in the north of Ostrov, on the Dvina, at Polotsk and Lepel, and in the south on the Polish and Bessarabian frontiers. Everything depends upon the central sector where the main battle is raging along the Dnieper. The Germans claim that if the Stalin Line is broken, the advance to Moscow and into the heart of

Russia will go forward unimpeded, but the development of guerilla warfare behind the German advance positions and the adoption of the "scorched earth" policy do not bear this out. The Russians are fighting with dogged and tremendous heroism and, with Stalin's broadcast to the Russian people, the doubts which had been thrown on the resolution of Soviet leadership have been dispelled.

Russian Tactics

Whatever the outcome of the war in Russia, and the Germans still have the upper hand, it has already been established that in military matters the Russians have skill and ingenuity, as well as numbers, modern equipment and stubborn courage. At the opening of the campaign, there were probably errors which led to large bodies of men being cut through and encircled. More recently, in defence and counter attack, the Russians have been both fierce and cool. On the occasion of the twenty-third anniversary of the Red Army in February this year, Marshal Timoshenko, in an order of the day, outlined the training principles

which had been developed after the experience of the Finnish war, and after the example of the German campaigns in Poland and in Western Europe. Training must be confined to activities which are needed in actual warfare, and training conditions must be as warlike as possible. The activities of all other arms must be subordinated to the operations of the infantry which decides battles. At the same time, the Marshal demanded the organisation of small units within the infantry to be trained for independent action; and special emphasis was laid on mobility. Later, the Soviet Press explained that the military training and education of the mass of the civilian population was to be improved. Now the continued guerrilla fighting in the border provinces of Russia and the formation of civil guards announced by Stalin show that these steps have been put to good use. It may be assumed that the reorganisation of training was begun shortly after the Finnish war ended. Ever since the first days of the civil war in 1917 the military forces of the Soviet Union have often changed in character. The small bands of "partisans" of the civil war composed of workers or peasants existed for a considerable time side by side with the Red Army; and the independence and resourcefulness of these "partisans" played an important part in the Army's tradition; in some ways they were reminiscent of Irish models. Neither "partisans" nor the Red Army itself corresponded to the "militia" or "the people in arms" as socialist writers had imagined it before the revolution. At the end of the civil war the Red Army was reorganised to consist of a standing army and a territorial army; and in 1935, 74% of the Red Army was still on a territorial basis. But, in 1937, the regular army had increased to 77%; mechanisation and motorisation had become possible on a large scale because of the industrialisation of the Soviet Union, and a reduction in the territorial part of the army followed. But the principle of local fighting groups was still very strong, as was shown by the regiments and battalions formed by the workers of large factories; and the tradition of the civil war which still pervades the Red Army was particularly strong among the territorials. The new training programme outlined by Marshal Timoshenko and the present fighting in the border provinces, where the Red Army is fighting in small groups behind the German lines, suggest that a method of fighting in small units similar to the activities of the "partisans" in the civil war must have been part of their training; and the military education of the civilian population, which is again based on the tradition of the civil war, should make co-operation between small units of the Red Army and civilians easily possible. One of the weapons of these bands will probably only come into play when the German armies have penetrated deeper into Russian territory—that is, the weapon of political parley. The civil war showed that many battles could be won by politics. It remains to be seen whether the German war machine can be checked by words and slogans. At any rate, if the fighting in Russia remains as fluid as it has been lately there should be ample opportunity for the Soviet guerrillas to fight against as well as to parley with the German troops.

The United States in Iceland

Those who have hankered for action on the part of the President of the United States and have watched with some apprehension the recent drift of American opinion into a sort of doldrums of detached observation have had all and more than they hoped for in the past week. The President's decision as Commander-in-Chief to take over the defence of Iceland and to ensure the safety of communications "on the seas between the United States and all other strategic outposts," may have revolutionary consequences, not only in the sphere of American defence, but also in the Battle of the Atlantic and the supply of war materials to Britain. The President's move is in a sense the last act of the *Bismarck* drama, for it was the sea battle in Denmark Strait that roused American opinion to the proximity of the German threat. The fate of Crete was an added lesson, showing as it did the vulnerability of an under-defended island to air-borne attack. Finally, the provocation of the *Robin Moor* incident—a deliberate and direct provocation—called for strong counteraction. Thus by stages the American people were prepared for the inevitability of the act and have given it a wholehearted welcome. Since the President deliberately based his case upon the existence of a "pincer movement" towards the Western Hemisphere, there is some questioning whether he will complete his action by dealing with the Dakar pincer to the south.

American reinforcements on the west coast of Africa would have a sobering effect on the hotheads at Vichy and might even put some heart into the craven and disintegrated North African bureaucracy. In the meantime, the presence of American forces in Iceland and the patrolling of the sea route between Iceland and the United States should have a notable effect upon the Battle of the Atlantic. As



Mr. Churchill indicated in his statement in Parliament, a certain amount of Anglo-American naval co-operation is likely to be inevitable on the Newfoundland-Iceland route. This will enable the Navy to concentrate far more of its strength and attention upon the 500 odd miles between Glasgow and Reykjavik. At the same time, it may force Germany to make her decision about the "shooting." It is pleasant to reflect that for once it is not the Germans who are making the pace.

Priorities

After nearly two years of total war, it appears that there is still no satisfactory central direction of priorities in the allocation of the nation's resources. In the first months of Mr Churchill's Government, it was Mr Greenwood, chairman of the Production Council and virtually Economics Minister as well, who ostensibly had the say; but, in February, the decision was handed over to the new Production and Import Executives of Ministers, the earlier arrangement having proved unworkable. Then, in May, the final word was given to Lord Beaverbrook when he was made Minister of State, the Production Executive having to report to him on priority matters. This arrangement had some promise, though even at the outset it was wondered what the relations would be between Lord Beaverbrook and Mr Bevin, the chairman of the Production Executive. As it was, the plan was apparently never put into practice, and questions of priority are now to be handled by the Production Executive again, with Mr. Churchill, as Minister of Defence acting as final arbiter. Mr. Churchill will presumably act on the advice of his own secretariat; and it remains to be seen whether an *éminence grise* will prove any more successful, with the force of the Prime Minister's personal authority to press his decisions, than his Ministerial and more constitutional predecessors in co-ordinating and collating the use of resources so as to maintain order and balance in the flow of production required by strategic needs. The whole story is an astonishing one, and it is probable that history will record some conflict of personalities in its unfolding. Until May, 1940, it was stoutly affirmed that priorities were not necessary because resources were plentiful. Even now, it does not appear to be fully realised that, in total war, everything is scarce and that, without an authoritative plan, not only to set all manufactured goods in a strict order of general urgency, but also to allot materials, plant and labour selectively to individual contracts, there is bound to be waste and disorder in output. War economy is priorities; *par excellence*, war economics is the economics of scarcity; and so far there has not emerged any Minister with the inclination, the ability, the forcefulness and the time to impose the final decisions on his politically and departmentally minded colleagues. The blessed word is still "agreement" and the result flabbiness and inefficiency.

Bars to Output

Production has been debated for two days in the Commons this week. The matter had been rendered urgent by the realisation, at the time of the Germans' bold stroke

against Russia, that the rate of output was still below the pace needed to face coming dangers, and by the appointment of Lord Beaverbrook to bring the production of tanks and military equipment up to a safe level. In the debate there were widespread complaints of deficiencies. For a long time, both economists and business experts have claimed that output was well beneath the nation's true capacity, in spite of the monotonous announcement from official sources of rising and record "floods" of weapons, and Lord Beaverbrook's appointment is only one sign of growing Governmental concern. Mr Bevin has set up a central committee of employers and trade unionists to advise the Production Executive of Ministers on measures to speed up production, and the existing area boards, have been converted into production boards, with power to supervise all contracts and scrutinise the use of tools and industrial capacity in their regions, will assist in this work. Actually, there is still no complete understanding in official policy of what the real problems are. It is not, for instance, a series of "representative" committees that is needed to scrutinise and speed up production, but a force of expert technical inspectors reporting to a Controller of Production, without departmental ties and with power to act. The checks to production do not include a lack of boards and committees. With authority, the new regional boards may do valuable local work, but the real troubles will remain: the delays and frustrations which are due to inappropriate administrative procedure and Civil Service misunderstanding; the unrealistic attitude which still leads officials to regard output in terms of money, and not of man-hours and materials; and the inability of firms, on the one hand, and of departments on the other, to think except in sectional terms or to cease their frontier disputes.

War Economy

The flaws in the organisation of the community for war go deeper than individual or sectional deficiencies. War output is chronically insufficient because the community, as a community, is not on a war footing. There is a welter of war organisation, but it has simply been grafted on to the peacetime system of individual firms. The fact that, in war economy, every producer, worker or employer is the State's agent is not recognised. The *entrepreneur*, the trader and the farmer are still expected to manage their businesses at their own risk, and they naturally take steps to prevent wartime restrictions from causing them losses. In turn, they tend to be regarded by Civil Servants, and by the public, not as victims but as rogues. What are commonly called vested interests, including organised labour, in seeking to protect themselves will oppose restrictive measures. If they are strong enough they may actually block steps required for the war effort; at least they will slow them down; while weaker *entrepreneurs* may simply go to the wall. This inevitable push-and-pull of a peacetime community in a wartime strait-jacket is no help to the war effort. It is a definite deterrent to the introduction of the drastic policies that full production and a fair distribution of consumption would entail; every vital measure—the limitation of supplies, the mobilisation of labour, rationing and the concentration of industry—has been brought in too late and too slowly; and other equally essential steps, including complete rationing, communal feeding and the compulsory transfer and training of non-essential labour *en masse*, are still delayed because of the suffering or loss which it is feared they might cause to individuals and groups. Practically all the decline in import capacity has been met by reducing imports of raw materials and not of foodstuffs. What is needed is a temporary wartime system of collective control over all economic activities in which every individual would be fairly remunerated or compensated by the State, and in which every individual would receive no less and no more than a basic ration of food and clothing. This would be a wartime community. There would be no prejudice to its unfreezing when the war was over; and there would be no needless barriers to the introduction of the policies needed to make the utmost of all the nation's resources for war production.

Armistice in Syria

In little over a month since the advance of Imperial and Free French forces into Syria on June 8th, General Dentz, in the name of the Vichy authorities, has made formal application for an armistice. There can be little doubt that the failure of supplies and the strategic

implications of the capture of Damour have been responsible for the collapse of Vichy resistance. The evacuation of Damour by Vichy troops followed a fine action against a heavily defended stronghold by Australian units. The fortified positions round Damour constituted the outer defences of Beirut and there is no doubt that its abandonment after less than three days' fighting following the hazardous crossing of the Damour river by Imperial forces early last Sunday morning, was a severe blow to Vichy. Moreover, it was highly probable that Australian intervention on the coastal road to the north of Damour had cut off the retreat of the escaping troops. In the extreme north-east, an Imperial column had at about the same time taken Tell Kotchek and was presumably free to advance upon Aleppo, while forces advancing up the Euphrates had control of Deir ez Zor as well as Palmyra. This central force could be deployed against Aleppo in the north-west, or it could be used to threaten Homs in the west and, in conjunction with the Free French, to cut off Vichy forces in Lebanon. Thus the stage had been reached when Allied units were jointly threatening Beirut and Aleppo, and were in a favourable position to separate and encircle the troops defending these positions. There is no doubt that the realisation that strategic control of the country had passed from Vichy to the Allies played an important part in securing the request for an armistice.

Clothes Rationing

On the whole, the clothes rationing scheme, which was introduced by the Board of Trade on June 1st without previous consultation with the trade, has stood the test of criticism very well. Such modifications to the scheme as have been found advisable—the latest of these are described on page 55 have been in the nature of minor adjustments. Indeed, the Board of Trade has demonstrated that previous negotiation with the interests concerned is not necessarily always an advantage in the formulation of administrative schemes. It does not, of course, follow that the Board of Trade's procedure should be regarded as a rigid precedent for future policy. There have been good and bad schemes produced both after and in the absence of consultation. But while the clothes rationing scheme, as a scheme has been successful it might perhaps have been advisable for the Board of Trade to have followed it up with a campaign designed to draw the public's attention to the need for making the best use of their coupons. True, only 26 out of a total of 66 coupons were made available on June 1st, when the scheme was introduced, while only 20 of the remaining 40 coupons will be valid before the end of the year. But the announcement that the 40 coupons not yet issued can only be used after the first 26 have been utilised and the public's tendency to rush to the shops to buy their rations—which, naturally, was not discouraged by retailers, who have tried to restore all the atmosphere of peacetime "sales"—may have led to purchases that will be regretted in the winter.

Domestic Coal Restrictions

The announcement of the Secretary for Mines that, as from the first of July, no domestic coal consumer might receive more than one ton of coal a month, has met with heated criticism because of the apparent lack of discrimination between hotels, blocks of flats, hostels and clubs, on the one hand, and small householders, on the other. Whether this criticism proves to have been merited or not depends largely upon the local fuel overseers, who are empowered to licence larger deliveries where genuine hardship would otherwise occur. These overseers have presumably still in their files the detailed particulars, including numbers of radiators, gas and electric fires, of all the premises in their districts, and on the basis of these, brought up to date by the applicant, they should be able to deal intelligently with hard cases. It is emphasised by the Secretary for Mines that these licences will only be granted to relieve genuine hardship and not to enable people with means to live up previous negotiation with the interests concerned is not sumer is encouraged to build up small stocks during the summer if he can procure the necessary coal, but no coal will be delivered if the consumer had, on the first of the month, more than two tons of coal and coke if he lives in a self-supporting area, or two tons of house coal and one of boiler fuel if he lives in a coal-importing district. It is difficult to see why the first of the month, instead of the date of order or delivery, should have been chosen. It seems

likely to lead to deliberate extravagance towards the end of the month. There seems, too, much point in the criticism made in the House that the larger consumers cannot build up stocks on a ration of one ton a month. The fact is that all criticism of coal rationing is largely academic, since coal output has been allowed to fall so low that the prospect of obtaining the ration may be remote. Since the claim of industry is paramount, it might save local fuel controllers a great deal of trouble and householders much irritation if the Secretary for Mines would give some general idea of what he means by "hardship." Does hardship begin when the consumer has to forgo his daily bath, or when the whole family has to conduct incompatible activities in the same room, or only when there is absolutely no adequately heated room in the house? If people could be told how much they were expected to endure, most of them would adjust themselves with patience.

Re-registration and the Small Retailer

The word has gone forth from the Ministry of Food that a general re-registration is to take place between July 7th and July 19th. Normally, of course, this is a routine affair to provide consumers at regular intervals with an opportunity of changing their retailer. On the present occasion, however, re-registration is hedged with two important conditions. In the first place, registration for the whole fat ration must be made at one shop only, whereas at present butter and margarine can be bought at one shop and cooking fats at another; and the same stipulation will apply to registration for sugar and preserves. There is everything to be said in favour of the development of this form of grouping. It permits suitable freedom for the consumer, as he is still not compelled to register for all rationed goods at one shop. On the other hand, some restraint is thus officially placed upon spreading registration among as many shops as there are rationed commodities—and members of the household—which has frequently been done in order to secure an undue share of unrationed spoil. The second amendment to the registration system—that supplies of a rationed commodity are to be withdrawn from any retailer who has not secured a minimum of 25 registrations for that article before July 22nd—appears to be a more dubious innovation. In the first place, it is clear that it may lead to some canvassing by the small shopkeeper of potential customers, with a promise of undesirable most-favoured customer treatment. And the purpose of the order seems obscure. It may be intended to save the transport costs involved in distribution; but there will be no effective saving in large centres of population to which transport will have to take place in any case, and the transport saved in sparsely populated districts will be lost again if the inhabitants have farther to travel for their rations—anyhow, in such districts the ban on the small retailer will probably be relaxed. If, on the other hand, the order is intended to drive small retailers out of business as a step towards concentrating the distributive trades, it is the wrong way to do it. It has frequently been pointed out in *The Economist* that the greatest reserve of labour is to be found in such trades, and concentration is obviously desirable. But to do it by squeezing out the small retailer in a way that is reminiscent of the monopolist and trade association, without discussion and without compensation, is a most undesirable precedent.

Curbing the Quack

For a Bill which, on the great authority of the *Times*, "is of a controversial character," a surprising measure of agreement was shown during the second reading of the Pharmacy and Medicines Bill. Actually, the attitude taken up by the *Times* is, to say the least, surprising. So far from this Bill being an example of "hurried legislation," the consequences of which have not been fully considered, its main points have been under discussion for years; they were the subject of a Select Committee, not only before this war—in 1937—but before the last war as well, when a Committee reported in 1914 that new legislation "is urgently needed in the public interest." It is true that, since then, something has been done. Advertisements of remedies purporting to cure venereal diseases were prohibited by an Act of 1917, and a similar prohibition was extended to

cancer advertisements a few years ago. But the present Bill is the first occasion on which an attempt has been made to treat the problem of patent medicines as a whole. It contains four main provisions: the repeal of the Medicine Stamp Duties and the annual licence compulsory for proprietors, makers and vendors of dutiable medicines; the share of the trade as between registered chemists on the one hand and ordinary shopkeepers on the other; the extension of the prohibition on advertisements; and the declaration of the ingredients of secret medicines. The position of the chemist under the new Bill is discussed in an article on page 39. As regards the provisions to safeguard the public, all that need be said is that the Bill hardly goes far enough. Advertisements for the diseases mentioned are rare in these days, and the present tendency is rather to exploit the public's little learning in respect of vitamins and dietetics generally and the public's desire to cosset itself for any supposed ailment, however minor. Perhaps power could be given to add to the list of diseases as the occasion arises. Moreover, the clause putting an end to secret remedies should be amended to include the quantities as well as the nature of the ingredients. Otherwise, it will be possible for a manufacturer to declare that his product consists, say, of a substance containing Vitamin A, which on analysis may prove to be only a trace—of no value whatsoever. And if the ingredients are declared in Latin or Greek, most people will continue to be deceived. In short, a far too gullible public will be protected from danger by the new Bill, but not altogether from fraud.

No Change at the Ministry

It is to be hoped that the Government will reconsider its decisions with regard to the Ministry of Information. No one is satisfied, not even, one may believe, the Minister who opened and the Minister who closed the debate. Sir John Anderson announced three innovations which, he rather faintly hoped, would expedite the issue of news. Representatives of the three Service Departments are to reside in the Ministry of Information with certain powers of releasing news, subject to a veto on high policy. Questions raising high policy are to be referred to the Minister immediately, or, if he is absent, to a specially designated delegate. The third concession is that the Cabinet undertakes to issue no unnecessary vetoes. In a word, the changes, as an indignant House of Commons pointed out, leave the situation exactly where it was. The responsibility for issuing news remains with the Ministry of Information, the power of suppressing it rests with the Services, and there is no guarantee under the new system that they will show any more grasp of the needs of propaganda than they did under the old dispensation. As for the other problems, the creation of a really adequate system of foreign propaganda and information and the co-ordination of news on the home front through better contacts with the Press—these were barely touched on. A hopeful arrangement whereby all the Press relations officers would be brought together was nullified by there being no place or time at which they would meet, and the question of foreign propaganda was dismissed by referring it back to the Foreign Office. The appointment of Mr. Bruce Lockhart as an Assistant Under-Secretary for liaison and guidance work at the Ministry is probably a good one, but is no more guarantee than the presence of Service representatives that policy and propaganda will be properly co-ordinated. Altogether, it was a very sorry performance on the part of the Government.

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A Firm Hand

Mr. Hore-Belisha's persistence has elicited from the Prime Minister some account of the duties which are to be performed in the Middle East by the newest member of the War Cabinet. This explanation of the latest move in that shifting relationship between civilians and soldiers which is perennial in wartime was, of course, due to Parliament, to which Mr. Lyttelton will be personally responsible. In general, it appears that Mr. Lyttelton's task will be to confine the duties of the Middle Eastern commanders to the actual conduct of operations. He will take over the "extraneous responsibilities" that devolved upon General Wavell before his departure to defend India (and, it is now announced, Iraq as well), which was simultaneous with Mr. Lyttelton's appointment, and the Minister of State will give decisions on Government policy which otherwise might require reference back to a number of Ministries in London. The commanders will retain their direct contact with the Service Ministries, and the British Ambassador in Cairo will be able to communicate as usual with other British representatives in foreign countries and in the Foreign Office. But the powers of the Minister of State, if still not very clearly defined, are obviously to be very large; and it is plain that, in the Cabinet's view, in order to "smooth, hasten and concert action in the Middle East," it is necessary to keep the soldiers in their soldierly place.

The Rate of Spending

There have recently been attempts to assess the influence of Lease-and-Lend on the present rate of war expenditure. The line of argument has been that the rate of spending seems low because American supplies are no longer included, which is, of course, sound reasoning, except for the fact that supply expenditure in the first quarter of this financial year has not appeared low. The weekly average from April 5th to June 30th was £77 millions, which is equivalent to a rate of about £4,000 millions in a year, against a Budget estimate of £3,934 millions. In the first five days of July supply expenditure was £70 millions, which has been erroneously taken by some commentators as a low figure for a full week, while, actually, it is equivalent to £98 millions in a seven-day week or £5,000 millions in a year. It is true that the weekly average of £77 millions in the first quarter of this year is well below the weekly average of £88 millions in the final quarter of 1940-41; but it is not so far below as has been suggested. The comparison is not the aptest because expenditure is always highest in the final quarter; and, although it is the merest truism that expenditure is very materially reduced by Lease-and-Lend—Sir Kingsley Wood said in April that the inclusion of Lease-and-Lend commitments would raise a Budget total of £4,206 millions to "far beyond" £5,000 millions—there is no real evidence that the war effort as measured by the rate of expenditure is actually lagging. It is probable that it is still too small to fit the nation's capacity and to meet the nation's strategic needs; but that is another question.

Rumour War in Turkey

Turkey's reaction of strict neutrality to the new war is obviously and diplomatically correct, but it must be admitted that the entry of Russia into the war has complicated her position. Turkey's fear of Russia is endemic and it took a statesman of the forcefulness of Atatürk to advocate and pursue a policy of friendship and collaboration with the Soviets. Even he was constantly on his guard against Communist infiltration and the eastern provinces bordering on Russia remained under military government. The Russo-German Pact, which brought together two great and aggressive neighbours, simplified Turkey's attitude to the Allied cause. A German blow at the Balkans, coupled with a Russian drive through the Caucasus, was a nightmare of the Turkish Foreign Office, and in all their negotiations with Britain and France, the Turkish statesmen insisted that they should be compelled to take no action that would involve them in a war on two fronts. M. Sarajoglu's abortive visit to Moscow was followed by the series of Russian annexations and only confirmed Turkey's suspicions; and it was here that German propaganda found a fruitful field for action. In particular, Hitler's statement that Molotov had asked for bases on the Straits was expressly designed to magnify Turkey's alarm, and variations on the theme have been spread about discreetly by von Papen. The question now is whether Britain's fighting alliance with Russia will drive Turkey still further into the German camp. Nazi propaganda

is doing its utmost to suggest that in return for continued resistance, Russia will be compensated by the Allies with strips of Turkish territory. The story is not believed, but it creates a background of uneasiness against which other discreditable but slightly more plausible tales may be believed. That is the technique of German propaganda and if one thing is needed more than another in Turkey it is that British counter-propaganda shall be strong and effective; and the absence from Istanbul of any British propaganda officer since the death of Sir Denison Ross is disquieting in this context.

Incident in South America

There is still very little definite news about the reported clash between Peruvian and Ecuadorian troops on their common frontier. The Ecuadorians claim that the Peruvians launched the attack and, inevitably, the incident has been put down to sinister foreign intervention. The only odd feature is the foreign power picked on—Japan. It is true that Japan has business interests in Peru, but Italy's machinations in the past have far surpassed those of any Japanese agents that may have been at work. In any case, the activities of all foreigners have been considerably curtailed since the war began, yet it is probably safer to assume that the clash is simply a recrudescence of the frontier dispute between the two countries which has slightly embittered their relations for decades past. It is reported that both the United States and Chile have been asked to mediate, and it is to be hoped that the incident, trivial in itself, will not be allowed to develop into another Gran Chaco.

Belated Confession

On Sunday the chairman of the Imperial Tobacco Company came to the microphone to announce that it had been decided by the tobacco companies and the authorities to appeal to the public to smoke less. Lord Dulverton gave no explanation of why this obviously sensible and patriotic step was not taken months ago, when it might have been of some use in preventing the present fantastic scramble. It has been left to *force majeure*, in the shape of a well-founded fear that the country's tobacco stocks may be dissipated in a matter of months, to compel action. If it succeeds in stemming the run, its success will be an indictment of those responsible for not acting earlier. If it fails, its failure will be the newest chapter in an astonishing story of ineptitude. The "smoke less" advertisements which made their first appearance on Sunday put the position simply—and with some ingenuousness. "You have had to curtail your pre-war consumption of food and clothes," they said, "but we are not asking you to smoke less than before the war, only less than you are smoking now." And so the attitude persists which blandly regards tobacco on a par with bread and as more important than meat.

Shorter Notes

Including payments to local authorities for "first-aid" repairs, the total amount paid by the War Damage Commission up to June 13th in respect of the repair of war damage was just over £4 millions. The number of individual claims settled up to that date was 1,433, and the amount involved was £20,971. The largest sum paid to an individual claimant was £149.

Captain Budd's second application for a writ of *habeas corpus* has been refused by a majority judgment. The dissenting judge found that the material placed before the Court was insufficient for him to decide whether the Home Secretary had reasonable cause to believe that the applicant should be detained, and that, in his opinion, if the matter were determined on the material before them, Captain Budd should be released.

In recent months the number of persons detained under Regulation 18B has fallen steadily. In May, detention orders were made against only 4 persons and 25 persons were released. On May 31st the total number in detention was 781, compared with over 1,300 at the beginning of the year.

THE WORLD OVERSEAS

Switzerland Encircled

(By a Correspondent)

LANDLOCKED Switzerland is rapidly losing the measure of economic independence the country still enjoyed, in spite of the war, before the collapse of France. Outwardly, there is hardly any change in the "war economy" that was organised in Switzerland at the beginning of the war. Then, large stocks of foodstuffs and raw materials prevented serious difficulties; but now these stocks are disappearing, and industrial self-sufficiency is not possible in a mountainous country without coal, iron or metal resources. In order to be self-sufficient in cereals alone, Switzerland would need to double the area at present under cultivation, which would take five years at least. Lack of feeding-stuffs has resulted already in a reduction of the cattle and pig population, and the fat content of margarine has had to be reduced from 84 per cent to 75 per cent. In general, Swiss industry is caught between two fears. On the one hand, the elaborate organisation of the "war economy" is thought to be a menace to private industry; on the other hand, without it, German economic penetration would find no obstacle. So far, the interdependence of Swiss and German capital and industry has prevented direct German economic penetration. There are a number of Swiss holding and manufacturing concerns which have large capital interests in German and other European concerns. Because of the country's strong capital position, Swiss re-insurance companies have played an important part in Europe's insurance industry. The war, however, has ended the valuable tourist industry. Tourist arrivals from foreign countries fell from 1,000,536 in 1939 to 130,379 in 1940. Swiss income from capital investments in foreign countries is also decreasing, and a good many companies operating in German occupied countries are paying no dividends.

Formally, Switzerland's economy remains independent. But the domination of Swiss foreign trade by Germany and Italy make this independence precarious. The value of foreign trade has moved as follows:—

(Millions of Swiss Francs)		
	Imports	Exports
1938	1,607	1,317
1939	1,889	1,298
1940	1,854	1,316
1940 First Quarter	614	331
1941 " "	448	326

From July to October, 1940, exports exceeded imports, and the import difficulties are clearly shown by the further fall in the first quarter of 1941.

The most significant changes, however, have been in the direction of foreign trade. The shares of European and overseas countries in the first quarters of the years from 1939 to 1941 are shown in the following table as percentages of total trade:—

	Imports from		Exports to	
	Continent	Overseas	Continent	Overseas
First Quarter 1939	76.8	23.2	76.4	23.6
" " 1940	64.5	35.5	70.2	29.8
" " 1941	90.0	10.0	80.9	19.1

Before the collapse of France, Germany's share in Switzerland's foreign trade actually fell. Since July, 1940, British and French commodities have practically disappeared from the Swiss market, and American goods have become very scarce. Swiss exports to overseas countries, however, are still substantial. Since the Axis occupation of Yugoslavia and Greece, shipping difficulties have increased, however—and Switzerland chartered Yugoslav and Greek ships—and the creation of a Swiss merchant navy has made little headway.

There is no competition to German goods in Switzerland; only Italy and Sweden are also still offering goods in quantities comparable to pre-war imports. If Germany decided to end Swiss industrial activity or to put pressure on the country, the suspension of sales of coal and iron and steel

manufactures would be sufficient. Germany and Italy easily succeeded in securing autonomy for their transit traffic through Switzerland. The principle of the Central Clearing through Berlin has been accepted for Switzerland's foreign trade with Belgium, Holland and Norway. Swiss objections to German agents trying to negotiate trade transactions between Switzerland and German occupied countries have not been successful.

Eking out Supplies

Acute shortages of feeding-stuffs, fats, coal, petrol, metals and textile materials have to be met by rationing and by the creation of substitute industries. Plants for the sugarisation of wood for feeding-stuffs have been in operation since 1940. Electric power plants are rapidly being expanded, and wood-gas generators are extensively used in motor-cars. Disused mines in the Jura mountains have been reopened. The production of cellulose has been increased, and factories for the manufacture of cellwool after the German model are under construction. In the textile industry, Germany has used her position as the leading producer of cellwool to obtain a reduction in import duties, whereas before the war Switzerland persistently resisted this demand.

It is not surprising that industrial construction during the first months of 1941 was above the level of the first quarter of 1940. Residential building, however, declined by 50 per cent. The engineering and metal industries are working on orders from Germany and German occupied countries, and attempts are being made to keep up exports of textile goods. In April, unemployment amounted to 7,853 fully unemployed against 9,582 in April, 1940. Yet 9,500 workers are employed in emergency public works, in the labour service or in training centres—the majority are employed in building roads.

At the end of May, 1941, the index of wholesale prices had increased by 62.9 per cent from the level of August, 1939, and the index of the cost of living had risen by 23 per cent. The wages of roughly three-quarters of the workers have been increased since the beginning of the war—by some 6 per cent on the average. This compares unfavourably with the general increase in prices and the wartime increase in income tax of 16.5 per cent. The real wages of the workers have thus fallen considerably.

Switzerland's financial situation shows the familiar signs

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of "war economy." The Budget deficit in 1940 was 845.5 million francs. Emergency expenditure was 1,165 million francs; national defence required 175.5 million francs and mobilisation 864.8 million francs. Additional wartime taxation yielded only 304.6 million francs. Since the start of the war, total notes in circulation have increased from 1,723 million francs to 2,095 million francs. The hoarding of notes, which was widespread at the beginning of the war, has diminished gradually. Average interest rates showed a tendency to rise, and official policy tried to counteract it by a reduction in the bank rate from 1.5 per cent to 1.25 per cent. Price increases and great financial liquidity have created a widespread fear of inflation.

Currency Moves in Shanghai

[FROM OUR SHANGHAI CORRESPONDENT]

May 28th.

SHANGHAI'S own free sterling rate during the first five months of this year fluctuated between U.S.\$3.80 and U.S.\$3.96, and for the past few weeks has vacillated around U.S.\$3.91. Hongkong, still outside the sterling bloc exchange control and the major source of sterling offers in the local markets, recently tightened the official supervision of exchange transactions and reduced its sterling sales here considerably below last year's level. On the other hand, the new British clearing agreements with Latin America have narrowed the outlet for Shanghai's sterling via that part of the world. With more sterling than required being continually supplied here, the quotation of a local free sterling rate lower than the London/New York cross-rate is expected to continue.

Hongkong sales of sterling on behalf of Chinese Government banks in support of local foreign exchange rates for Chinese national dollars have become insignificant. The chief sources of those sales now are three: (1) a continuous flight, via Hongkong, of capital from Asiatic parts of the British Empire; (2) a withdrawal of Japanese capital from sterling bloc areas; (3) Hongkong speculation on the difference between the valuation of Chinese dollar notes in the Crown Colony and at Shanghai. Chinese dollar notes here at Shanghai will buy more foreign exchange than at Hongkong, with the difference this year occasionally amounting to as much as 10 per cent. Speculators, therefore, sell Hongkong T.T.s to Shanghai for Chinese dollars, and pay here in Chinese bank notes smuggled up from Hongkong by misuse of the mails and by other ways.

The past few years' local preference for U.S. dollars is on the wane. The Chinese in Shanghai are increasingly afraid of United States inflation, devaluation, open war with Germany or with Japan—the latter might temporarily give Shanghai into Japanese hands. They worry also over how serious are the possibilities of an American decree freezing Chinese holdings in the U.S.A., for the double purpose of preventing Japan from taking advantage of such holdings, as well as of giving Chungking an opportunity to seize private Chinese foreign exchange assets. It is an open secret that a decree to such effect is being held prepared in Washington and may be immediately enforced whenever President Roosevelt chooses to sign it.

Transfer of Funds

To forestall freezing, large Chinese accounts in U.S. currency here and in New York have in recent months been converted into bearer drafts and American dollar notes. Another section of Chinese private capital holdings in the United States is being continually repatriated to Shanghai and reconverted into Chinese dollars. This repatriation, and the psychological effects of the recent American and British stabilisation loans to China, chiefly account for the recent firmness of Shanghai foreign exchange rates. In April, this repatriation easily provided the cover for a local import surplus of £2,500,000, which, without the simultaneous return of Chinese capital, might have disastrously affected local exchange rates. Shanghai exchange speculators discount German victories and Japanese threats by buying Chinese dollars, while they discard Chinese currency for foreign exchange when the situation favours the Anglo-Saxons. They thus disregard unreasonably Free China's position in the democracies' camp and the Chinese national currency's intimate link with the democracies' ultimate fate. Nobody here expects any substantial fraction of the pro-

ceeds of the new American and British stabilisation loans to China to be spent upon the support of Shanghai foreign exchange rates if it is once more required. Both these loans are to answer primarily, if not exclusively, Free China's foreign exchange requirements. The granting of still further loans and credits for this purpose, if necessary, is a certainty—at least from the United States. Yet it is understood that the United States will insist more strongly than in the past that its financial aid to China is expended in the interests of Free China's resistance against Japan, and not in those of the coastal private business circles, both foreign and Chinese. In the Chinese National Government camp at Chungking, too, an ever-widening influential circle is in favour of the financial abandonment of Shanghai, so long as the Japanese maintain their present hold upon this city and its hinterland.

The equilibrium of Free China's foreign payments seems perfectly assured by the new stabilisation loans. More than 80 per cent of Free China's foreign trade and foreign payments is being effected with the Anglo-Saxon countries, whose new loans to China will cover Free China's foreign exchange requirements on this account. Most of the remainder of Free China's trade is done with Russia on a barter basis which was recently extended. The problem of the Chinese dollar's internal value in Free China, however, is not solved, nor is its solution in sight.

Currency inflation continues to advance in Free China at an increasing pace. The Chinese National Government's revenue this year promises to cover at best one-sixth of their internal expenditure. The deficit of over Ch.\$6,000 millions has to be covered chiefly by means of new bond issues, the bulk of which is being placed with the Chinese Government banks; these, in their turn, raise the necessary funds by extending their note circulation. The Free Chinese dollar's purchasing power, with prices skyrocketing, continues to deteriorate. Notes, rubber-stamped with Free China places of issue, or of new sizes circulated in Free China only, are not considered here negotiable against foreign exchange. Shanghai dollars command a substantial premium over Free China dollars; this year it rose more than once to over 25 per cent, and it is paid in Free China on all remittances from Shanghai.

A Drainage Scheme for Eire

[FROM OUR DUBLIN CORRESPONDENT]

June 30th.

THE high rainfall and the flatness of the surface have rendered Ireland very susceptible to flooding, and considerable attention has been given to drainage. It is just a hundred years since the first arterial drainage Act was enacted. This legislation is criticised by a Commission on Drainage, whose report has recently been published, on the ground that it dealt with the problem in a piecemeal manner. The existing works are deplorably badly maintained and the system is pronounced a failure. A comprehensive scheme is outlined to cover the whole country. The cost is estimated at £7,035,000; 586,200 acres of land would be directly benefited at an average cost of £12 per acre; and large areas would be indirectly benefited. It is recommended that the cost of all drainage construction works should be a national charge, and that the maintenance cost should be borne by occupiers up to a maximum of 70 per cent. of the annual improved value of their land and the balance by county funds. The scheme should be operated by a Central Drainage Authority with very wide powers.

The Commission argues strongly that this scheme should be put into operation in spite of its being admittedly uneconomic in the sense that the capital value of the lands affected would not be increased to the extent of the cost incurred. Flooding is inimical to good farming, and, if it is not abated, the saturated land will still further deteriorate until its ultimate restoration will be very costly. Land reclamation would be facilitated as a result of drainage; public health would be improved, and pulmonary and rheumatic diseases reduced. "In an agricultural country such as Ireland, arterial drainage must be classed as an essential service and the provision of essential services should not be governed entirely by economic considerations. Apart altogether from the material consideration of benefit, we venture to suggest that national pride demands that flooding conditions should not be tolerated."

The suggestion that drainage would substantially assist in relieving unemployment is discussed with a rather disappointing conclusion. The areas which require drainage are not those where unemployment is most severe, and difficult problems of transport and housing would arise. The employment given would be localised, intermittent and seasonal, and would never absorb more than a thousand unskilled labourers. The saving in unemployment assistance would be negligible. Employment in other activities would, however, be indirectly stimulated. The full working of the turf development schemes depends upon an extension of drainage works, and the area of land available for reclamation would be increased by such works. The effect on employment should therefore not be measured by the employment directly given.

Proposals involving capital expenditure of £7,000,000 out of public funds deserve the closest scrutiny before being accepted. One member of the Commission makes reservations, in which he expresses the opinion that the comprehensive scheme cannot be justified in view of the conjectural nature of the economic return and in view of the competing claims for capital of housing and other schemes of social improvement. The scheme outlined by the Commission would involve large additional dead weight debt. In view of the recommendation of the Banking Commission that the dead weight debt should not be increased and of the growing financial burden caused by the war, it is unlikely that the whole of the ambitious programme of drainage will be put into operation in the near future.

Letter to the Editor

The Cost of Living

TO THE EDITOR OF THE ECONOMIST

SIR,—Your article on the Illusory Cost of Living Index in *The Economist* of May 31st is based on a simple and elementary confusion between the concepts of *standard of living* and *cost of living*. You argue that rationing, by reducing expenditure, lowers the cost of living. To prove this point, you compare pre-war expenditure, obtained by multiplying pre-war prices with pre-war quantities, and present expenditure, calculated on present prices and currently consumed quantities. If this argument were admitted, any reduction of expenditure, however brought about, would imply a reduction in the cost of living—whether it be due to rationing, or increased direct taxation, or simply a reduction of wages or loss of employment. In fact, all that would be needed to reduce the cost of living is to reduce wages.

But the meaning and purpose of any cost of living index is to show the increase in the sum of money required to purchase a given amount of real income. If objection is taken to the construction of the official index on the ground that the quantities on which it is based are no longer obtainable, the index should be revised by comparing pre-war and current expenditure on the basis of currently consumed quantities, rather than pre-war quantities. But in this case the increase shown need not be less than that of the official index, and might well be greater.

Even this method does not register fully the increase in the cost of living since the war. For any cost of living index, based solely on price changes, assumes that the goods and services entering into the index are freely obtainable at given prices. If this is not so, and expenditure is diverted through rationing, there is an additional increase owing to the fact that money spent on substitute commodities or on savings cannot secure the same real income as money spent on rationed goods (otherwise the expenditure would have flown into those channels in the first place). To maintain the same real income, the increase in money income will therefore have to be greater than what is obtained if only the rise in prices is taken into account.

In a sense, it is true therefore that the introduction of rationing renders the Ministry of Labour index "illusory"—but it does so for a reason, *precisely opposite* to that given in your article. It is because rationing causes the index to *understate* the true increase in the cost of living, and not because it *overstates* it.

It would be most unfortunate if the argument of your article were used by interested parties to oppose claims for wage increases based on the official cost of living index. For this index, in so far as its movements are not caused by higher indirect taxation, does give a rough indication of the rise in current money incomes; and if wages are raised in accordance with it, this ensures that the share of labour in the national income is not reduced. Even if everything were rationed, so that the increase in wages could not secure an increase in consumption at all, it would still be desirable that wage rates should be adjusted to the rise in prices in order to ensure that the working classes receive a fair share of current savings and to avoid an undue concentration of claims on future wealth in the hands of profit-earners.

Yours faithfully,
NICHOLAS KALDOR.

Cambridge.

[Mr. Kaldor's insistence on terminological exactitude is necessary and welcome; but he has misunderstood the intention of *The Economist's* argument. The object was to show, first, that the official index of the cost of living is no reliable guide to changes in the standard of living of the working classes, and, secondly, that the linking of wage rates to the index does not necessarily insure them against a fall in the standard of living. The cost of living index is based on a collection of family budgets made before the last war, and 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). The point is that the supply of consumers' goods and services must be reduced in order to release labour, materials, plant and shipping for the war effort, and no general increase in money wages will ensure the maintenance of the pre-war standard of living. With regard to the last paragraph in Mr. Kaldor's letter, *The Economist* has never suggested, either in the article in question or in any other article, that the share of labour in the national income should be reduced during the war. (Its views on this subject are stated again in a leading article on page 38.) But the validity of Mr. Kaldor's own assertion that, to ensure that labour's share in the national income is not reduced, wage rates must be raised in accordance with the official index of the cost of living is very questionable.—EDITOR.]

Shorter Notice

"The War Damage Act, 1941, and the War Risks Insurance Act, 1939, Part II. (Commodity Insurance Scheme)." By G. Granville Slack, B.A., LL.M., and Special Contributors. Butterworths. 446 pages. 15s.

"The War Damage Act, 1941." By T. J. Sophian. Jordan. 312 pages. 10s. 6d.

The first of these books will be much in demand by lawyers and others seeking guidance in the interpretation of the War Damage Act. Mr. Slack has been working on the subject throughout the passage of the Bill, and this has enabled him to produce a legal treatise which bears all the marks of competent and authoritative handling. The volume is divided into seven parts. Division I contains a history of developments leading up to the recent statute, and a general outline, suitable for introductory reading; Divisions II and VII, which constitute the main body of the work, reproduce section by section the legislation cited in the title, with full interpretative notes, admirable for reference purposes; in Divisions III, IV, V and VI, there are articles, by special contributors, dealing with particular aspects of the legislation and related subjects—income tax and rating law are discussed, practice under the Act is compared and contrasted with normal insurance practice, and the problems facing local authorities and charitable organisations receive attention. Mr. Sophian's book covers much the same ground as Division II of Mr. Slack's work, and is presumably intended to satisfy a more popular demand. Incidentally Mr. Sophian has fallen into a curious error concerning the constitution of Lloyd's in referring to this body on pages 2, 167 and 173 as an insurance company; Lloyd's is, of course, not a company, but an association of underwriters, each transacting business for his own account.

THE BUSINESS WORLD

Plastics

ONE of the most interesting industrial phenomena in the past two decades has been the change in the status of those industries which synthesise their own raw material. Starting as a rather despised substitute for some costly natural material, such as silk or tortoise shell, synthetic textiles and synthetic resins have now become raw materials in their own right. This is precisely because their synthetic origin makes it possible for them to be far more than mere imitations; they can be, and are, made to exhibit combinations of virtues found in no natural product. That group of trades which is known as the plastics industry supplies a constantly increasing range of goods which for many purposes fulfil as well, or better, the functions formerly carried out by wood, metals, glass, porcelain, rubber and paper. Their peculiar molecular structure explains their plasticity and their toughness; and an attempt has been made in a "Pelican" publication* to explain this molecular structure to readers wholly ignorant of chemistry or physics. As this is an impossible task, success was not to be expected, but the chapter does help the reader to some idea of the general principles on which the synthesis of plastics rests.

Plastics are defined as materials which can be deformed under mechanical stress without losing their cohesion, and are able to keep the new form given to them. Their most important division is into two groups: "thermo-plastic" materials which resume their plastic state whenever the right amount of heat is applied; and "thermo-setting" materials, which under the application of heat and pressure, undergo chemical change which renders them permanently insoluble and infusible. This distinction involves considerable differences in the methods of manufacture.

The earlier plastics all belonged to the thermo-plastic group, which includes the natural resins and waxes, used alike by the ancient Egyptians and the modern manufacturer of gramophone records, and the pioneer synthetic, celluloid. In an attempt to reduce the inflammability of celluloid, cellulose acetate was evolved, and became a commercial proposition when aircraft "dopes" were required during the last war. After the war, an outlet was found for it in the production of acetate rayon, and the result was a cheapening of the product for use in the manufacture of plastics.

Bitumen products entered the field rather later than celluloid, but still retain a limited place. The glass-like or "ethenoid" plastics have only recently become available commercially, though styrene was first produced in 1831, and the vinyl resins are also over a hundred years old. The methacrylic acid products, which also belong to this group, scarcely date back beyond the present century.

The thermo-setting groups, which include the phenolic resinoids, the urea-formaldehyde products, the casein plastics and the glyptals (important as finishes), arrived early in this century, and Messrs. Yarsley and Couzens claim for them that they laid the foundation of the plastic industry of to-day. Dr. Bakeland's work on the interaction of phenol (carbolic acid) with formaldehyde led to the production of the well-known Bakelite, which, for many people, remains to this day a household covering term for all synthetic resins. The phenolic products, however, were dark and dingy in colour, and the search for a product having the same physical and mechanical characteristics, but capable of being produced in bright colours, led to the use of urea. By 1925, products in bright clear colours were on the market under the proprietary name of Beetle, the public was rapidly becoming plastic-conscious, and the prospects of mass production in this industry were assured.

* "Plastics." By V. E. Yarsley and E. G. Couzens. Allen Lane: Penguin Books. Harmondsworth, Middlesex, England.

The means by which the various plastic materials are produced from the basic raw materials and the methods by which the finished goods are manufactured from the plastic are too technical and too varied to permit of easy summarisation. The processes by which the principal plastics are fashioned into finished goods do, however, fall for the most part under three main heads. In the first place, the plastic may be extruded or cut into sheets, rods or tubes, and then moulded, blown, or stretched over a core. The second method, by which the raw materials, in the form of powder or chips, are moulded under heat and pressure, is particularly suitable for thermo-setting plastics, as they can be removed from the mould while hot. The speed of manufacture which this, together with the almost complete absence of finishing processes, renders possible makes it, in the opinion of the authors, the most important single method of plastic manufacture. Thirdly, injection moulding, which is applied to thermo-plastic materials, is similar in principle to the die-casting of metals. The raw material is fed into the mould in liquid form and set by cooling. These moulding methods presuppose a large output, since even the simplest moulds are extremely expensive. They also imply certain limitations on design, but as the limitations imposed by one method of manufacture can be overcome by another, the range of the industry as a whole is almost boundless. The ethenoids alone include such diverse products as optical lenses and transparent cockpit covers for aeroplanes.

The significance of this industry, both to the community and to the individual, is considerable. To the individual, it means greater cheapness and efficiency and often a more attractive appearance in many of the articles in everyday use, and the availability for everyday use of many things which were hitherto beyond his reach or did not exist at all. Both photographic film and gramophone records, for example, are products of this industry. To the community, it means even more. Instead of depending for its raw material upon access to supplies of an immense range of metals and other minerals and of timber and other vegetable products, its requirements are relatively simple, and as it needs no special climatic conditions, it can be established anywhere where the raw materials are obtainable. Owing to the simplicity of its raw material requirements, it can be used to make good the defects in a country's natural resources and to help in the execution of a policy of self-sufficiency. This partly explains the advanced state of the industry in Germany.

Most important, industrially, is the means which synthetic products afford of carrying out developments which have been envisaged, but which might have been held up indefinitely for lack of a suitable medium. If no material exists having the requisite properties there is now a fair chance of inventing one, provided, of course, that no two of the qualities required are mutually exclusive. Many of the recent developments in aircraft construction illustrate this. The exceptional electrical properties of some plastics and their unusual resistance to corrosion has enabled them to play a great part in the development of the electrical and chemical industries, and in the motor-car industry they are ubiquitous, from the safety glass windows to the "imitation leather" upholstery.

Since the authors, one as a research chemist and the other as a factory executive, have completely thrown in their lot with plastics, some part of their contagious enthusiasm must be discounted. That they are, for example, disposed to exaggerate the ease with which the industry can obtain its basic raw materials is shown by the present position in the United States. There appears to be a shortage there of methanol, used in the production of formaldehyde, and of phthalic anhydride. Users of these materials for less urgent purposes have to be diverted to alterna-

tives in order to leave supplies free for the plastics industry. In spite of these sobering considerations, there is probably a strong element of truth in the picture with which the book concludes of the "Plastic Man" of the future, who "will come into a world of colour and bright shining surfaces where childish hands find nothing to break, no sharp edges or corners to cut or graze, no crevices to harbour dirt or germs . . . He sits in a new kind of schoolroom with unscuffable walls at a moulded desk, warm and smooth and clean to the touch . . . The windows . . . curtained with plastic-faced cloth, entirely grease

and dirt proof, are unbreakable and transmit the life-giving ultra-violet rays, and the frames, like those of his house, are of moulded plastic, light and easy to open and never requiring any paint to prevent them warping and rusting . . . He may have the privilege of being beaten with a synthetic plastic cane, far more tough and resilient than the one which Nature, unaided, can provide." Later: "His own teeth are gone, and he wears a plastic denture with 'silent' plastic teeth and spectacles of plastic with plastic lenses . . . At last he sinks into his grave, hygienically enclosed in a plastic coffin."

Finance and Banking

Easy Money

Although the cash basis has been considerably contracted, following the repayment of ways and means advances at the Bank and the gradual maturity of the short bills bought by the Bank from the market over the turn of June, the position in the money market has throughout the week been extremely easy. The banks have been keen buyers of bills, their appetite being stimulated by the fact that they were called upon to pay only £15,000,000 by way of Treasury deposits during the week. The market obtained a 38 per cent allotment at last week's tender for Treasury bills, and has thus been a readier seller than for some weeks. The total applications for bills at the last tender were £153,140,000, or £11,000,000 less than the total applied for at the corresponding tender three months previously. This reduction must be viewed in the light of the fact that the syndicate now applies for £75,000,000 of bills, as compared with the quota of £70,000,000 which obtained three months ago. Outside applications have thus fallen off by some £15,000,000, which probably reflects the diversion of certain sterling area funds previously invested in Treasury bills into Treasury deposits. The past week's contraction in the credit basis began from so inflated a level that it is hardly surprising that it should not have made itself felt on short loan conditions. Thus, while bankers' deposits have fallen by £32,649,000 over the week to last Wednesday, they still appeared at the high level of £131,794,000 in the last Bank return. The counterpart to this movement is, in the main, to be found in the fall of Government securities, which over the corresponding period amounted to £29,535,000. There has, however, been an additional contracting influence in the shape of a further outflow of £4,664,000 notes into circulation. This carries the circulation to the new record of £648,029,000.

Concentration in the Discount Market

Negotiations are afoot for further amalgamations of firms in the discount market. One such merger is due to be announced within the next few days. The concentration movement in this market is of long standing. Since 1931 the number of firms, other than running brokers, has come down from 22 to 14. Even this number, however, leaves considerable scope for further integration. It may be assumed that the negotiations to bring about this further reduction in the number of units operating in the market are not altogether unconnected with the prompting and encouragement of the Bank of England. The fact is that the discount side of the discount market's business is steadily diminishing in importance, not only as regards turnover and in the attention it demands from management and staff, but also from the point of view of profits. The turnover in commercial paper is negligible, while the business in Treasury bills has become stereotyped to the point at which it could be transacted in a few hours on Friday of each week. Now that the Treasury bill has ceased to be the non-really live element in the floating debt, and the non-market competition for the virtually stabilised issue of Treasury bills may be counted upon to increase further, the return to the market on its discount business can only provide a small contribution towards the covering of overhead charges. The bond business, on which the market has for years past depended for its profits, involves a higher degree of risk and therefore demands a stronger capital structure than the smaller firms in the market command at present. Hence the need for further concentration. It has been suggested that the concentration movement should ultimately leave the discount market with no firm having

less than £1,000,000 of resources by way of capital and reserves. Only four of the existing firms can claim to qualify by this standard, and some of them may well provide the nucleus for further amalgamations. The fact that there should have been an official request for more concentration must not be taken to imply that the discount market is going through a difficult period. The reverse is probably the case. The three companies have maintained their distributions for the past half year, and there can be no doubt that the recent strength of the gilt-edged market has provided opportunities for profitable bond operations which the expert dealers have turned to good account.

Gold Prospects for U.S.A.

The May, 1941, issue of the Federal Reserve Bulletin contains an interesting analysis of the prospective gold movements affecting the United States. With Continental Europe blockaded and the available gold reserves of the British Empire close to exhaustion, the possibilities of further transfers of gold to the United States are greatly reduced. They are limited to the current output of gold in the British Empire and to transfers from the reserves of the U.S.S.R., Japan and Latin America. Many of the commodities which Japan and the U.S.S.R. have been obtaining via the Pacific can no longer be spared from the American defence programme, and this has reduced the need for shipping gold in payment. The latest development in the war situation—the attack on Russia by Germany and the promise of American aid for Russia—is likely to lead to an immediate stimulation of the flow of gold from the U.S.S.R. to the United States. Apart from the exhaustion of the free gold reserves of the British Empire, the main factor in the diminution of the gold movement to the United States is the tendency towards an export of capital from that country. This movement is taking several forms. In the first place, there is the repatriation of dollar securities previously held by foreign interests. In this same category may be included the liquidation of part of the British investment in plants of American war industries, investments made since the beginning of the war and already taken over by the U.S. Defence Plant Corporation to the amount of \$46,000,000. Thirdly, there is the increasing volume of credit assistance being given by the United States through the Stabilisation Fund and the Export-Import Bank. The credit of \$110,000,000 offered by these agencies to Argentina, for example, should considerably diminish the likelihood of further sales of Argentine gold to the United States. At the end of last March, the Export-Import Bank had credits outstanding to the amount of \$166,188,000 and commitments to make additional loans of \$265,957,000—mainly to Latin America and China. Finally, there has been a strong tendency lately for foreign investments in the United States to be withdrawn in anticipation of the freezing order which has now been put into effect. This was particularly apparent in the case of Swiss dollar assets which left the United States on a substantial scale earlier this year.

Gold for Dutch East Indies

The only country in the world, other than the United States, which found it possible to add to its gold reserves over the year was the Dutch East Indies. The Bank of Java shows an increase of Fl.141,000,000 in its gold reserve over the year to March 31 last. This increase was in part due to the revaluation of gold in September, 1940, at the current market price for the metal, but it is also the coun-

terpart of the substantial increases in the exports of tin and rubber from these territories to the United States and of the consequent favourable balance of payments of the Dutch East Indies. The annual report of the Bank of Java makes some interesting references to the monetary convention between the Netherlands Indies and the United Kingdom. By this, the Netherlands Indies agreed to maintain in London for the duration of the war their existing sterling balances and any surplus which might accrue from their trade with the sterling area. The ultimate conversion of these sterling assets into guilders has been guaranteed by the United Kingdom at a fixed rate of exchange, and the accumulation of these funds in London does not, therefore, involve an exchange risk. The monetary convention evidently allows the Netherlands East Indies to deal as they think fit with the surplus of their balance of payments with countries outside the sterling area. Their preference in this connection has been for gold, which is being held earmarked for their account in New York.

India's Public Debt

An authoritative statement on the public debt of India has been issued this week and gives a great deal of interesting information on the composition, burden and counter-part of that debt. The total interest bearing obligations of the Government of India on March 31, 1940, totalled Rs. 1,204 crores, or £903,000,000. Of this, Rs. 761 crores was expressed in terms of rupees and Rs. 443 crores or £332,000,000, in terms of sterling. The bulk of this debt represents capital invested by the Government of India in railway and other quasi-commercial enterprises and loans made by the Government to the Provinces and Indian States. These assets of the Government amount to Rs. 897 crores and thus represent about 75 per cent of the debt. The earnings on the assets of the Government are more than sufficient to cover the whole of the interest burden on the public debt. The gross interest on the Government of India's obligations in 1940-41 was Rs. 42½ crores. The interest charged to railways and other bodies to whom interest bearing advances had been made was Rs. 34 crores, thus leaving Rs. 8½ crores to be met from general revenue. Against this, however, there accrued to general revenues

a total of Rs. 11 crores as net profit from the railways and other commercial departments owned by the Government. The total debt charge was thus covered with Rs. 2½ crores to spare by the yield on the Government's assets. The policy of repatriating sterling debt made great strides in the year to March 31st last when over £88,000,000 was thus converted from sterling to rupee denomination. But the trend, though recently accentuated, is of fairly long standing. Since March 1936, this repatriation of Government debt has amounted to £120,500,000, from £376,250,000 to £255,750,000, and the interest charge on sterling loans, which was £13,000,000 in the year 1936-37 is estimated at £8,000,000 for the current financial year—a reduction of about 38 per cent.

War Risks at Sea

An important judgment was delivered in the High Court on July 4th in the case of Yorkshire Dale Steamship Co., Ltd. v. Minister of War Transport. The Lord Chief Justice upheld an arbitrator's award in favour of the ship-owners in a dispute arising on the question whether a casualty at sea is for insurance purposes a war risk or an ordinary marine peril. The circumstances of the case are that a steamer, the *Coxwold*, was requisitioned by the Ministry under the customary charterparty, by which the shipowners insure against all insurance case marine perils and the Minister assumes the war risk. In the morning of May 7, 1940, when in convoy from Greenock to Narvik, the *Coxwold* ran ashore on the Isle of Skye, and the arbitrator found that the casualty arose because (a) a certain light was not burning with full power, having been dimmed owing to the war, (b) the weather was slightly foggy and (c) there was an unexpected and unexplained set of the tide. He found, moreover, that there had been no improper navigation of the *Coxwold* and that the casualty was not due to any negligence of those on board. In all these circumstances the Judge affirmed the arbitrator's view that the loss was caused by the war risk. He refused, however, to hold generally that everything which happens in the course of a warlike operation is necessarily to be considered a consequence of such operations, thus leaving future disputes to be decided on the individual merits in each case.

INSURANCE NOTES

Legal and General.—This important life office records a less-than-average reduction in new business, attributable, in part at least, to its leading position in group life insurance, which fell by less than 1 per cent.:

		Rise or Fall
New Business:—		
Net sums assured	£9,028,648	—£1,042,640 (29.6%)
Income:—		
Net premiums	£5,135,242	+ £61,513 (1.2%)
Net interest	£1,690,476	+ £97,183 (5.8%)
Outgo:—		
Claims by death	£1,257,201	+ £283,081 (22.5%)
Claims by maturity	£694,543	— £39,068 (5.6%)
Surrenders, including		
surrenders of bonus	£247,796	— £39,534 (15.9%)
Commission and ex-		
penses	£580,435	— £29,824 (5.1%)
Commission and ex-		
penses — ratio to		
premiums	11.3%	— 0.7%
Amortisation of out-		
standing	£543,480	— £325,373 (59.9%)
Amortisation paid and out-		
standing	£901,186	+ £66,523 (7.4%)

Death claims include 299 war deaths involving payments of £162,436, but, despite these claims, the experience was within expectation. The chairman (Mr. Ernest E. Bird) mentioned at the meeting that most of the ordinary life policies now being issued to civilians cover at regular rates the risk of death in this country from enemy action, so long as policyholders remain civilians; this concession, however, involves a very careful selection of lives, as well as the retention of smaller sums assured than formerly.

The society has relatively small fire and accident departments; the combined premiums amount to some £570,000, a slight reduction on the previous year, and after writing off £51,568 in respect of investments and cash deposits in enemy and enemy-controlled countries there is a

useful profit balance, excluding interest on departmental funds, of £30,145.

Total profit and loss credits, including net interest of £65,290 and £51,390 for profit on investments realised, amount to £149,825. £10,000 is transferred to staff pension reserve and the dividend, at the same rate as before, costs £78,750; after providing for this the balance carried forward is £238,072, an increase of £61,075. The assets are certified to be fully of the value at which they appear, less the investment and general reserves of £2,000,000; British Government securities now amount to £11,700,000, an increase during the year of over £3,500,000. There are additional reserves in the fire and accident funds of £185,000.

[The accounts of the associated offices, the "Gresham Life" and "Gresham Fire and Accident" will form the subject of a separate note.]

London and Manchester.—The principal features of the life revenue accounts of this office are exhibited in the accompanying table, covering the financial year ended March 24, 1941. As with most of the industrial-cum-ordinary offices,

production of new business has not suffered unduly, and for the two branches combined premium income actually shows an increase. Death claims include war deaths costing £20,253 and £45,506 in the ordinary and industrial branches respectively.

Liabilities have been valued on the same bases as last year, with interest at 3 per cent. Surpluses earned amount to £558,906 (£337,879 in the ordinary branch) and £221,027 in the industrial branch, against £619,422, a result which must be considered very satisfactory. Interim bonuses are being maintained at the rate of £1 per cent in the ordinary branch, compared with 30s. per cent last year, and in the industrial branch for certain classes of policyholders on the same scales as previously. £150,000 is being transferred to the additional valuation reserve, investments are being written down by £75,000, £45,000 is being transferred to the staff pension fund and £25,000 utilised to supplement pensions. Dividend at the rate of 7s. per share, free of tax, against 8s. 9d., free of tax, absorbs £86,449. Stock Exchange securities stand in the aggregate below

(Continued on page 51)

LONDON AND MANCHESTER—EXTRACTS FROM LIFE REVENUE ACCOUNTS				
	Ordinary Branch	Rise or Fall	Industrial Branch	Rise or Fall
New business—net sums assured	£2,117,476	— £532,664 (20.1%)	£5,037,162	— £824,046 (14.2%)
Income				
Net premiums	£1,446,070	— £25,112 (1.7%)	£1,978,807	+ £27,891 (1.4%)
Net interest	£418,829	— £17,578 (4.2%)	£267,490	— £13,982 (5.2%)
Claims by death	£239,840	+ £31,933 (13.3%)	£799,256	— £11,297 (1.4%)
Claims by maturity	£649,659	— £4,306 (0.7%)	£101,488	+ £2,717 (2.7%)
Surrenders	£92,022	— £38,290 (41.7%)	£27,413	+ £15,028 (54.8%)
Commission and expenses	£168,134	— £17,777 (10.6%)	£289,134	+ £22,092 (7.8%)
Do., ratio to premiums	11.7%	— 1.1%	14.6%	— 0.9%

Advance in the Funds

With the renewed rise in gilt-edged prices this week, the movement in the Funds is beginning to assume proportions analogous to those of the rapid advance in the first two months of 1940. It may be recalled that, at the outbreak of war, minima were fixed which were anything from three to six points below the levels of mid-August, 1939,

	End Dec., 1939	High't 1st Qtr 1940	End June, 1940	End Aug., 1940	End Dec., 1940	June 6, 1941	July 9, 1941
Consols 4%, 1957 and after	193½	110½	105½	109½	110½	110½	110½
2½%	68½	76½	70½	74	76½	78½	82½
Conversion Loan:—							
5%, 1944-64	108½	112	107½	108½	107½	106½	107
3½%, 1961 and after	94½	102½	96½	100½	103½	104½	106½
3%, 1948-53	97½	103	100	101½	103½	101½	102½
2½%, 1944-49	95½	100½	97½	98½	100	99½	100½
Funding Loan:—							
4%, 1960-90	106½	113½	108½	112½	113½	112½	114½
3%, 1959-69	92½	99½	95½	98½	99½	99½	103½
2½%, 1956-57	92	98½	94½	97½	97½	97½	98½
2½%, 1956-61	80½	92½	88½	91½	92½	92½	94
Local Loans	80½	89½	82½	86½	89½	91½	95½
Victory Bonds 4%	108½	111½	107½	109½	112½	111½	112½
War Loan:—							
3½%, 1952 and after	93½	101½	96½	101½	103½	103½	105½
3%, 1955-59	91	—	98½	100½	101	100½	101½

* Ex dividend.

but that, by the end of 1939, those levels had been passed by a point or two, except in the case of the "shorts," which were still rather below August valuations. A general outline of developments since then is sketched in the above table, and it will be noted that, since the collapse in the early spring of 1940, the great improvement has been in the "irredeemables," but that even in these the rise in the

INSURANCE NOTES

(Continued from page 50)

market prices, and taking into account the investments reserve fund of £400,000 assets are certified to be fully of the value stated in the balance-sheet. Free reserves comprise a common contingencies fund of £175,000, the balance of profit and loss account in the sum of £72,465 and surpluses carried forward in the various funds aggregating £710,934.

Atlas Assurance.—War deaths under 49 policies, costing £24,127, account for part of the increase in death claims revealed in the appended recapitulation of the principal features of the life account of the "Atlas":—

		Rise or Fall
New Business:—		
Net sums assured	£2,025,974	— £978,455 (32.5%)
Income:—		
Net premiums	£1,125,940	— £38,098 (3.3%)
Net interest	£565,246	— £14,360 (2.5%)
Outgo:—		
Claims by death	£356,005	+ £64,325 (18.1%)
Claims by maturity	£322,080	— £97,143 (30.1%)
Surrenders, including		
surrenders of bonus	£261,488	+ £72,256 (27.6%)
Commission and ex-		
penses	£125,782	— £17,533 (13.9%)
Commission and ex-		
penses — ratio to		
premiums	11.2%	— 1.1%

The annual valuation, in which liabilities are assessed at 3 per cent interest for assurances and immediate annuities and at 3½ per cent for deferred annuities, discloses an earned surplus of £205,335, compared with £264,852 for the previous year. After writing £231,570 off securities, applying £55,050 to strengthening reserves, and allocating £22,199 and £28,462 to policyholders and shareholders respectively, the balance carried forward is reduced to £2,311, against £134,545 brought in. The allocation to policyholders is to cover interim bonuses, consideration of the distribution of a reversionary bonus being postponed.

In the other departments a noteworthy feature is the excellent profit in the accident department.

	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire	1,802,027	+ 57,717 (3.2%)	94,131	— 41,420 (43.5%)
Accident	624,012	— 41,226 (6.6%)	80,089	+ 35,933 (44.9%)
Marine	338,234	+ 152,106 (44.9%)	15,000	— 15,000 (100%)
	£2,764,273	+ 168,597 (6.1%)	189,220	— 20,487 (10.8%)

Credit transfers to profit and loss, including net interest of £94,715, amount to £313,929. Expenses not charged to other accounts, staff pension fund and Colonial and foreign taxes on interest together account for £58,033; United Kingdom income-tax on profits and NDC take £81,463. £20,000 has been transferred to the capital redemption account in order to strengthen the fund. The dividend, which is maintained at 10s. 6d. per share, less tax, absorbs £131,037, and the balance carried forward at £390,447 is higher by £23,395. Stock Exchange securities stand at less than market value, and the assets in the aggregate are certified to be fully of the value at which they appear in the balance-sheet. Besides the balance of profit and loss account, there is an investment reserve fund of £110,000 and a general reserve fund of £2,000,000.

Liverpool and London and Globe.—In the life account death claims, which show a small increase, are 96 per cent of expectation; they include war deaths, which, happily, account for a very small proportion of the total:—

		Rise or Fall
New Business:—		
Net sums assured	£1,390,963	— £1,053,954 (75.8%)
Income:—		
Net premiums	£903,697	— £24,374 (2.7%)
Net interest	£408,910	— £14,814 (3.6%)
Outgo:—		
Claims by death	£365,363	+ £19,470 (5.4%)
Claims by maturity	£541,090	— £182,174 (33.5%)
Surrenders, including		
surrender of bonus	£122,066	— £64,901 (52.4%)
Commission and ex-		
penses	£102,349	— £5,192 (5.0%)
Commission and ex-		
penses — ratio to		
premiums	10.3%	— 0.3%

Fire premiums are higher, both at home and in the United States, a less favour-

period of rather over nine months from the end of August, 1940, to early June this year was moderate, with, in fact, frequent slight pauses and reverses. The past few weeks have, however, seen a much more active rise, which would seem to argue the emergence of some new factor. The improvement of the early months of last year was due in large measure to the combined effects of cheap money, the first attack on the status of equities as an inflation hedge, and the beginning of vesting. It was a prelude to a sharper advance in equities, which was reversed by the institution of EPT at 100 per cent. The present rise has a rather different foundation, in that the adjustment for differential taxation of company profits is now nearing completion, while the possibility of applying temporary stimuli by repayment of other stocks is largely exhausted. It almost certainly takes a much smaller volume of business to produce a one-point movement in War Loan now than it did eighteen months ago, and it is probable that the moderate amount of personal, institutional and departmental accumulation, which does not go into the new "tap" issues, will always suffice to push up the Funds, and thus start a general rise, except when there are appreciable countervailing sales. No doubt the growth of rationing is doing something to offset the effect of anticipations of higher taxation, which had certainly led to some capital realisations. It may not be entirely fortuitous that the renewal of the rise follows immediately on the date for the payment of a tax instalment on a large part of income not subject to tax deduction at the source. It is probable that the movement also owes something to the resistance of Russia, but experience suggests that the effect of military developments, not of a character totally unexpected, is slight. The fact that buying continues to spread into the remoter recesses of the industrial market also suggests that it is the need for higher gross incomes which is the operative factor.

able underwriting experience being also common to the two countries. Like its associate office, the "Royal," the "Globe" has done well in recording a small reduction—only £88,000—in accident premiums; even at home, where most offices have experienced a sharp fall in income, the "Globe" figures were virtually the same as in the previous year, the reduction in motor income being offset by gains in other directions. The excellent profit in the accident department is contributed to by the American subsidiary, the "Globe Indemnity." Marine premiums tell the common story of marked expansion, and a small profit is released from the 1939 account:—

	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire	3,826,861	+ 23,894 (0.6%)	147,661	— 149,587 (10.1%)
Accident	4,606,441	— 87,723 (1.9%)	495,818	— 21,286 (4.3%)
Marine	885,597	+ 339,815 (38.4%)	32,978	+ 82,978 (251.7%)
	£9,318,899	+ 275,986 (2.9%)	616,457	— 137,895 (22.4%)

Considering now the profit and loss account, the underwriting profit exhibited above is augmented by £28,000, being the members' proportion of the life profits, and with net interest of £374,205 the total credits come to £1,018,663. £100,000 is transferred to the trustees of the pension funds. There is a charge of £103,671 for loss realised on the sale of investments, and £150,000 has been written off investments and house property. Provision for British taxes takes £135,000. The cost of interest on debenture stocks is £19,845, and provision for the dividend at the same rate as before absorbs £389,324; £1,459,211 is carried forward, an increase of £120,323. In his statement accompanying the accounts the chairman (Mr. A. Kentish Barnes) reveals that the excess of market values over book values of Stock Exchange securities was considerably greater than at the end of the previous year, and again the general contingencies fund of £2,000,000 remains free. There are additional reserves of £3,025,000 in the fire and accident departmental funds.

A Costly Sale

With the announcement by Sir Kingsley Wood of the full terms of the purchase by an American syndicate of the American Viscose shares, acquired by the British Treasury, it is possible to take stock of that transaction. The contract provided for a minimum price, which was also to be the maximum if the shares were not re-sold within six months, of \$36,456,000. This should be compared with the valuation by Courtaulds, showing net cash, securities at market value and debtors, less creditors, of \$35,000,000. In the event, the gross proceeds of re-sale were \$62,295,146, so that the remaining tangible assets, valued by Courtaulds at \$93,000,000, plus goodwill, went for \$25,250,000 odd. Although there is no reason to suppose that the operations of the company suffered any interruption, this extremely valuable asset appears to have been sold at little more than its break-up value, and it seems open to the gravest doubt whether, even in the political circumstances of the moment, a sale on such terms was necessary. In any case, it is a matter of congratulation that there is now every prospect of loans being made against the security of the remaining direct holdings and marketable investments, so that, if these have to be sold, they can at least be realised in an orderly manner and not at rubbish prices. It is quite clear that the gross proceeds of the sale offer very little criterion as to the payment which ought to be made to Courtaulds, Ltd.

There remains another point, which is less important, but which strengthens the impression that those responsible for the operation were less concerned to achieve a reasonable bargain than to demonstrate the willingness of this country to accept sacrifices, so long as they helped forward the immediate receipt of munitions. (This may have been excellent policy, but it must be paid for by the country; not by Courtaulds' shareholders.) The contract of sale provided that, in the event of re-sale before six months, the British Treasury should find from the gross proceeds, the total expenses of recapitalisation of the undertaking, and sale of the shares; 5 per cent on the minimum payment, mentioned above, 1 per cent on the net re-sale price, and 10 per cent of the excess of the net proceeds of the sale, after these charges, over the minimum payment. Finally, underwriting commissions had to be found exceeding \$4,000,000. These deductions from the gross proceeds would have amounted in all to nearly \$8,800,000, but—in what circumstances it is not stated—the syndicate agreed to halve its claims under the penultimate head, with the result that an additional \$946,817 came to the British Treasury, raising the net amount to \$54,445,515. Even with the abatement mentioned, total costs and commissions amount to \$7,849,632, or somewhat over 12½ per cent of the gross proceeds. Judged by any standards with which London is familiar, this figure seems very high for an issue by a group of any standing. It is certainly high enough to warrant the expectation that syndicate and underwriters would be prepared to nurse the securities for some time. In the event, the sale prices to the public were fixed at a

level which proved highly attractive, both classes of share being over-subscribed and the preferred going immediately to a premium.

Half-Year's Capital Issues

The history of the new issue market in the second quarter of 1941 to June 24th has been uneventful. Total new issues, calculated on the "New Basis," which includes issues by "permission to deal," amount to £769,279,500 against £518,606,000 in 1940. Out of the latest total, British Government loans account for £765,970,500. Thus, the issue of Government loans during the second quarter of the year stands at £438,626,200 against £327,344,300 in the first quarter. Of the total of some £3,300,000 of non-Government issues in the current year, less than £400,000 was issued in the second quarter. Among the few industrial issues, £55,200 was raised by J. Brockhouse, £43,225 by Albion Drop Forgings and £142,500 by Llanelly Electric Supply, by permission to deal. Nearly half the total of Government issues—£348,160,421 in the half-year—has been raised by 2½ per cent National War Bonds on tap. Three per cent Savings Bonds have raised £208,291,372, and the remainder, £209,518,671 odd, is the proceeds of small savings. The most important capital market operation of the second quarter has been the conversion of £24,250,000 of municipal issues, figures for which are not included in the tables at the foot of this page.

Company Notes

Burmah Oil Reduced Profits

As was forecast in a note on the preliminary statement in *The Economist* of June 21 last, Burmah Oil has suffered a severe setback in income drawn from its substantial holdings in Anglo-Iranian and Shell Transport. The full accounts show a drop in receipts from this source of some £1,385,000 to little over £1,000,000. An increase in trading results of the subsidiary companies operating in the east of £839,905 to £2,768,233 has not been sufficient to prevent a decline in total profits. Thus, net profits, after taxation and fees, amount to only £2,676,848, against £3,623,719, and the cover for the dividend on ordinary stock, which is reduced from 21 to 15 per cent, is nearly £900,000 lower at £2,245,612, a rate of 16.3, against 22.8 per cent. Higher taxation has, of course, played an important part in the reduction of equity earnings, the amount due having risen by more than £400,000 to some £1,075,000. Moreover, the directors have seen fit to place £400,000 of the free surplus to taxation reserve against next year's liabilities. General reserve receives £250,000 as in the previous year, leaving the carry forward at £236,536 against £701,401. Little important change is shown in the consolidated balance sheet, but some £3,000,000 is transferred from miscellaneous investments to British and Indian Government securities. The £1 ordinary stock, at 48s. 1½d. ex dividend, offers a yield of £6 4s. 8d. per cent.

CAPITAL ISSUES JANUARY-JUNE, 1941.

TABLE I—TOTAL BORROWING (MILLION £)									
First Half of Each Year	British		Others	Total Home	Empire	Foreign	Total Issues	Indices	
	Government	* Home Corpsnts							
By Direct Public Offer (Old Basis)									
1928	85.2	10.0	89.3	134.5	40.2	20.1	244.8	100	1928 = 100
1939	Dr. 2.4	12.1	21.9	31.6	15.8	0.3	47.7	19	100
1940	502.7	NH	0.8	503.5	0.1	NH	503.6	206	19
1941	766.0	NH	0.1	766.1	2.5	NH	768.6	314	206
Including "Permission to Deal" (New Basis)									
1928	2.5	16.3	108.2	127.0	12.2	1.4	140.6	100	1925 = 100
1939	Dr. 2.4	12.1	38.6	48.3	24.2	2.2	74.7	52	100
1940	502.7	NH	15.1	517.8	0.8	NH	518.6	368	100
1941	766.0	NH	0.7	766.7	2.6	NH	769.3	547	368
* Including County and Public Board Loans.									
TABLE II—TOTAL COMPANY ISSUES (MILLION £)									
First Half of Each Year	Old Basis				New Basis				
	1938	1939	1940	1941	1938	1939	1940	1941	
Debentures	8.8	5.2	NH	NH	14.6	11.5	0.8	0.8	0.3
Preference	2.7	2.0	0.1	NH	7.8	4.0	1.2	0.2	0.2
Ordinary	16.8	9.2	0.9	2.5	49.3	28.3	13.5	2.8	2.8
Total	27.8	16.4	1.0	2.5	71.7	43.8	15.5	3.8	3.3

TABLE III—ANALYSIS OF NEW CAPITAL APPLICATIONS (Excluding Conversions)

	First Half-Years Old Basis		First Half-Years New Basis	
	1940	1941	1940	1941
British Govt. Loans	502,677,000	765,970,500	502,677,000	765,970,500
South African Mines	NII	NII	227,500	NII
Other Mines	NII	2,573,200	62,600	2,603,300
Exploration, Financial	NII	NII	19,100	NII
Breweries & Distilleries	99,000	NII	336,400	NII
Stores & Trading	NII	NII	126,000	NII
Estate & Land	142,400	NII	1,250,000	NII
Rubber	NII	NII	142,400	19,000
Iron, Coal, Steel, &c.	201,900	93,200	116,100	343,200
Elect. Light & Telegraph	NII	NII	566,400	142,500
Tramway & Omnibus	NII	NII	754,500	NII
Motor Traction, &c.	NII	NII	80,900	NII
Gas and Water	NII	NII	1,144,300	145,800
Hotels, Theatres, &c.	NII	NII	60,100	NII
Docks, Harbours and Shipping	22,500	NII	530,600	NII
Manufacturing and Misc.	553,900	NII	10,436,200	55,200
Total	503,696,700	768,636,900	518,606,000	769,279,500

Callender's Cable Results

The reduction in profits of Callender's Cable from £743,921 after taxation and National Insurance to a comparable figure of £700,555, in the year to December 31st last, appears to be due solely to the rise in tax liability. Unfortunately, the amount due in taxation last year is not disclosed, but it must have substantially exceeded the £230,000 provided in 1939. The total of expenses is reduced from £282,881 to £271,780 by the exclusion of National Insurance, and with a rise of only £10,000 to £80,000 in the depreciation provision, equity earnings are only some £56,000 lower at £279,275. The customary 15 per cent dividend is covered by a rate of 34.7, against 38.9 per cent, which exceeds the rate earned in 1938 by over 10 points. As in the previous year, uncertainty of outlook is stressed by the transfer of £125,000 to reserve for equalisation of dividends or for war contingencies. General reserve receives £6,538, which with the addition of £43,462, profit on sale of investments, brings the total of this fund to £1,300,000. The carry forward is consequently reduced from £398,369 to £377,518. The following table provides details of the trend of profits and allocations over the past three years:—

	Years to December 31,		
	1938	1939	1940
Profit	723,307	989,157	700,555*
Expenses, fees and pensions	274,695	282,881	271,780
Taxation and N.D.C.	75,000	230,000	...
Depreciation	60,000	70,000	80,000
Debenture service	13,500	13,500	13,500
Preference dividends	56,000	56,000	56,000
Ordinary Stock:—			
Earned	244,112	336,776	279,275
Paid	168,587	168,587	168,587
Earned %	24.3	38.9	34.7
Paid %	15	15	15
War Contingencies	...	125,000	125,000
Reserve	250,000	...	6,538
Carry forward	390,548	398,369†	377,518

* After Tax. † After £35,369 for A.R.P.

The directors state that the company's works have been fully occupied during the past year, and all the evidence goes to suggest that the volume of business handled has been very considerable. The balance-sheet shows a rise in debtors, including sums due on work in progress, from £1,352,874 to £1,779,613. Creditors, including taxation, are up rather more steeply from £1,290,876 to £1,835,786. There is a jump in stocks from £499,804 to £878,348, while expenditure on uncompleted work is some £77,000 higher at £427,446. Excluding investments, which are slightly higher on the year, the excess of floating assets over near liabilities is increased from £1,057,956 to £1,180,446. The accounts generally suggest that progress has been satisfactory last year, and that the increasing burden of taxation will for some years to come leave a generous margin for the ordinary dividend. The £1 ordinary stock at 65s. ex dividend offers a yield of £4 12s. 3d. per cent.

John Summers' Setback

The decline in total profits of John Summers for the calendar year 1940 from £888,360 to £558,388—in both cases after depreciation and general expenses—is highly disappointing. Despite the fact that tax provision, after deduction of a recoverable sum estimated at £107,000, amounts only to £158,905, against £302,162, the surplus available for dividends, after £30,000 against nil for War Damage Insurance, has fallen from £528,464 to £264,856. Thus, the dividend on "A" ordinary capital, which is reduced from 8½ to 6 per cent, is covered by an earned rate of 9.75 against 13.5 per cent, while the "B" ordinary dividend, cut from 4½ to 2 per cent, suffers a fall in the margin of earnings from 14.6 to 7 per cent. General reserve receives only £100,000 against £400,000, leaving the carry forward nearly £25,000 higher at £156,277. Net consolidated profits, before tax, are down from £953,812 to £590,688, while net tax liability is estimated at £246,973 against £452,567. In addition to maintenance of plant and machinery out of revenue, provision for depreciation of £343,337 against £258,152 is made in the combined accounts. The setback is probably to be explained by the difficulty of adapting the products of its highly specialised plant to the demands of wartime production. There may also have been some shortage of raw materials, but the consolidated statement

shows that stocks as a whole rose from £1,448,851 to £2,316,899. Total fixed assets, at £6,933,980, against £6,775,619, are covered by retained profits of £1,980,249. The rise in creditors, from £1,510,432 to £2,145,799, is substantially in excess of that in debtors from £1,564,148 to £1,837,849. Total cash holdings, moreover, are down from £947,795 to £418,800, but thanks to the rise in stocks, the surplus of liquid assets over current liabilities for the group as a whole is virtually stable at £2,288,000. The £1 "A" ordinary stock, in which United Steel Companies have a substantial interest, both directly and by the exercise of an option for seven years from February, 1939, on the holding of Bankers' Industrial Development Company, stands at 16s. 10½d. ex dividend, at which it offers a yield of £6 8s. per cent.

Distillers' Accounts

The full accounts of Distillers for the year to May 15, 1941—the preliminary statement was discussed in *The Economist* of July 5th—show a decline in profits after taxation and administration expenses from £2,441,253 to £2,122,390. The rise in the allocation to fire insurance from £100,000 to £225,000 is partially compensated by the absence of any provision for superannuation and provident fund, which received £100,000 in the previous year. Consequently, as was estimated, the setback to equity earnings is moderate, being in fact a decline from £2,149,641 to £1,814,986. Allowing for the higher standard rate of tax, the rate of earnings, and the cover for the total distribution on ordinary capital, maintained at 16½ per cent, is raised from 22.6 to 22.9 per cent.

	Years to May 15,		
	1938	1939	1940
Profit	2,493,731	2,441,253	2,122,390
Fees and Superannuation	111,529	112,412	11,454
Fire Insurance	150,000	100,000	225,000
Preference dividend	95,700	79,200	70,950

Ordinary Stock:—			
Earned	2,136,502	2,149,641	1,814,986
Paid	1,743,963	1,543,508	1,286,258
Earned %	27.6	22.6	22.9
Paid %	12½	16½	16½
Reserve	400,000	476,385	600,000
Carry forward	436,898	*537,272	†544,139

† And 40 per cent. capital bonus.

* After new issue expenses of £29,374.

† Including £78,137 over-provided for dividends in 1939.

It is a weakness of the accounts that there is no consolidated balance sheet nor any clue as to the size of the depreciation provision, although the directors state that an adequate contribution has been allocated from profits. The Government restriction on distilling forced the temporary closure of the concern's grain and malt distilleries, and there is little doubt that this factor is partially responsible for the setback in profits. Higher taxation and rising production costs have, of course, also contributed substantially to the difficulty of maintaining net income last year. The balance sheet value of stocks is up from £837,262 to £928,002, but there is some doubt whether this increase indicates more than the rise in the price level during the past year. Investments, including British Government securities, have risen from £7,378,632 to £11,018,076, an increase which has been largely financed by a reduction in cash from £7,471,258 to £4,854,988. Total reserves stand at £4,075,000 against £3,250,000 a year ago. The £1 unit, at 65s. 3d. ex dividend, yields £4 19s. 8d. per cent.



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Clan Line Accounts

The full accounts of Clan Line for the calendar year, 1940, do not add very substantially to the information provided in the preliminary statement which was discussed in *The Economist* of July 5, 1941. It is clear that higher taxation is responsible for much of the fall in profits, struck after tax, from £593,021 to £540,953, but it is still unclear why the company's experience under the terms of the Government requisition agreement should have been less profitable than that of the average shipping line. The chairman, Lt. Commander Sir August B. T. Cayzer, states, in his speech circulated with the report, that the major part of the year's profit was earned before the requisition scheme came into operation and that there is little hope that earnings can be maintained in the current year. After providing the normal £7,500 for capital redemption reserve, equity earnings declined from £146,211 to £115,085, providing a cover of 35.7 per cent against 37.5 per cent for the customary 20 per cent dividend. Pensions fund received £50,000 against £25,000, but nothing, against £50,000 in 1939, is put to general reserve. The carry forward is some £490 higher at £89,972. The balance sheet value of fleet is down from £3,909,000 to £3,148,000, a decline for which enemy action is partly responsible. Against this total the company holds reserves of £1,938,500 including £193,000 on Government tonnage replacement account, blocked until the end of the war, and excluding capital redemption reserve. Elsewhere, the balance sheet shows little significant change. The total at cost of the company's holdings of Government securities, at £1,127,312 is slightly below the market value of £1,135,423. The £1 ordinary stock, at 92s. 6d. ex dividend, offers the normal yield of just over £4 6s. 6d. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

WITH sentiment well maintained in the markets through the continued Russian resistance and the new U.S. move in Iceland, gilt-edged issues continued to dominate all sections. The early part of the week also witnessed a considerable broadening of interest, and investors appear to be turning to leading equities in their search for better yields. Consequently all sections, particularly the industrial, have experienced small upward changes over a large number of shares, although the volume of actual business cannot be described as large. In later dealings the oil market became extremely buoyant.

Business in the gilt-edged market has not been on so large a scale as of late, but supply of stock was reduced and prices before the week-end showed increases in 4 per cent Consols, 3½ per cent Conversion, and Victory Bonds, while 4 per cent Funding eased. Monday's business provided increases in a long list of securities, including 2½ per cent Consols with a rise of ½ and Local Loans, which advanced ¾. Irish Land were prominent with a rise of 2 points, while 3 per cent India Loan rose ½. On Tuesday, business was smaller, but Local Loans were up ¾, while 2½ per cent Consols added ½, this rise being continued next day.

Before the week-end, the feature of the foreign bond market was the general decline in Japanese issues, with 5 per cent 1907, 6 per cent 1924, and 5½ per cent Conversion loans down 1½ points. On Tuesday a slight recovery set in but it was limited to ½ point rises in 4 per cent 1910, 5 per cent 1907 and 6 per cent 1924 loans. After losing a point before the week-end the Chinese 1913 5 per cent loan recovered 2 points on Tuesday. Brazilian issues were prominent and changes after the week-end were in favour of holders. In European bonds Spanish 4 per cent lost a point before the week-end, while on Monday both German Potash bonds rose a point, and Austrian 4½ per cent added ½.

London Tin Corporation

The results of London Tin Corporation for the year to April 30 last were the most satisfactory of the last decade. Total earnings jumped from £257,748 to £377,981, £174,966 of the increase being due to higher dividend receipts, while net profits on investments declined from £70,204 to £8,088. With no significant change in charges against profits, equity earnings are some £120,000 higher at £358,898, representing a rate of 9.9 against 6.6 per cent. The directors have wisely refrained from raising the 7 per cent dividend, and £150,000 of the surplus is allocated to investment reserve. The carry forward, after the addition of £12,663 adjustment of income-tax included in the balance brought forward from 1939-40 and £49,212, being the net amount of income-tax recoverable last year, is increased from £153,363 to £170,860. The substantial improvement in the profit position is due in part to the rise in the average rate of the quota during the financial year of the holding company from 98½ to 121½ per cent. The Corporation has also benefited from the higher cash price of standard tin, which rose from a London average of £226 per ton in 1939 to £257 in 1940 and £263 in the Corporation's financial year to April 30 last. The balance-sheet shows a decline in investments, at or under cost, from £3,341,933 to £3,109,998, for which the liquidation of the subsidiary company, Southern Siamese Tin Dredging, and the sale of part of the holding in Lower Perak Tin Dredging are mainly responsible. The value, at or under cost, of quoted securities, at £2,376,264, compares with a market value of £2,276,632. Loans to subsidiary companies are up from £278,500 to £399,000, and cash holdings from £402,318 to £537,287. The 4s. ordinary shares, at 3s. 4½d. ex dividend, yield £8 5s. 11d. per cent.

rises were secured by Turner Newall, Levers, Dunlop, Imperial Chemical, Tate & Lyle and Boots among others.

The kaffir market was quiet before the week-end, but Blyvoors, Libanon, Venterpost, West Wit. Areas and Western Reefs were all slightly up. On Monday further gains were obtained by W. Reefs and Blyvoors while Durban Deep, Sallies and Marievale were also in demand in the early part of the week. Oil issues were firm after the week-end, Anglo-Iranian rising ½ on Tuesday while on the same day Shell and Burmah both added ¾. The rubber market was quiet and changes were few and slight.

"FINANCIAL NEWS" INDICES

1941.	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	
			30 Ord. shares.*	20 Fixed Int.†
July 3 ...	2,533	3,135	72.6	129.2
" 4 ...	2,638	3,218	72.7	129.3
" 7 ...	3,344	3,487	73.2	129.5
" 8 ...	2,863	2,918	73.7	129.7
" 9 ...	2,961	2,863	74.2	129.8

* July 1, 1935 = 100. † 1928 = 100. ‡ 30 Ordinary shares, 1941: highest, 74.2 (July 9); lowest, 66.8 (Apr. 24). 20 Fixed Int., 1941: highest, 129.8 (July 9); lowest, 126.1 (Jan. 2).

New York

BUSINESS on Wall Street was slow to recover from the holiday influences induced by the keeping of Independence Day. Turnover fell to a low level before the week-end, but the strength of Russian resistance inspired an underlying firmness and prices closed fractionally up in a number of groups, including steel, oil, aircraft and copper. In the current week, highly selective buying has been the chief feature of business. On Tuesday, heavy sales were well absorbed and steel issues continued to make modest progress. In midweek, early gains were not held and prices moved irregularly.

(Continued on page 55)

Industry and Trade

Changes in Supply Machinery

On July 1st Mr Bevin informed the House of Commons of two modifications in the administrative machinery of supply. First, there is to be a Central Joint Advisory Committee to the Production Executive, composed of 12 employers' representatives nominated by the British Employers' Confederation and the Federation of British Industries and 12 labour representatives appointed by the Trades Union Congress General Council. The new committee is to "advise the Production Executive on general production difficulties (excluding questions relating to wages and conditions in individual industries normally subject to joint negotiation) and on such other matters relating to production as may arise from the proceedings of Regional Boards or be referred to the committee by the Production Executive. As a channel of information for the Production Executive, the Committee should be able to perform a useful function, but more can hardly be expected from this new piece of machinery. Secondly, the Area Boards (of which there is one in each Civil Defence Region), hitherto directed by the Industrial Capacity Committee, have been re-named the Production Executive's Regional Boards and will in future be directly responsible to the Production Executive. The membership of the Boards has been extended and, besides three employers' and three labour nominees, they will have local representatives of the Admiralty, the Board of Trade, the Ministries of Aircraft Production, Labour and Supply, the Emergency Repair Organisation of the Ministry of Works and Buildings, the Regional Transport Commissioners, the Raw Materials Department of the Ministry of Supply, and the chairman of the Machine Tool Area Committee. The main function of the Boards will be to secure a better utilisation of industrial capacity in their districts. But, again, they are, in the main, advisory bodies, "except where powers have been handed on to them to act in advance." By strengthening the Boards and by placing them under the direction of the Production Executive, their usefulness should be increased. But the new arrangements represent a tendency towards, rather than the achievement of, that blend of strong direction at the top with local initiative and freedom of action, which is imperative for the full and most advantageous utilisation of Great Britain's resources.

War Production in Ulster

The Production Executive has taken steps to remove the obstacles impeding Northern Ireland's industrial contribution to the war effort, insofar as they arose from the

confusion created by the lack of delineation of the functions of the local Government and the various Departments of the Imperial Government. Hitherto, the Government of Northern Ireland has been responsible for labour supply, transport, power and electricity and the machinery of civil government, while production has been directed from Whitehall; as a consequence, matters which have been within the competence of the local government have had to be continuously referred to London. Under the new arrangement the Minister of Commerce of Northern Ireland will be the Production Executive's agent for ensuring the fulfilment of the war production programme. In consequence, the existing Regional Board, consisting of representatives of the various Imperial Production Departments, together with representatives of employers and the trade unions, will be replaced by a Production Committee. This committee will be appointed by the Minister of Commerce and will deal with questions affecting war production in Ulster.

"White Elephant" Sales

The Board of Trade has taken the wise middle course of allowing the sale of ephemeral summer goods, not coupon free, but at a reduced "pointing." The period—of six weeks during which such sales are permitted ends on August 16th. The restricted nature of these concessions is intended to prevent a scramble, with excessive buying and subsequent waste of such clothes. As the Board of Trade rightly observes, "although traders' stocks may be excessive, these goods are not 'white elephants' to the public." Retailers are allowed to demand the full number of coupons instead of the temporarily reduced number if they prefer to do so. A retailer with low stocks might prefer the extra coupons to the quick sale, though it seems highly improbable that competition would permit him to exercise this right. The new rate of coupons is as follows:—

GOODS OBTAINABLE FOR REDUCED NUMBERS OF COUPONS.
JULY 6TH-AUGUST 16TH.

Coupon Free.—Khaki knitting wool; oiled knitting wool; rubber bathing shoes.

1 coupon Men's and boys' white or cream socks.

2 coupons..... Non-regulation bathing costumes; bathing trunks.

Men's and boys' sandals with textile uppers; shoes or sandals with white leather or imitation leather uppers. (Not plimsolls or tennis shoes.)

Women's and girls' shoes and sandals with linen, canvas, crash or sisal uppers. (Not plimsolls or tennis shoes.)

(Continued from page 54)

The Iron Age estimates steel mill activity at 98.5 per cent of capacity, against 93.5 last week and 100 per cent in the previous week.

New York Prices

	Close June	Close July	Close June	Close July
1. Railroads.	30.8	30.8	1941	1941
Balt. & Ohio.	31	31	Chrysler	57
Gt. Nthn. Pf.	25½	26½	Curt. Wr. "A"	27½
Illinois Cent.	71	82	Eastman Kdk	133½
N.Y. Cent.	12	13	Gen. Elec.	32½
Northern Pac.	64	74	Gen. Motors	384
Pennsylvania	23½	24½	Inland Steel	72½
Southern	12½	13½	Int. Nickel	49½
2. Utilities, etc.	12½	13½	Int. Harvest	267½
Amer. Tel.	156	158	Liggett Myers	85½
Amer. W'ks.	41	41	Nat. Dairy	131
Pac. Light.	33½	36½	Nat. Distillers	21
Pub. Sv. N.J.	21½	22½	Nat. Steel	53
Sth. Cal. Ed.	23½	23½	Proct. Gamble	57½
United Gas.	61	7	Sears Roebuck	72
3. Commercial and Industrial.			Shell Union	144
Amer. Metal.	17½	18½	Socoon Vac.	83
Am. Roll. Ml.	14	15½	Std. Oil N.J.	40½
Am. Smelting	41½	43½	U.S. Steel	55½
Anaconda	27	29½	West'house, El.	92
Briggs	19½	20½	Woolworth	29½
Celanese of A.	22½	24½	Yngstn. Sheet	35½

Total share dealings: July 3, 460,000; June 4, Independence Day; July 5, 180,000; July 7, 900,000; July 8, 1,380,000; July 9, 1,100,000.

* Two-hour session.

STANDARD STATISTICS INDICES (1926 = 100)

	WEEKLY AVERAGES				
	Low Apr. 30	High Jan. 15	June 18, 1941	June 25, 1941	July 2, 1941
247 Industri'ls	83.6	696.0	89.4	89.5	89.7
32 Rails	d25.4	a28.0	26.6	26.8	26.7
40 Utilities	e67.0	78.7	70.0	69.3	69.2
419 Stocks	71.9	b82.1	76.1	76.1	76.2
Av. yield*	6.80%	6.13%	6.44%	6.43%	6.42%

* 50 Common Stocks. (a) Jan. 22, (b) Jan. 8, (c) Feb. 11, (d) Feb. 18, (e) May 23.

DAILY AVERAGE 50 COMMON STOCKS

Year	June 26	June 27	June 28	June 30	July 1	July 2
1941	98.2	97.7	97.6	97.3	97.2	97.9

1941 High: 105.80, January 10. Low: 90.70, April 30.

Capital Issues

Week ending	Nomina.	Con-	New
July 12, 1941	Capital	versions	Money
To the Public	Nil	£	Nil
To Shareholders	Nil	...	Nil

By S.E. Introduction... Nil ... Nil
By Permission to Deal... 90,000 ... 97,500
Nat. Savings Certs... 3,414,109 ... 3,414,109
3% Defence Bonds (a)... 2,784,320 ... 2,784,320
2½% Nat. War Bds. (a) 17,493,803 ... 17,493,803
3% Savings Bonds (a) 18,028,000 ... 18,028,000

† Week to July 1, 1941. Total sales, Nov. 22, 1939 to July 1, 1941, £319,892,717. (a) Total sales to July 1, 1941, £308,253,439. (b) Total sales to July 1, 1941, £226,310,372. (c) Total sales January 2, 1941, to July 1, 1941, £253,819,946.

Year	Including Conversions	Excluding Conversions
1941 (New Basis) ...	864,660,885	815,135,303
1940 (New Basis) ...	931,177,489	578,222,376
1941 (Old Basis) ...	916,369,082	863,613,967
1940 (Old Basis) ...	916,369,082	563,613,949

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
'41 (New Basis) ...	812,512,964	2,622,339	Nil
'40 (New Basis) ...	577,459,344	763,012	Nil
'41 (Old Basis) ...	811,759,472	2,500,000	Nil
'40 (Old Basis) ...	563,471,493	142,456	Nil

Nature of Borrowing (Conv. Excl'd.)

Year	Deb.	Pref.	Ord.
'41 (New Basis) ...	811,972,128	204,460	2,858,715
'40 (New Basis) ...	563,534,138	1,189,095	13,499,213
'41 (Old Basis) ...	811,759,472	Nil	2,500,000
'40 (Old Basis) ...	562,514,317	77,500	309,132

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

- Child's unlined mackintosh or mackintosh cape, not over 42 inches long, at retail price not exceeding 7s.
- 3 coupons..... Unlined mackintosh or mackintosh cape not over 42 inches long, price not exceeding 10s. Woven cotton blouse. Small boys' white or cream trousers, not over 30-inch waist. White or cream shorts.
- 4 coupons..... Women's and girls' non-woollen slacks other than those of heavily corded cloth. Men's short-sleeved shirt, with collar attached, of knitted material or terry towelling.
- 5 coupons..... Men's or boys' white or cream trousers over 30-inch waist. Women's unlined summer coat or jacket of wool georgette, cotton, silk, rayon or linen. Frock of cotton, silk, rayon or linen (other than evening frock), in white or light plain colour, or in a combination of two or more printed or woven colours. Beach gown of terry towelling.
- 8 coupons..... Beach playsuit of three or more pieces of identical non-woollen material sold together, no one piece to be a frock.

This new scale seems nicely calculated to give just the necessary encouragement to intelligent summer purchases without provoking unnecessary buying.

Unemployed Mineworkers

The Government is supplementing its efforts to persuade miners to return from munition factories and other civilian employment to the coalfields by a measure of coercion in the treatment of wholly unemployed mineworkers. This problem has been under consideration by the industry, the Minister of Labour and National Service, and the Secretary for Mines for some time past, and panels have been appointed to discover the physical condition of these men and their fitness for re-employment in the industry or in some other occupation. The Mines Department has decided that in present circumstances it is essential that employment in the mines should be found for all unemployed men registered in mining occupations, and in a communication to the Chairman of the District Coal Production Committees, it has suggested that in the allotments of these men they should "work as a rule on the basis of allotting men who form, so to speak, difficult cases, to pits in the district employing 250 men or over on a percentage calculated by reference to the number of men who are difficult to place in relation to total existing personnel, allowance being made to pits who have voluntarily accepted such men." It is stressed that it is the patriotic duty of colliery owners to employ a fair proportion of these unemployed, and it is also pointed out that any failure to allot unemployed workers who are fit for further work to the mines in the districts immediately concerned "may have serious effects in securing the return of mineworkers from other industries to which they have migrated," as "the Minister of Labour and National Service regards it as a primary condition of the return of such men that all the present unemployed should be absorbed." Copies of the Department's letter to the District Production Committees have been sent to all colliery owners in Great Britain employing 250 men and over, and in a covering letter the Secretary for Mines expresses his confidence that in the majority of cases he can rely on their wholehearted co-operation. It remains to be seen how far such action will help to solve the problem of the continued existence of a considerable body of unemployed miners in face of the acute shortage of suitable labour. But the Production Committees are told that "in the event of colliery owners refusing to comply with a reasonable request for the re-employment of unemployed workers made to them by the District Coal Production Committees, the Secretary for Mines is prepared, on report being made to him, to consider the exercise of compulsory powers with a view to securing compliance."

Decline in Retail Sales in May

The average daily value of retail sales in May, as recorded by the Bank of England from the returns of a large number of shops, showed a reduction of 3.5 per cent compared with the figure for the corresponding month in 1940. Sales of food were 4.8 per cent lower and those of other merchandise 2.4 per cent lower, than a year ago. With the exception of piece-goods, boots and shoes, and sports and

travel goods, the turnover in all the non-food items separately listed in the returns, showed a decline. So far as the geographical distribution of sales is concerned, there was a decline, on the year, in central and suburban London and in the south of England, and a slight increase in the other districts. The value, at cost, of retailers' stocks at the end of May was 8.1 per cent greater than a year earlier in the case of foodstuffs and 5.8 per cent greater in other merchandise. In the absence of a suitable price index it is difficult to estimate how far the reduction in average daily sales in May was due to the rise in prices and the decline in the volume of turnover, respectively. But such evidence as there is on price movements suggests that the decline in the volume of sales has been appreciable compared with a year ago.

Imported Canned Meats Control

An addition has been made to the list of canned goods whose prices are subject to the control of the Ministry of Food. A schedule of prices of imported canned meats and canned meat products has been issued, with effect from July 28th, as follows:—

Description	On Sale by the Importer per lb. s. d.	On Sale by Wholesale per lb. s. d.	On Sale by Retail per lb. s. d.
Corned beef and mutton, boiled			
mutton.....	—	1 0½	1 4
Ox tongues	2 9½	3 0½	3 6
Briskets	1 9½	1 11½	2 3
	per tin	per tin	per tin
	s. d.	s. d.	s. d.
Lamb's tongues (12-oz. tins) ..	1 4	1 5½	1 9
*Australian minced meat loaf (12-oz. tins)	7½	8½	10
Australian or New Zealand Canned Rabbit:—			
(a) 2-lb. tins, including bone	1 11	2 1½	2 6
(b) 1-lb. " " "	1 1	1 2½	1 5
(c) 1-lb. " " boneless " "	1 5	1 6½	1 10
Bire stewed steak (16-oz. tins)	1 2½	1 3½	1 6
Bire ready or prepared meals (16-oz. tins)	†	10	11½
* Including all Australian canned meats containing cereals.			
† No special price prescribed, but not to exceed 10d.			

Corned beef, corned mutton and boiled mutton are at present to be kept in reserve to meet deficiencies in the carcass meat ration. Other varieties will be distributed through the normal trade channels and will be coupon-free. It is stated that in future licences will be issued only for varieties and packs included in the schedule. The Ministry is to requisition all imported canned foodstuffs for human consumption containing more than 25 per cent. by weight of meat, including edible offals, poultry and game, by an amendment to the Imported Canned Meat (Requisitioning) Order, which came into force on July 7th.

Dearer Kerosene

An advance of ½d. a gallon in the wholesale price of kerosene (paraffin oil) was announced by the Petroleum Board on Tuesday last. As usual, the Board gave no reasons for making the change—and the only apparent reason is the recent increase in demand. Although the world market price of most petroleum products has been steadily rising since the beginning of the year, kerosene has been unaffected by this upward movement and is, in fact, slightly cheaper on the Gulf market than it was in September, 1940, when the British price was last raised. Consumption of kerosene, which is used for lighting, heating and cooking in rural districts, and as a fuel for agricultural tractors, has lately been showing a marked expansion in consequence of the movement of population out of the towns and of the greatly increased use of tractors on the land. Because it is used for these essential purposes the demand for kerosene is very "inelastic." The rise in prices may therefore do but little to relieve the tight supply position. The wholesale price of "pool" burning oil now ranges from 11½d. a gallon in England and Wales to 1s. 1½d. a gallon in the remote parts of the British Isles; that of "pool" vaporising oil (for tractor use) ranges from 1s. to 1s. 2d. a gallon.

For Commodity and Industry News, see page 60.

COMPANY MEETINGS

BLEACHERS' ASSOCIATION LIMITED

SIR ALAN SYKES'S REVIEW

The forty-second ordinary general meeting of Bleachers' Association, Limited, was held at the registered office, Blackfriars House, Manchester, on the 4th instant.

Sir Alan Sykes, Bt. (the chairman), presided. In proposing the motion for the adoption of the report and accounts, Sir Alan said:—

You will appreciate that under the conditions prevailing in these exceptional times my remarks must necessarily be restricted and mainly concerned with the accounts which are presented for your approval.

But before dealing with the accounts, I should like to refer to the appointment of Mr. Charles Schwabe Parker to the Board—an appointment which you will be asked to confirm at a later stage of this meeting. Mr. Schwabe Parker has, for many years, been in charge of one of the association's most important branches and under his management that works has established a reputation for the quality of its products that places it right in the front rank.

Your directors believe that under the changed conditions which will confront the cotton industry of this country in the future, we shall have to rely more and more upon the production of specialised finishes and less upon the type of work upon which the bulk trade of the industry has been built up. That means that we must rely more and more upon scientific research, and it is by his specialisation in this field that Mr. Schwabe Parker has made such a success of the works which he controls. We have invited him, therefore, to join the board in the capacity of director in charge of research. Our existing research organisation, which is occupied more with the day-by-day problems relating to the production and development of our present output, will continue under the control of our chief research chemist, but Mr. Parker, whilst maintaining a close liaison with this organisation, will cover a wider field.

Two members of the board, Captain A. M. Hamilton and Captain C. H. V. Elliott are serving with His Majesty's Forces and, therefore, are not with us to-day. Eleven other officials of the association who were occupying responsible managerial or administrative positions are also on service. We should like to record our appreciation of the services which are being given to the country by those to whom I have referred, as well as by the hundreds of our employees who are serving either with the forces or on whole-time civil defence.

BALANCE SHEET

If you will now turn to the balance sheet, there are one or two changes in the figures in comparison with last year which I should like to explain.

The first item on the assets side—land, buildings, plant and machinery, etc.—is reduced by the amount standing to the credit of the depreciation and obsolescence fund, which itself has been augmented by the usual sum of £140,000 charged against the profit and loss account for the year. The amount charged to the depreciation and obsolescence fund before making this deduction is £211,068, and this represents the outlay during the year on renewals, together with a further sum which has been written off the value of the assets of certain closed works.

This transaction, which does not affect the net value of the assets appearing in the balance sheet, is a continuation of the policy which your directors have followed whenever the opportunity has occurred of adjusting the capital value of those assets, which, through the contraction of trade, have ceased to be productive and for which, in part, the depreciation and obsolescence fund is provided. The net value of land, buildings, etc., appears in the balance sheet at £6,944,940, which is about £140,000 less than last year.

The value of shares in subsidiary companies at £1,325,314 shows no change in comparison with last year's balance sheet, but advances to subsidiary companies are about £180,000 higher at £1,057,387. The increase in this item—which represents the working capital employed by our branches—is primarily due to

the higher prices we have had to pay for the commodities which we use.

The small item of stock on hand is slightly lower than the figure in last year's balance sheet and sundry debtors at £108,225 are also lower.

Cash with bankers amounts to £184,183—about £88,000 more than last year, and investments at £757,146 are about £167,000 higher. The increase in these two items reflects the larger trading profit we have made, but of which so much is absorbed by taxation. The necessity for meeting these heavy taxation payments when due requires that we should carry much larger liquid resources than would be necessary under more normal conditions, and the largest item in the increase in investments is our holding of Treasury bills as a temporary investment of cash that will ultimately find a more permanent home with the Exchequer.

On the liabilities side of the balance sheet there are only three changes of any importance to which I need refer.

The item trade creditors and provisional accounts is nearly £235,000 more than last year, and this is almost entirely due to the provisions which we have had to make for increased taxation.

WAR DAMAGE PROVISION

There is a further provision of £100,000 for insurance premiums under the War Damage Act, 1941, and I shall refer to this again in dealing with the profit and loss account.

The balance of the latter account brought forward after payment of the three months' dividend on the preference stock last year was £149,691, and it will perhaps be easier for you to follow my subsequent remarks if you will turn to the front page of the accounts.

The balance of trading profit available for the year after providing for taxation amounts to £338,407—an increase of £45,000 over the corresponding figure last year. The charges for directors' fees, depreciation and debenture interest show no material change, and the increase of £45,000 is reflected in the net profit of £94,678, compared with £49,721 last year.

We thus have available, with the amount brought forward from the previous accounts, a total of £244,369, and your directors recommend a payment of six months' dividend on the preference stock in respect of the period April 1st, 1934, to September 30th, 1934, which will absorb the greater part of the net profit for the year and leave a balance of £175,963. Out of this balance, provision must be made for the payment of the insurance premiums due under the War Damage Act, 1941.

Although the Act prescribes that these premiums "shall be treated for all purposes as outgoings of a capital nature," they constitute an immediate call upon our liquid resources and, in effect, represent the conversion of a liquid asset into one which cannot be regarded as having a permanent capital value. We have, therefore, made provision for these payments by reducing the available balance of the profit and loss account and this leaves £75,963 to be carried forward to the next account.

SERIOUS BURDENS

It is hardly necessary for me to emphasise the serious depletion of profits by the very heavy provisions that we now have to make, both in respect of taxation and war damage insurance, and I should like to stress again the remarks which I made in addressing you last year on this subject. The burden is especially severe in the case of companies like our own where the standards for the ascertainment of liability to excess profits tax relate to years in which our trade was abnormally depressed, and I sincerely hope that we shall be able to secure a revision in our standard which will render the burden less onerous. The relief which it is proposed to afford by the deferred return of a portion of the tax for expenditure upon approved purposes is welcome, but it does nothing to remedy the obvious injustice of depriving shareholders of any participation in the increase in profits of the company

and strangling the undertaking by the accumulation of arrears of liabilities carrying preferential rights.

You will readily understand that for obvious reasons I am not at liberty to say anything of the contribution which the association is making to the national war effort, but I can assure you that we are doing everything within our power to help the Government in this supreme test of national unity.

Our contribution is not only direct and positive, but it also entails heavy sacrifices. The Government proposals for the concentration of industry will necessitate the closing of a number of our works, thus releasing labour and space for vital war needs. This cannot be other than serious in its immediate and ultimate effect upon the association, especially having regard to the extensive concentration which we have carried out voluntarily during the past 10 or 15 years to balance the contraction in the volume of trade.

These measures will add to the burden of redundant plant with which we, and other sections of the cotton industry, have been saddled by the pre-war loss of so much of the export trade. They will increase substantially the magnitude of the problem which we were facing at the outbreak of war and which we shall have to face again and solve before we can establish our trade upon a sound foundation.

APPRECIATION

Before closing my speech I should like, on my own behalf and also, I feel sure, on behalf of all present, to record our warm appreciation of the efforts which have been put forward by everyone concerned, not only in the management, but also in the execution of the varied types of work carried out under the auspices of this association. I believe that you would wish me specially to emphasise our indebtedness to the managing directors, upon whose shoulders the main burden and responsibility must necessarily fall. The year has been a particularly difficult one and has imposed a great strain upon all concerned. To one and all on your behalf I say "Thank you."

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

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

The meeting terminated with a vote of thanks to Sir Alan Sykes, Bt., for presiding, proposed by Mr. E. R. Clark and carried unanimously.

WM. CORY & SON, LIMITED

EFFECT OF WAR CONDITIONS

Sir Arthur Cory-Wright Bart., chairman of the company, presiding on 10th instant at the forty-fifth annual general meeting of Wm. Cory & Son, Ltd., said that there was a net profit of £703,739, a decrease of some £53,000 as compared with the previous year. After transfer of £150,000 to investment reserve and payment of the final dividend of 15 per cent. on the ordinary and employees' stock, making 20 per cent. for the year, a balance of £1,044,677 remained to be carried forward.

The business of the company was considerably affected by war-time conditions both at home and abroad, as the National Emergency had brought about close control and far-reaching restrictions to which they had cheerfully submitted. Every effort had been exerted to meet fresh problems as they arose, and the extensive organisation and exceptional facilities which they possessed had been successfully employed.

In the coal exporting section, the company had experienced a steady diminution of business owing to the closing of many markets and the difficulties arising in production and exporting of coal. They had, however, concentrated their efforts on these alternative areas of coal production which had a geographical situation suitable to meet the needs of consumers who were deprived of adequate supplies from this country.

The vessels of the fleet had been engaged exclusively in coastal traffic under controlled rates of freight, and the time occupied in voyages had varied considerably from month to month, irregularity having been caused by war conditions at sea, and altering conditions in the districts in which coal had been available.

The report was unanimously adopted.

AMALGAMATED DENTAL COMPANY, LIMITED

IMPROVED TRADING

The thirty-sixth annual general meeting of the Amalgamated Dental Co., Ltd. (formerly Claudius Ash, Sons & Co., Ltd., and De Trey & Co., Ltd.), will be held on July 18th in London.

The following is the statement by the chairman (Mr. E. Russell Polden) circulated with the report and accounts:—

Our company, in common experience, has had to contend with many difficulties arising from the present distressing circumstances. The accounts evidence that the efforts made to overcome them have produced results which show some improvement in trading and enable the directors to recommend payment of a dividend on the deferred ordinary stock.

I do not propose and I am sure that members will not expect me to make any attempt to forecast the future as affecting our company. My statement must, therefore, necessarily be brief. I can but assure the members that all that can be done to maintain and to improve the activities of our business is being and will continue to be done, and so endeavour to overcome obstacles as they arise from day to day.

The profit from trading, etc., is £192,153, against £163,668, an improvement of £28,485. The balance standing to profit and loss account, after providing for taxation and the dividend of 5½ per cent., less tax, paid on the preference stock, available for appropriation is £119,308, against £86,148. The full dividend of 8 per cent. less tax (4 per cent. of which was paid on June 30th last), absorbs £59,386, and the dividend of 5 per cent., less tax, on the deferred ordinary stock requires £10,000, leaving to be carried forward £49,922, against £26,762 brought in, an increase of £23,161.

I have much pleasure in making a well-merited reference to the untiring devotion to work and loyalty by the management and staff during these very strenuous times.

HARLAND AND WOLFF, LIMITED

ANNUAL GENERAL MEETING

The fifty-sixth annual general meeting of Harland and Wolff, Limited, was held, on the 3rd instant, at the Grand Central Hotel, Royal Avenue, Belfast.

Mr. F. E. Rebbeck, D.L., J.P., chairman of the company, presided.

The Secretary (Mr. A. T. Marshall) having read the notice convening the meeting and the report of the auditors,

The chairman intimated that in accordance with the notification to shareholders issued with the directors' report for obvious reasons it would be impossible for him to make his usual speech covering the firm's activities. He therefore formally moved the adoption of the report and accounts.

Mr. John Craig seconded the resolution, which was carried unanimously.

The retiring directors, Mr. Charles Payne and Mr. H. P. Harland, were re-elected, and the auditors, Messrs. Price, Waterhouse & Co., were reappointed.

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UNITED SUA BETONG RUBBER ESTATES, LIMITED

RECORD OUTPUT AND PROFITS

RUBBER INDUSTRY AND THE WAR EFFORT

SIR JOHN HAY'S REVIEW

The thirty-second annual general meeting of the United Sua Betong Rubber Estates, Ltd., was held on 8th July at 19, Fenchurch Street, London, E.C., Sir John Hay (chairman of the company) presiding.

The chairman said: The great struggle in which we are now engaged, with its daily recurring events with all that they portend to every one of us, overshadows all other interests. It is with a consciousness of that fact that I now propose on this occasion to review only very briefly the company's affairs.

Sir John pointed out that the company's output of rubber and profits for the year under review were the largest in its history, but that the benefits to stockholders were not to be measured by the extent of the profits. The chief beneficiary was the public revenue. The company's estimated accumulated liability for taxes exceeded £200,000, and out of a net profit of approximately £300,000 the net amount to be distributed to stockholders would be little over £70,000.

Reports received from all of the company's estates were uniformly good, particular emphasis being laid on the growing strength of the company's position through its replantings and new plantings. The improvement in its rubber producing capacity was being acknowledged in a steadily increasing assessment, which for 1941 was fixed at over 17,000,000 lbs.

Sir John then spoke of matters of general interest to the industry as follows:—

AMERICAN RUBBER SUPPLIES

The first agreement with America for rubber supplies in volume sufficient to provide for the accumulation of a reserve stock and at the same time to meet current needs was concluded in June, 1940. This was followed by a second agreement in the same year, and just before I left America in November last a provisional agreement was reached for a further increase in the reserve stock. This latter arrangement was subsequently adopted and formalised in March of this year. These three agreements provided in total for the eventual accumulation of a reserve stock of 430,000 tons. In this way America's policy in the matter of rubber supplies both for defence and industrial purposes was gradually unfolded and her needs clearly defined. Without this open declaration of policy, expressed as far as was practicable in terms of a definite tonnage for delivery in specified times, it would hardly have been possible for the I.R.R.C. to have performed satisfactorily its task of regulating world supplies of rubber to known demands, nor to have won so readily the willing and understanding co-operation of producers in providing for abnormal requirements.

THE EXPORT POSITION

As you know, permitted exports during this year have, for the first time in the history of the regulation scheme, been at the rate of 100 per cent. At the time of preparing these remarks the figures for June are not available, but taking the six months December, 1940-May, 1941, the amount of permitted exports was equivalent to over 800,000 tons—or nearly double the quantity permitted in the last corresponding pre-war period. Due to adverse seasonal influences and, in a lesser degree, to some labour unsettlement in certain of the territories where European supervision had been largely withdrawn for training in defence duties, actual exports fell below that figure, but, even so, as between the two periods mentioned they were increased by no less than 300,000 tons. Having regard to the growing and serious shortage of shipping, the hazards and uncertainties of overseas transport, and all the difficulties inseparable from a state of war—from the influence of which rubber producing territories are by no means immune—such an increase in production and exports to a figure which exceeds anything hitherto attained, is remarkable and is the measure of the

co-operation which has been given so readily in fulfilment of the agreements, the terms of which have been generally accepted as being fair between the parties.

In accordance with our agreements, all the rubber required continues to be purchased in the open market within a stipulated price range, and the essential functions of the market and distributing intermediaries continue to be utilised and exercised by those who from long knowledge and experience are best qualified to do so. Our experience so far has confirmed the belief on which the agreements were based, namely, that these abnormal demands will be best satisfied by allowing supplies to flow along channels worn by long usage, rather than by resort to expedients which, however apparently simple and plausible, when put to the practical test invariably encounter unexpected difficulties and hindrances and in the end prove to be much less efficient.

AMERICA'S RESERVE STOCKS

Notwithstanding the great increase in exports to the extent which I have mentioned, the accumulation of America's reserve stock has not proceeded at the rate anticipated. This is due primarily, but not solely, to an increase in American consumption well beyond what was estimated. As a corrective to this situation, America has announced her decision to take measures to restrict current consumption to the more normal figure of 600,000 tons per annum and thus set free a greater surplus for the more rapid accumulation of a reserve stock. Simultaneously, and as a natural consequence of that measure, it has been decided to centralise all purchases for America through the Rubber Reserve Company, and it is only for purchases made by the Reserve Company or its agent that export licences to America are now being granted. In more normal times this concentration of such great buying power might be regarded with some alarm, but these are by no means normal times, and since the purpose which the measure is designed to serve is none other than the more equitable distribution of supplies and the more rapid accumulation of stocks, the continuance of our ready co-operation is assured along lines which maintain unimpaired the essential functions of the market.

This matter of rubber supplies to America is one of many transactions with that country which, in present circumstances, are fraught with tremendous consequences. We were never in doubt as to the side on which America's sympathies lay; that sympathy, happily for us, has developed to a stage of material aid ever-increasing in volume and in power and expressed in ships and all the modern equipment of war. It is largely on the reliance of the continuance of that great and powerful aid that our hopes of victory are based. We as an industry have an opportunity of supplying to America one of the products now necessary for defence as well as for the conduct of modern war—an opportunity we should embrace readily. It is in this larger setting that we should view the matter of rubber supplies to America and, by the ready manner in which we discharge our obligations, and by our resourcefulness in overcoming any incidental difficulties that arise, demonstrate our gratitude for their great and vital aid which becomes daily more potent.

This is the first time I have had occasion to speak to you since I returned from America, and I would like to take the opportunity of saying publicly how greatly I appreciated the sympathetic and understanding manner in which my representations were received. Since I returned to this country I have been the medium through which suggestions have been made and criticisms offered regarding operations under the agreements, and I need hardly say that these have been received in the same spirit of friendliness.

SUPPLIES TO THE UNITED KINGDOM

Almost simultaneously with America's decision to centralise through one agency the buying of the whole of her rubber require-

ments, there has been put into operation in this country a similar measure under the designation of Rubber Control. From henceforth, therefore, for the world's main requirements of rubber there will be only two buyers. One of the many functions of the London rubber market was to act as a distributing centre for the rubber requirements of Europe. Owing to the misfortunes of war, this function has for the time being ceased, whilst speculative business, permissible in peace time, is no longer appropriate to present war-time conditions and has been gradually eliminated. The weight of these losses has become increasingly felt, and in these circumstances, and despite the fact that rubber control in this country relates only to a quantity of rubber which is a mere fraction of what America uses, it is not surprising that the decision to control and all that it implies is viewed with great apprehension in the London rubber market. It is appreciated that in the circumstances in which the appointment was made the chief function of the Rubber Controller must be to discourage all unnecessary trading and to bring rubber supplies in the most direct line from the producer to the consumer. None the less, this involves a great deal of hardship and loss which falls upon intermediaries who, in normal times, exercise a useful function and make their valuable contribution to the general trade of the country. That these problems should arise without any prior consideration for their treatment is but another example of the many distressing consequences of our piecemeal and departmentally-minded approach to war economy. Those who by present circumstances are deprived of their livelihood should not be left to the haphazards of war. Total war has its casualties in the field of commerce as well as on the field of battle. The former require treatment as well as the latter.

THE WAR EFFORT

The measures taken in relation to our own industry, as well as all other measures affecting industry as a whole, must be considered in their larger context and they can only be judged in relation to how they serve the supreme purpose, which is the successful prosecution of the war. Our war effort, with its countless examples of courage, endurance, devotion and sacrifice, has in part been magnifi-

cent, but in other respects, even at this advanced stage, it still is inadequate and deficient. In the economic sphere, using that phrase in its widest sense, there has been a too evident lack of the vision to conceive and the courage to apply the measures that are necessary for the effective mobilisation of our manpower and for the direction of our efforts towards our one overriding purpose.

We contend against an enemy superlatively equipped by long years of preparation, endowed with exceptional powers of organisation, possessed of high executive capacity expressed in swift and skilful action, and sustained by the fanatical devotion of a people whose numbers greatly outstrip ours. The fight against this formidable Power demands our utmost exertions, which can only be rendered fully effective by a thorough-going organisation which brings to bear in the proper place and in full measure the services of every one of us, inspired and sustained by a single-minded devotion to the State in this time of crisis.

You will probably recall the closing passage of Shakespeare's "King John," with its brave boast that:—

"This England never did, nor never shall,

Lie at the proud foot of a conqueror,"

but then there immediately follows this qualifying line:—

"But when it first did help to wound itself."

Any and every diversion from the war effort, neglect or inefficiency, are wounds on the body politic, weakening our resistance and leading to infirmity of purpose. In present circumstances, we can no longer have "business as usual," and whether in Government or in trade or commerce we must be prepared to abandon our peace-time practices and forego all activities other than those which contribute to the war effort. Immersed and engrossed in the performance of our daily peace-time tasks, we are often too apt to think of the immediate dangers to our own particular interests. We have to remind ourselves that far greater issues are involved, and it is only in so far as we make the sacrifices adequate to safeguard our security and liberty that our more immediate and lesser interests can be preserved.

The report and accounts were unanimously adopted.

COMMODITY AND INDUSTRY NEWS

WORLD visible tin stocks stood at 38,600 tons on June 30th, a decrease of 2,177 tons from May 30th. It is thought that this is only a temporary drop, and due to the small shipment of 8,950 tons of Straits tin. Tin prices rose on Friday to £261-£261 5s. per ton for standard cash, presumably on the news that shipments of tin from the Straits were likely to be sent to Russia. The price was not maintained, however, and by Wednesday it was £256 15s.-£257, which compares with £256 10s.-15s. per ton a week earlier. Wednesday's price for three months' tin was £260 10s.-15s., which compares with £260 15s.-£261. The rubber market has been extremely quiet. Smoked sheet, spot, was quoted at 13½d. per lb. on Tuesday. Pepper prices continue to rise: white Muntok, spot, was 14d. a lb. on Tuesday and Lampong black was 8½d., compared with 13½d. and 8d. respectively a week before.

Cotton from America.—The United States is to make available to this country, under the Lease and Lend Act, 600,000 bales of cotton which will arrive here at the rate of 20,000 bales a month. The cotton will be drawn from the American Government's stocks, not bought in the open market. The announcement was well received by the trade as an indication of greater security about supplies.

Even before the announcement inquiry in the market had broadened and more business was done in yarn and piece goods. Purchases for the Government have only been of moderate extent, but fair orders have been placed in essential goods for the Home Services. Export buying continues irregular, though rather more business has been put through in fine fabrics for the Dominions and the United States. Dyed fancies have been in request for Java, and a steady business has been

done in finishing qualities for Argentina. Buyers have welcomed the fact that more manufacturers have been prepared to sell. Yarn demand has continued active and some spinners have only been prepared to accept part of the business put before them. In some quarters the opinion is held that the Controller may widen spinners' margins in the near future.

Animal Glandular Products.—The manufacture for medicinal purposes of glandular products from slaughtered animals is an industry new to this country. It has been made possible by the reduction of slaughtering centres since the war from about 10,000 to 800. The removal of the glands is an expert process and some of them must be put into cold storage within fifteen minutes of slaughter. Notable progress has been made with pancreatic extracts from which insulin is obtained. The extension of this by-product of slaughterhouses may prove a source of revenue, as it is to abattoirs abroad.

Food Control.—The Ministry of Food announces that it is intended to control the prices of apples, plums and damsons, and the new season's honey. Control prices have been announced for imported canned meats (see page 56), soft and curd cheese, producers' prices for eggs, and the new jam prices. Biscuit manufacturers are to be licensed from August 4th. Arrangements have been made to encourage domestic rabbit clubs, on the lines of pig clubs.

Control of Bus and Coach Sales.—The Minister of Transport has made an Order under which it will be an offence, as from July 7th, to acquire or dispose of a registered omnibus or coach without his authority. Unlike the regulation relating to new or unregistered coaches, this Order applies to dealers as well as other persons. Its object is to secure that vehicles are made available in the

places where they are most urgently needed.

"THE ECONOMIST" SENSITIVE PRICE INDEX (1935=100)

	July 3, 1941	July 4, 1941	July 5, 1941	July 6, 1941	July 7, 1941	July 8, 1941	July 9, 1941
Crops	107.0	107.0	107.4	108.1	108.5		
Raw materials	170.0	170.3	170.0	170.1	169.9		
Complete Index	134.9	135.0	135.1	135.6	135.7		
	Mar. 31, 1937	Aug. 31, 1937	July 9, 1940	June 9, 1941	July 2, 1941		
Crops	147.9	92.2	107.8	108.5	108.7		
Raw materials	207.3	122.9	168.6	171.7	169.8		
Complete Index	175.1	106.4	134.8	136.5	135.9		

* Highest level reached during 1932-37 recovery.
AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH A YEAR AGO.

	Daily Average Sales 1941	Stks. (at cost) end May
Mar.	1	1
Apr.	1	1
May	1	1

(a) By Commodities				
Non-food Merchandise	+13.1	-7.9	+13.8	+24.3
Piece-goods	+1.0	+7.8	-4.9	-1.0
Women's Wear	-14.9	+1.2	-4.7	+2.1
Men's and Boys' Wear	+17.3	+33.2	+8.0	-1.4
Boots and Shoes	-19.9	-27.7	-21.3	+15.5
Furnishing departments	-9.7	-20.4	-7.0	-4.0
Fancy departments	+7.4	+24.5	-1.7	+3.1
Sports and Travel	-0.9	+4.8	+0.9	-7.6
Miscellaneous	-1.2	-0.7	+6.4	+38.8
Total	-2.1	+2.9	-2.4	+5.8
Food and Perishables	-2.1	+0.9	-4.3	+8.1
Total	-2.1	+1.7	-3.5	+6.0

(b) By Districts				
Scotland	+9.7	+6.6	+1.4	+0.5
North-East	+1.2	+4.0	+1.5	+10.6
North-West	+2.7	+4.0	+2.3	+10.2
Midland and S. Wales	+2.7	+7.2	+0.1	+16.7
South England	+0.8	+8.8	-1.5	+16.3
Central and West-End	-17.9	-17.4	-8.9	+5.8
London	-12.9	-5.8	-12.2	+16.4
Suburban London				

Source: Board of Trade Journal.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the five days ended July 5, 1941, total ordinary revenue was £26,426,000, against ordinary expenditure of £33,114,000, and issues to sinking funds of £401,221. Thus, including sinking fund allocations, the deficit accrued since April 1st is £813,717,000 against £568,648,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	April 1 to July 6, 1940	April 1 to July 5, 1941	6 Days to July 5, 1941	5 Days to July 5, 1941
ORDINARY REVENUE	32,304	92,053	9,005	12,456
Income Tax	6,810	8,159	290	300
Sur-tax	25,350	25,105	2,400	1,390
Estate, etc., Duties	3,570	2,731	...	20
Stamps	4,960	4,369	650	365
N.D.C.	7,930	43,379	1,270	2,784
R.P.T.	120	125	30	...
Other Inland Revenue				
Total Inland Revenue	81,044	175,921	13,645	17,315
Customs	76,088	88,202	5,449	6,552
Excise	37,200	58,100	800	1,350
Total Customs and Excise	113,286	146,302	6,249	7,852
Motor Duties	5,724	5,385	186	487
P.O. (Net Receipts)	3,250	2,100	400	500
Crown Lands	280	240	...	...
Receipts from Sundry Loans	423	807	...	...
Miscell. Receipts	5,035	14,789	392	272
Total Ord. Revenue	200,042	345,584	20,872	29,426
SELF-BALANCING EXPENDITURE				
Post Office & Broadcasting	21,450	25,500	1,200	1,000
Total	230,492	371,084	22,072	27,426

Expenditure	April 1 to July 6, 1940	April 1 to July 5, 1941	6 Days to July 5, 1941	5 Days to July 5, 1941
ORDINARY EXPENDITURE				
Int. and Man. of Nat. Debt	89,896	97,081	10,507	10,302
Payments to N. Ireland	1,928	2,038	231	465
Other Cons. Fund Serv.	2,951	2,831	2,347	2,347
Total	94,775	101,950	13,085	13,114
Supply Services	674,066	1,055,444	60,921	70,000
Total Ord. Expenditure	768,841	1,157,394	74,006	83,114
SELF-BALANCING EXPENDITURE				
Post Office & Broadcasting	21,450	25,500	1,200	1,000
Total	790,291	1,182,894	75,206	84,114

Issues out of the Exchequer to meet payments (£ thousands)	April 1 to July 6, 1940	April 1 to July 5, 1941	6 Days to July 5, 1941	5 Days to July 5, 1941
Ordinary	...	...	...	...
Self-balancing	...	...	...	...
Total	...	...	...	...

Expenditure	April 1 to July 6, 1940	April 1 to July 5, 1941	6 Days to July 5, 1941	5 Days to July 5, 1941
Ordinary	...	...	...	...
Self-balancing	...	...	...	...
Total	...	...	...	...

Expenditure	April 1 to July 6, 1940	April 1 to July 5, 1941	6 Days to July 5, 1941	5 Days to July 5, 1941
Ordinary	...	...	...	...
Self-balancing	...	...	...	...
Total	...	...	...	...

Expenditure	April 1 to July 6, 1940	April 1 to July 5, 1941	6 Days to July 5, 1941	5 Days to July 5, 1941
Ordinary	...	...	...	...
Self-balancing	...	...	...	...
Total	...	...	...	...

Expenditure	April 1 to July 6, 1940	April 1 to July 5, 1941	6 Days to July 5, 1941	5 Days to July 5, 1941
Ordinary	...	...	...	...
Self-balancing	...	...	...	...
Total	...	...	...	...

Expenditure	April 1 to July 6, 1940	April 1 to July 5, 1941	6 Days to July 5, 1941	5 Days to July 5, 1941
Ordinary	...	...	...	...
Self-balancing	...	...	...	...
Total	...	...	...	...

Expenditure	April 1 to July 6, 1940	April 1 to July 5, 1941	6 Days to July 5, 1941	5 Days to July 5, 1941
Ordinary	...	...	...	...
Self-balancing	...	...	...	...
Total	...	...	...	...

Expenditure	April 1 to July 6, 1940	April 1 to July 5, 1941	6 Days to July 5, 1941	5 Days to July 5, 1941
Ordinary	...	...	...	...
Self-balancing	...	...	...	...
Total	...	...	...	...

Expenditure	April 1 to July 6, 1940	April 1 to July 5, 1941	6 Days to July 5, 1941	5 Days to July 5, 1941
Ordinary	...	...	...	...
Self-balancing	...	...	...	...
Total	...	...	...	...

Expenditure	April 1 to July 6, 1940	April 1 to July 5, 1941	6 Days to July 5, 1941	5 Days to July 5, 1941
Ordinary	...	...	...	...
Self-balancing	...	...	...	...
Total	...	...	...	...

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1st, 1941, to July 5, 1941, are:—

(£ thousands)		
Ordinary Exp. 1,157,394	Ord. Revenue 345,584	
Inc. in balances 213	Gross borr. 809,303	
	Less—	
	Sinking fds. 1,907	
	Net borrowing 807,396	
	Misc. Receipts (net) 4,627	
1,157,607	1,157,607	

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1940					
July 6	785-0	Not available			
1941					
Mar. 31	221-6	172-3	...	429-5	2813-4
Apr. 5	845-0	Not available			
" 12	850-0	"			
" 19	855-0	"			
" 26	865-0	1370-4	163-5	8-0	502-5 2909-4
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	"			
" 21	935-0	"			
" 30	2,357-0	158-7	28-2	519-0	3063-0
July 5	955-0	Not available			

TREASURY BILLS

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate	Per Cent. Allotted
1940					
July 5	65-0	105-4	65-0	20 5-10	55
1941					
Mar. 21	65-0	131-6	65-0	20 2-95	17
" 28	65-0	148-3	65-0	20 2-46	28
Apr. 4	70-0	164-7	70-0	20 2-41	26
" 11	70-0	156-6	70-0	20 2-72	30
" 18	75-0	161-8	75-0	20 2-63	30
" 25	75-0	163-9	75-0	20 2-20	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	20 0-22	34
" 13	75-0	160-5	75-0	19 11-88	26
" 20	75-0	158-5	75-0	20 0-15	31
" 27	75-0	163-1	75-0	19 11-83	27
July 4	75-0	153-1	75-0	20 0-69	38

On July 4th 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 July 11th. For the week ending July 12th the banks will be asked for Treasury deposits to a maximum amount of £15 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2% BONDS SUBSCRIPTIONS

(£ thousands)				
Week ended	N.S.C.	3% Defence Bonds	New 2½% Bonds	3% Savings Bonds
May 27	7,698	8,001	47,191	19,864
June 3	5,013	5,587	6,050	5,959
" 10	5,602	3,423	7,352	11,080
" 17	4,051	3,359	9,812	7,867
" 24	4,087	3,308	27,050	5,129
July 1	3,414	2,784	17,494	18,770
" 8	...	...	8,611	7,777
Totals to date ..	319,983*	308,253*	362,431†	234,089†
* 84 weeks. † 27 weeks.				

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, of Feb. 15th; Egypt and Japan, of May 10th; Bulgaria, Turkey, of May 31st; U.S. Federal Reporting Member Banks, Greece, Yugoslavia, of June 7th; Sweden, Roumania, Argentina, of June 21st; International Settlements, South Africa and Hungary, of July 5th.

U.S. FEDERAL RESERVE BANKS

Million \$'s

	July 5, 1940	June 19, 1941	June 26, 1941	July 3, 1941
12 U.S.P.R. BANKS				
Gold Certif. on hand and due from Treas.	17,840	20,314	20,314	20,312
Total reserves	18,190	20,611	20,608	20,562
Total cash reserves	338	288	285	241
Total U.S. Govt. sec.	2,450	2,184	2,184	2,184
Total bills and sec.	2,461	2,195	2,195	2,196
Total resources	21,488	24,045	23,805	23,846
LIABILITIES				
P.R. notes in circ.	5,248	6,573	6,633	6,788
Excess mr. bank res.	6,810	5,310	5,150	5,270
Mr. bank res. dep.	13,787	13,131	12,955	13,125
Govt. deposits	221	1,024	1,081	837
Total deposits	15,203	16,009	15,957	15,782
Total liabilities	21,488	24,045	23,805	23,846
Reserve ratio	89.0%	91.3%	91.2%	91.1%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	20,063	22,612	22,620	22,627
Treas. & bank currency	3,014	3,142	3,148	3,150
LIABILITIES				
Money in circulation	7,924	9,433	9,490	9,704
Treas. cash and dep.	2,411	3,282	3,356	3,113

AUSTRALIAN COMMONWEALTH BANK.—Million £A's

	May 13, 1940	Apr. 28, 1941	May 5, 1941	May 12, 1941
ASSETS				
Gold and English ster.	16.08	17.71	17.71	17.71
Other coin, bullion, etc.	6.14	5.60	5.82	6.02
Call money, London	44.50	57.25	56.01	56.74
Secs. and Treas. bills	83.86	42.48	43.70	38.22
Discounts and advances	34.41	22.40	22.91	21.99
LIABILITIES				
Notes issued	52.53	65.62	65.62	65.62
Deposits, etc.	114.37	116.67	117.66	112.74

BANK OF CANADA.—Million Can. \$.

	June 5, 1940	May 21, 1941	May 28, 1941	June 4, 1941
ASSETS				
† Reserve: Gold	9.5	191.8	189.6	220.7
† Securities	513.1	487.9	482.3	497.8
LIABILITIES				
Note circulation	244.1	375.7	377.6	382.7
Deposits: Dom. Govt.	42.0	73.4	74.1	91.0
Chartered banks	218.8	215.7	209.9	235.7
† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.				

RESERVE BANK OF INDIA

Million Rupees

	July 19, 1940	June 13, 1941	June 20, 1941	June 27, 1941
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	293	357	363	367
Balances abroad	202	371	374	371
Sterling securities	1,315	1,188	1,188	1,188
Indian Gov. rupee sec.	496	913	913	913
Investments	80	79	80	84
LIABILITIES				
Notes in circ.: India	2,291	2,613	2,586	2,588
Burma	127	181	181	181
Deposits: Govts.	120	117	113	123
Banks	295	280	314	304
Reserve Ratio	69.1%	56.3%	56.1%	56.1%

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

	May 20, 1940	May 5, 1941	May 12, 1941	May 19, 1941
ASSETS				
Gold and stg. exch.	16.04	23.30	23.84	24.07
Advances to State	23.15	19.14	17.15	17.49
Investments	2.54	3.77	3.77	3.77
LIABILITIES				
Bank Notes	17.87	21.81	21.60	21.81
Demand liab.: State	6.19	8.99	7.72	8.41
Banks and others	15.41	14.43	14.24	13.98
Reserves to sight liab.	40.4%	51.7%	54.6%	54.4%

BANK OF PORTUGAL

Million escudos

	Mar. 27, 1940	Mar. 12, 1941	Mar. 19, 1941	Mar. 26, 1941
ASSETS				
Gold	920.6	1255.9	1255.9	1259.8
Balances abroad	858.5	1122.0	1159.1	1154.5
Discounts	418.3	346.6	344.0	345.7
Securities	108.5	324.1	329.4	329.4
LIABILITIES				
Notes in circulation	2358.0	2754.2	2762.3	2779.2
Deposits: Government	386.2	370.6	378.3	393.7
Banks	658.0	1311.3	1342.4	1310.0
Others	52.5	216.2	175.8	197.5
Foreign commitments	202.6	283.5	283.4	284.3

PRAGUE NATIONAL BANK

Million crowns

	May 31, 1940	May 15, 1941	May 23, 1941	May 31, 1941
ASSETS				
Gold	1,599	1,465	1,465	1,465
Foreign exchange	2,185	1,314	1,378	1,016
Other cash	444	445	445	445
Bills and securities	542	542	542	542
Advances	4,380	8,530	8,765	8,612
Other assets				
LIABILITIES				
Note circulation	5,601	7,078	7,003	7,030
Cash certificates	1,061	1,392	1,422	1,647
Clearing deposits	839	2,194	2,597	1,785
Other liabilities	1,834	1,294	1,258	1,304

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.
Financial Land, &c.			£	£	£	£		%	£	£	£	%	
Texas Land &c.	Mar. 31	43,336	...	11,453	23,058	...	£ 2,500	3 1/2	3,000	+ 203	51,356	16,678	5 1/2
Coal, Iron and Steel													
Allen (Edgar) & Co.	Mar. 31	353,854	31,814	44,439	83,488	8,625	17,956	12 1/2	20,000	- 2,142	238,171	53,571	12 1/2
Cory (William) & Son	Mar. 31	712,284	...	703,739	1,827,198	42,500	590,019	20	150,000	- 78,780	766,427	757,427	20
Summers (John) & Sons	Dec. 31	558,388	...	264,856	396,277	...	140,000	6 & 2	100,000	+ 24,856	888,360	374,876	8 1/2 & 4 1/2
Rubber													
Cheviot	Dec. 31	84,191	3,500	28,420	52,050	...	29,000	10	...	- 580	46,207	29,631	10
Cluny	Dec. 31	12,602	...	3,860	7,182	...	2,100	6	1,800	- 40	5,984	3,495	6
Heawood	Dec. 31	27,038	500	12,263	16,407	...	12,500	12 1/2	...	- 237	13,962	6,435	7 1/2
Kampong Kuantan	Dec. 31	33,316	...	13,385	18,471	...	9,817	22	4,000	- 432	32,474	13,284	22
Labu (F.M.S.)	Dec. 31	72,855	2,900	22,737	45,537	...	23,450	10	...	- 719	42,903	24,217	10
Landron	Dec. 31	45,387	4,000	21,327	26,277	...	13,500	7 1/2	7,500	+ 327	22,575	11,205	5
Ledbury	Dec. 31	21,361	8,000	4,144	11,644	...	3,802	7	...	+ 342	9,014	3,513	3
Matale (Ceylon)	Dec. 31	3,914	...	1,961	2,354	...	1,206	5	...	+ 755	1,862	20,510	6
North Malay	Dec. 31	79,183	2,413	34,237	40,252	...	32,600	10	...	+ 1,637	34,195	11,734	4.69
Peacock & Nilambe	Dec. 31	16,882	...	5,377	12,644	1,935	3,028	3 1/2	...	+ 414	15,224	15,224	9
Sapong	Dec. 31	39,741	...	18,667	25,548	...	14,400	12	4,000	- 13,823	184,822	112,343	12 1/2
United Sui Betong	Dec. 31	317,311	15,000	148,823	197,377	...	135,000	15	...	+ 72	9,192	5,772	5
United Sumatra	Dec. 31	10,959	...	6,672	10,738	...	6,600	6	...	- 1,724	356,959	154,311	25
Textiles													
Salts Saltair	Mar. 31	338,610	30,000	115,276	148,148	102,000	15,000	25	...	+ 2,416	42,909	36,705	3
Trunks													
Nineteen Twenty Eight Invest.	Mar. 31	37,860	...	31,627	42,012	21,410	7,801	3	...	+ 51	31,303	7,838	Nil
Scottish Cities Investment	Mar. 31	29,243	...	5,817	22,067	5,766	...	...	...	+ 145	207,502	86,355	10
Trustees Corporation	May 31	202,239	...	68,167	146,406	20,536	47,186	10	...	- 164	80,143	26,497	Nil
Other Companies													
Advance Laundries	Mar. 31	51,841	29,425	3,024	13,259	2,860	...	...	...	+ 164	80,143	26,497	Nil
Austin's of East Ham	Mar. 31	78,327	...	19,520	60,669	6,900	11,812	15	...	+ 808	76,250	48,828	15
Bulmer & Lunn	April 30	19,274	1,396	1,052	14,137	...	6,181	10	...	- 5,129	28,535	16,191	8
Callenders Cable &c.	Dec. 31	700,555	80,000	335,274	733,643	56,000	168,587	15	131,538	- 20,851	743,921	357,408	15
Chargola Tea	Nov. 30	18,546	...	14,386	48,087	...	14,176	...	...	+ 210	18,387	15,642	Nil
Chloride Electrical	Mar. 31	458,631	17,688	243,548	323,129	3,720	163,305	15	75,000	+ 1,523	408,501	242,937	15
Clan Line Steamers	Dec. 31	540,933	374,400	109,053	198,534	43,968	64,594	20	...	+ 491	593,021	171,090	20
Cope Brothers	Mar. 31	30,732	...	29,132	88,288	...	27,094	14	...	+ 2,038	38,917	34,317	14
Criterion Restaurants	Mar. 31	18,084	666	552	14,375	...	...	...	...	+ 552	20,461	3,054	Nil
Croftfield (Joseph) & Sons	Dec. 31	834,330	...	734,331	893,058	227,500	525,000	35	...	- 18,169	927,672	777,672	35
Distillers Co.	May 15	2,122,300	...	1,964,073	2,501,345	70,950	1,286,256	16 1/2	600,000	+ 6,867	2,441,253	2,199,467	16 1/2
Dutton's Blackburn Brewery	Mar. 31	132,093	...	13,097	35,682	16,100	8,600	4	...	- 11,603	120,489	35,555	4
Gerrard Industries	Mar. 31	28,900	1,616	6,020	11,481	...	3,667	10	4,000	- 1,647	21,845	5,660	6
Graves (J. G.)	Jan. 31	110,075	1,277	59,183	98,825	41,425	16,500	15	...	+ 1,258	108,187	56,866	15
Harland Engineering	Dec. 31	60,799	13,500	6,404	20,779	3,225	2,100	3	1,000	+ 79	52,857	15,385	7
Kerala Tea	Feb. 28	2,445	494	1,314	1,416	...	1,000	5	...	+ 314	2,408	702	3
Kinloch (Charles)	Mar. 31	64,065	...	13,389	30,544	...	10,000	10	...	+ 3,389	64,697	14,196	10
Lovering China Clays	Mar. 31	15,138	...	Dr. 2,568	Dr. 21,951	...	...	...	...	- 2,568	19,540	3,015	Nil
Metal Industries	Mar. 31	162,375	...	82,845	181,060	14,688	59,125	5	...	+ 9,032	182,554	115,616	5
Morgan Crucible Co.	Mar. 31	721,850	...	245,503	246,329	59,242	113,970	10	70,842	+ 1,449	720,102	275,868	8 1/2
Norris (C. W.)	Nov. 30	24,017	...	13,701	4,236	...	5,200	4	...	+ 8,501	22,401	9,202	4
Portsmouth Newspapers	Mar. 31	102,607	8,533	47,348	53,539	21,971	16,575	25	5,000	+ 3,802	100,609	47,581	22 1/2
Rangalia Consolidated	Dec. 31	14,850	1,000	5,330	5,615	...	4,487	7 1/2	1,000	- 157	16,294	5,134	6
Royal Sovereign Pencil	Dec. 31	50,463	6,029	20,010	28,965	6,595	12,985	6	1,000	- 570	39,294	25,917	7 1/2
Stevenson & Howell	Dec. 31	60,560	...	36,088	98,829	5,950	18,524	13 1/2	5,000	+ 6,614	53,740	27,793	13 1/2
Trust Houses	Mar. 31	466,311	...	120,416	158,238	45,000	75,000	6	...	+ 416	299,777	139,534	7
Whesloe Foundry	Mar. 31	178,912	7,824	30,742	81,503	...	40,000	40	...	- 9,258	154,225	69,690	40
Totals (£000's)	No. of Cos.												
Week to July 12, 1941	48	10,090	642	5,720	9,081	843	3,754	...	1,185	- 62	10,385	6,487	...
Jan. 1 to July 12, 1941	1,032	218,072	16,755	109,939	169,069	23,195	71,681	...	10,480	+ 4,583	211,347	121,320	...

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				TEXTILES—continued				MISCELLANEOUS								
July 1, 1941				July 8, 1941				July 1, 1941				July 8, 1941				
GRAIN, etc.				COTTON —continued				CEMENT , best Eng. Portland, d/d site, London area, in paper bags or jute sacks 20 to ton—(a)								
Wheat	s. d.	s. d.		Cloth, 38 in. ditto, 38 yds.,	s. d.	s. d.		4-ton loads and upwards per ton	s. d.	s. d.						
No. 1 N.Mt. 406 lb. f.o.b. Mont.	32 6	31 6		18 x 10, 10 lb.	14 8	14 8										
Eng. Gaz. av. per cwt. (e)	14 7	14 9		39 in. ditto, 37½ yds.,	13 7	13 7										
Flour per 280 lb.—				16 x 15, 8½ lb.												
Straights d/d London	25 6	25 6		FLAX (per ton)—	£ s.	£ s.										
Barley Eng. Gaz. av. per cwt. (e)	22 0	22 0		Linonian ZK	Nom.	Nom.										
Oats (e)	14 9	14 11		Pernau HD	Nom.	Nom.										
Maize, La Plata, 480 lb., f.o.b.	10 6	10 6		HEMP (per ton)—Manilla, spot	30/0/0	30/0/0										
				"J2"												
MEAT —Beef, per 8 lb.—				JUTE (per ton)—				COPRA (per ton)—S.D. Straits								
English long sides	4 8	4 8		Dalsee 2/3 c.i.f. Dundee,	40/0/0	38/0/0		c.i.f.	12/10/0	12/10/0						
Imported hinds	5 4	5 4		Nov.-Dec. (new)	s. d.	s. d.										
Mutton, per 8 lb.—English	4 4	4 4		Common 8 lb. cops. (per spindle)	4 4	4 4										
Imported	4 4	4 4		10½/40 Hessians, per yd.	0 6	0 6										
Pork, English, per 8 lb.	8 0	8 0		8/40 Hessians, per yd.	0 4½	0 4½										
BACON (per cwt.)—Wilts, cut side	125 6	125 6		10/40 Calcutta Hessians, Aug.												
HAMS (per cwt.) Green	131 6	131 6		Sept. 100 yds.												
				7½/40												
OTHER FOODS				SISAL (per ton)—African, June				HIDES (per lb.)								
BUTTER (per cwt.)—All Grades	143 0	143 0		August—No. 1	£ s.	£ s.		Wet salted Austria—	s. d.	s. d.						
CHEESE (per cwt.)—					30 0	30 0		lian, Queensland	0 6½	0 6½						
Home Produced	99 2	99 2						Cape, J'burg Ord	0 7	0 7						
Imported	99 2	99 2						Dry Capes, 18/20 lb.	0 7½	0 7½						
COCOA (per cwt.)—				WOOL (per lb.)—	d.	d.		English & Welsh Market Hides—	0 63	0 63						
Accra, g.f.	45 0	45 0		Lincoln wethers, washed	19½	19½		Best heavy ox and heifer	0 8½	0 8½						
Granada	Nom.	Nom.		Selected blackfaced, greasy	14	14										
COFFEE (per cwt.)—				Australian serd. fleece 70's	37	37										
Santos sup. c. & f.	Nom.	Nom.		Cape serd. average snow white	39½	39½										
Costa Rica, medium to good	160 0	160 0		N.Z. serd. 2nd. pieces, 50-50's	24	24										
	185 0	185 0		Tops	45	45										
EGGS (per 120)—English	25 0	25 0		64's warp	39	39										
LARD (per cwt.)—Imported	64 0	64 0		56's super carded	30	30										
POTATOES (per cwt.)—				48's average carded	31	31										
English	6 6	5 0		44's prepared	29½	29½										
	7 6	7 6														
SUGAR (per cwt.)—				MINERALS				LEATHER (per lb.)—								
Centrifugals, 90%, prpt. shipm.				COAL (per ton)—	s. d.	s. d.		Sole Bends, 8/14 lb.	2 0	2 0						
c.l.f. U.K./Cont.				Welsh, best Admiralty	31 7	31 7		Shoulders	4 0	4 0						
REFINED LONDON				Durham, best gas, f.o.b. Tyne	22 4	22 4		Insole Bellies	1 10	1 0						
Granulated, 2 cwt. bags	49 10	49 10			27 10½	27 10½		Dressing Hides	2 0	2 0						
Granulated, 2 cwt. bags	31 2	31 2		IRON AND STEEL (per ton)—					2 6	2 6						
domestic consumption	47 4	47 4		Piz, Cleveland No. 3, d/d	128 0	128 0										
West India Crystallised	50 10	50 10		Bars, Middlesbrough	312 6	312 6										
TOBACCO (per lb.)—				Steel rails, heavy	290 6	290 6										
Indian stemmed and un-	0 8	0 8		Tinplates (home, inc. 14 x 20)	29 9	29 9										
stemmed	2 0	2 0														
Rhodesian, stemmed and un-	0 10	0 10		NON-FERROUS METALS (per ton)—												
stemmed	2 0	2 0		Copper (c) Electrolytic	62/0/0	62/0/0										
TEXTILES																
COTTON (per lb.)	d.	d.		Alu—Standard cash	256/10/0	257/5/0										
Raw, Mid-American	9.24	9.24		Three months	256/15/0	257/15/0										
Giza, F.G.F.	12.05	12.05		Lead (d)—Soft, foreign, cash	260/10/0	261/0/0										
Yarns, 32's Twist	16.81	16.81		Spelter (d)—G.O.B., spot	250/15/0	250/15/0										
40's Twist	18.12	18.12		Aluminium, ingots and bars	260/15/0	261/0/0										
60's Twist (Egyptian)	25.05	25.05		Nickel, home delivery	190/0/0	190/0/0										
Cloth, 32 in. Printers, 116 yds.,	s. d.	s. d.			195/0/0	195/0/0										
16 x 16, 32's & 50's	27 9	27 9														
36 in. Shirtings, 75 yds.																
10 x 10, 32's & 40's	39 0	39 0														

(a) + 6s. per ton net paper bags, jute sacks, charged 1s. 6d., credited 1s. 6d. on return.
(b) Higher Pool prices in some zones.
(c) Price is at buyer's premises.
(d) Including import duty and delivery charges.
(e) Average for weeks ended June 23 and July 5.

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 June 2nd.
Ecuador.*	Sight selling rate	15.00 sucres per U.S. \$	on May 23rd.
Guatemala.*	Sight selling rate	maintained at one quetzal per U.S. \$, plus commission of 1 per cent.	Central Bank May 17th.
Nicaragua.*	Sight selling rate	for payment of imports fixed at 5.54½ cordobas per U.S. \$ (incl. 10 per cent. tax),	May 3, 1941.
El Salvador.	Sight selling rate	New York was 2.50½ colones per \$	on May 24th.
Venezuela.	*Sight selling rate	New York 3.10 bolivars per U.S. \$	since May 21, 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.....	Mar. 11, '35	2	2 1/2
Batavia	Jan. 14, '37	4	3	Oslo.....	May 12, '40	4 1/2	3
Belgrade.....	Feb. 1, '35	6 1/2	5	Paris.....	Jan. 3, '39	2 1/2	2
Berlin	April, '40	4	3 1/2	Preforia.....	June 2, '41	3 1/2	3
Brussels.....	Jan. 25, '40	2 1/2	2	Tallinn.....	Oct. 1, '35	4 1/2	4 1/2
Bucharest.....	Sept. 17, '40	3 1/2	3	Riga.....	Feb. 17, '40	4 1/2	5
Budapest.....	Oct. 25, '40	4	3	Rio de Janeiro.....	May 31, '35	5 1/2	5 1/2
Calcutta.....	Nov. 28, '35	3 1/2	3	Rome.....	May 18, '36	5 1/2	5 1/2
Chile.....	June 13, '35	4 1/2	4 1/2	Sofia.....	Sep. 10, '40	6 1/2	6 1/2
Copenhagen.....	Oct. 15, '40	4 1/2	4 1/2	Stockholm.....	May 17, '40	3 1/2	3 1/2
Helsingfors.....	Dec. 3, '34	4 1/2	4 1/2	Zurich.....	Nov. 29, '36	2 1/2	1 1/2
Kovno.....	May 14, '39	5	7	Tokio.....			3 1/2
Lisbon.....	Mar. 31, '41	4 1/2	4 1/2	Wellington.....	May 27, '40	3	2
N.Y. Fed. Res.	Aug. 26, '37	1	1	Dublin.....	Oct. 20, '39	4	3

(a) For banks and credit institutions. (b) For private persons and firms.

AUSTRALIA AND NEW ZEALAND

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 (any mail)		New Zealand	
T.T.		Ord. Mail		Ord. Mail		125		124½		125	
Sight		126½		126½		125½		124½		125½	
30 days		127½		127½		126½		124½		125½	
60 days		127½		127½		127½		124½		125½	
90 days		128½		128½		128½		124½		125½	

say that aircraft production must be made balanced and orderly. It is the further progress that can still be made that is the supreme question of the hour. The safety of the England that Mr Churchill leads so inspiringly and stands for so signally is still at stake. It is still a Minister of Blood, Toil, Tears and Sweat that is needed in the van; and it would be a perilous day for England if the fleeting impatience shown in Mr Churchill's exasperated description of Commons criticism as "quarrelling" were to endure, if the dull professional indifference shown in the Admiralty's proposed silence on shipping losses were to become general, and if the old-style complacency

Le Quatorze Juillet

THE Fourteenth of July has come and gone and the anniversary of France's freedom has been spent for a second time under the shadow of a régime which is both a denial of and a disgrace to the honour of France. On this very day another Armistice was signed—between Vichy France's commanders in Syria, who had fought without success the fight of Nazi Germany against the Allies, and the soldiers of Free France and Britain. Whatever feelings of reverence may still be spared for the aged Marshal, whose faculties have long been beyond the work of grasping and interpreting the complex and tragic situation of France in defeat, effective power is with Darlan, Brinon and the other creatures of Nazi domination whom the apparent certainty of the triumph of the "new order" tempted away from the path of honour.

Yet the last weeks have shown that there are limits beyond which even Darlan cannot force his enslaved and unhappy France. There is an essential distinction between those like Pétain and Weygand and possibly Noguès, who lacked the courage to carry on an apparently hopeless struggle and, as a result, have been caught up in a policy of collaboration with which they feel no real sympathy, and those like Laval, Darlan, Brinon, Bouthillier, Barthélemy, and a number of other Vichy bureaucrats who desired collaboration as an end in itself, and rejoice in their rôle in the "new order." This distinction accounts for much that is superficially bewildering in the twists and turns of French policy since the weeks in May this year when it seemed virtually an accomplished fact that Vichy France had allied herself with Germany under terms of full economic and military collaboration.

The Pétain group accept co-operation because they look on it as the only way in which France can survive; and they envisage it primarily and almost solely as economic collaboration. Such was the policy accepted at Montheoire. Pétain has had ever in mind the appalling economic state of France, the prisoners of war, the unemployed, the "Chinese Wall," the costs of occupation. But his advisers, first Laval and then Darlan, have had in mind the political status and future of France in the "new order"; and part at least of their readiness to sell away France's birthright has sprung from their desire to outdo Italy in ignominy and take her favourite's place. This radical difference of approach explains why, each time a Laval or a Darlan has been empowered by Vichy to negotiate, he has gone far beyond the terms of reference—always economic—laid down by the Marshal. The danger is that, with each increase in economic collaboration, Pétain is less and less in a position to refuse political or military concessions—an *impasse* which a wiser statesman would have foreseen as early as Montheoire.

During April and May this year Darlan was constantly in contact with the German authorities. It was the time of Germany's maximum effort—so far—in the Mediterranean and the Levant. The pressure on France for military concessions was heavy and it was not resisted, at least by Darlan. On May 14th it was announced in Vichy that the French Government had accepted the terms negotiated by Darlan. Only the German concessions were made public—the reduction by 25 per cent of the costs of occupation, the return of some 10,000 prisoners

shown in Lord Ironside's latest "assurance of victory" were to filter into the nation's leadership.

Mr Churchill is the latest, and some would say the greatest, of the great ones of the Commons. He cannot surely forget when he rises to answer the critics that it is the substance and not the manner of their charges that he is there to answer. He cannot surely forget that something much more than the oratorical triumph which he could so easily win will be expected of him. He cannot surely forget that, but for the grace of God and the unceasing vigilance of the Commons, he himself might still be there among the questioners.

of war, an easing of the communications between occupied and unoccupied territory. The *quid pro quo* of Vichy France was not reported; but German aircraft appeared on Syrian airfields and rumours circulated that the passage of troops through France, the use of Southern French and North African bases, and even the use of the French fleet, had all been conceded.

The situation was then grave enough to enable President Roosevelt to override the predominantly Franco-philic policy of the United States State Department and to place guards on all Vichy ships. His warning followed that France was being compelled to choose between the friendship of the United States and the "friendship" of Germany. At the same time Mr. Eden announced his Government's intention of taking whatever action seemed necessary to deal with the new situation created by the unconditional collaboration of Vichy with the enemy.

It is difficult to say whether it was this sudden squall of international disapproval which alone drove the ship of unlimited co-operation back into harbour. There is evidence—for all the fog that hangs round Vichy—that opposition was no less strong within. On examination, it was found that Darlan's economic concessions were no concessions at all, for the removal of internal traffic hindrances had been purchased at the price of giving Germany complete control of Vichy France's foreign trade, while the reduced payments for occupation were to be made only in gold and foreign securities. The alarmed protests which were raised, even on the economic front, by such men as Le Hideux and Romier, only rendered more unacceptable the plans for military co-operation which Pétain had in principle always refused to consider.

Here his hesitations were reinforced, it seems, by General Weygand. The myth of Weygand's ultimate loyalty to the Allied cause has been far too readily accepted, particularly in America. There is no reason to suppose him Anglophile. On the other hand, he is no friend of the *Boche* and incapable of the time-serving of a Darlan. There is little doubt that the General refused categorically to allow North Africa to be used as Syria was being used, to attack the Free French colonies or to countenance action by the French Fleet to "break the British blockade." Later, when the British advance into Syria came up for discussion, it was almost certainly Weygand's advice that led Vichy to distinguish between Mandated territory and the Empire and not to regard the occupation as an act of war.

Pétain may well have been the more ready to listen to Weygand's counsels of moderation because the people of France were growing restive and hostile under the constant reports of Darlan's collaboration with Germany. The Admiral had a bad reception in Northern France, and it was found necessary to arrange for him to broadcast his assurances that neither France nor the French fleet would attack their old ally.

It is doubtful whether all this internal and external pressure would have been enough of itself to check Darlan's plans—especially when the mood of Washington underwent a rapid deterioration in the weeks that followed the President's warnings. The real reason

for the sudden slackening of pressure on Vichy was, of course, Germany's decision to postpone the invasion of Britain, the movement to Dakar and the drive to Egypt, and to embark instead upon a war in the East. This does not for a moment mean that collaboration has ceased. It is estimated that about 10,000 French firms are now working on German orders. Greater deliveries of steel from Germany are being balanced by a campaign to increase France's coal output. The costs of occupation are being duly paid in gold. German Customs officials supervise all Vichy France's foreign trade. The difference is that, for the time being, pressure for military collaboration has slackened.

The situation which confronts Britain and America to-day is of a France greatly divided against itself. The French people are solidly for the Allies, and General de Gaulle is a legendary figure. Vichy is split between the extremist supporters of collaboration, the Darlans and the Brinons, and those who accept collaboration only as a necessary economic consequence of Hitler's victories. Behind Vichy lies North Africa, where General Weygand has pledged himself to defend the Empire in its integrity, but where economic and military weakness are constantly playing into the hands of the Germans. It is unfortunate that these divisions are to some extent mirrored in the policy of Britain and the United States. For a variety of reasons (discussed in an article on page 76) many people in America have been far more ready than all but a minute few in this country to condone Vichy's disastrous policy and to cling, against all reason, to the belief that the France of Lafayette lives on in Vichy. This attitude has complicated Britain's blockade policy in the past, and there are signs that even to-day, with the full perfidy of Darlan exposed, there are elements in the United States who would

be ready to risk helping Germany in giving aid to France.

It is essential that the attitude of Britain and the United States towards Vichy should be properly co-ordinated, and perhaps the very divisions in the Vichy front offer the possibility of a common policy. Britain can afford no concessions to occupied France. The evidence of full economic collaboration is too detailed, too certain and too inclusive to allow to Vichy, on the pretence of its neutrality, privileges which are denied to the Norwegians or the Dutch. On the other hand, the Americans' desire to help can perhaps be diverted towards North Africa, where American Consular authorities are in a position to exercise some control, and where the extension of commercial relations would mean that a number of commodities which may at present be spilling over to the Axis via Marseilles would find their way to American markets. That any such transactions should be carried out with the utmost care and on a modest scale hardly needs saying. Behind all of them is the permanent risk that the Axis Powers might in some way profit. The release of the *Scheherazade* with 16,000 tons of oil was not a wise or a promising beginning.

At the same time, all the possible political advantages that can be wrung from these exchanges must be secured. Here the responsibility is American rather than British. General Weygand is not convinced of Britain's power to win the war. The possibility of American intervention, even if only limited Atlantic intervention, could perhaps supply the stiffening of the resolution which is what the General chiefly lacks. Now that Germany is fully occupied in the East and the armies of General Auchinleck are free for new tasks, the time has come to ensure that any economic concessions the Western Powers can make to North Africa are accompanied by a reasonable political *quid pro quo* from the French.

The Coal Shortage

THE public was profoundly shocked when the Secretary of Mines told the House of Commons on May 28th that the output of coal was insufficient to meet current needs; that stocks in the country had fallen to the low level of 14 million tons—equivalent to little more than three weeks' production; and that the position would not be safe unless at least 20 million tons were added to the country's reserves before the end of October. Consternation increased when it became known that the operation of vital public services was endangered because they had only a few weeks' supplies left and that factories were held up for lack of fuel.

The public's immediate reaction was that someone must have made a terrible blunder. Great Britain had not only produced its own requirements for years, but had also sent abroad many millions of tons. For years the public had been told that the coal-mining industry's capacity to produce coal appreciably exceeded the demand; and preparations had been made early in the war to supply, not only domestic needs, but those of France and other Continental countries as well. The Continental markets were closed a year ago, and the layman could not but assume that there should be no difficulty whatever in producing sufficient coal for domestic needs. At first, it was said that the bottleneck was in transport, as it had been in the winter of 1940-41, owing to the reduction in coastwise shipping traffic and the war-time strain on the railways. Now the cold fact appears that the output of coal—the only important raw material which is available in abundance in Great Britain—is falling short of requirements at a time when every year consumption normally falls.

It would probably be idle to spend much time in an attempt to apportion the blame for this truly extraordinary state of affairs. But diagnosis must precede the prescription of a sound remedy. It must be asked how and why this shortage has come about. Clearly, there has been a lack of foresight. The coal industry's labour force was

allowed to run down after the loss of the European markets last year; the drift of unemployed miners to other industries was encouraged by the Government, and many were called to the Colours. The number of persons working in the industry last month was about 690,000, a decline of about 80,000 since the first quarter of 1939. In the second half of last year many pits in the export districts were closed down or put on a care and maintenance basis for lack of labour or orders, or both. Moreover, it is possible that the legislation of the pre-war decade, which was designed to deal with the problem of surplus capacity in the coal industry, instituting control over production by means of quota schemes, had introduced an element of rigidity into the structure of the industry, which may have hindered its adaptation to war conditions. And it was mainly the restrictive and not the reconstructive elements in pre-war reorganisation which succeeded. Very little progress has been made with the merging of the multitude of separate concerns into single undertakings in each geographical area; and twenty-two months of war have gone without the concentration of coal production and distribution in the most suitable producing and marketing units.

The responsibility for allowing the coal industry actually to disintegrate after the collapse of France, and for not taking steps to adjust the structure of the industry to war-time needs, is plainly the Government's. It was the duty of the Government to calculate the nation's war-time requirements of coal in advance; to see to it that the industry's capacity did not fall below these demands; and to build up stocks to ensure the most efficient possible utilisation of capacity. The crisis has arisen because these duties have very largely been left undone or, if done, have been done belatedly. There have perhaps been faults among managements and miners; but, although the target of an addition of 20 million tons of coal to stocks by the end of October is probably unattainable now, it is in the power of the

Government alone to make some amends before winter comes, with its promise of heavy coal demands, renewed air raids and transport difficulties.

It may be assumed that, by now, the Mines Department of the Board of Trade is in possession of estimates of the total requirements, in each class of coal, of industry, the public services, transport and shipping, and private consumers, as well as of details of the distribution of these needs by areas. The sum total of the requirements almost certainly exceeds the coal industry's capacity by an appreciable margin; and the first task is to bring it within the limits of possibility by rationing without impairing either the war effort or the people's health. Non-essential consumption must be prohibited, while the most drastic steps must be taken to ensure the prevention of waste. In practice, this may even mean the closing down of non-essential undertakings or at least a strict curtailment of their activities. It may involve the pruning of passenger train services, a reduction in coal supplies to public utilities in areas with diminished populations, and the cutting of household supplies insofar as this can be done without injury to health. It should be made plain, however, that no one class of consumer can be asked to shoulder the whole burden of sacrifice. Distribution must be according to needs, and the scheme already at work in the steel industry might be adapted, with modifications, to eke out supplies of coal.

The second task is obviously to ensure that the goods are delivered, that the minimum supplies needed with this strict apportionment are in fact produced and distributed. The industry's total productive capacity has been allowed to shrink dangerously during the past year by the depletion of the labour force and by the closing of pits, and it must be built up again with all speed. So far as its labour force is concerned, the exodus of miners from the industry has been arrested by the application of the Essential Work Order to coal-mining on June 7th. The campaign to entice back to the industry miners who have taken up other, and often more remunerative, employment, has, not unexpectedly, failed; and Mr Bevin has at last been constrained to order theregistration of ex-miners between the ages of 20 and 60, with the object of mobilising some 25,000 additional men, some of them for a temporary period of at least three months. Mr Bevin has also taken the common-sense step of consenting to call back miners from the armed forces; the crisis is too acute for punctilio. A fresh examination is being made of long-unemployed miners to secure their re-employment in the industry, if only in a subsidiary capacity; and, in order to secure the good will of miners, which is vital, they have been granted a guaranteed weekly wage, supplemented by a bonus of 1s. per shift,

conditional upon regular attendance, as an incentive to greater effort and less absenteeism. A minority of miners has objected to this new status, but their leader, Mr Lawther, was speaking only sober truth when he declared that this was the charter of security that miners have been seeking for generations. All this could, and should, have been done months ago; and if the additional men it is now possible to bring back quickly at this late hour are insufficient to meet the country's minimum requirements, the possibility of lengthening working hours may have to be seriously considered.

But it will not be enough simply to reinforce the industry's labour strength. The workers must be used efficiently by the concentration of production on the pits which give relatively high outputs and which are placed most conveniently for distribution. This may involve some redistribution of miners between, as well as within, the different areas, which will entail the provision of adequate transport and housing facilities; and if the industry's quota schemes or any of its customs or traditions stand in the way of adapting the structure of the industry to wartime needs, they must be set aside. No financial interests, for instance, must be allowed to serve as obstructions, and managements cannot expect to be exempted from the principle of compulsion already applied to the workers.

It will have to be remembered, too, that while production has temporarily displaced transport checks as the chief bottleneck, transport is still a major obstacle and one which will grow more menacing in the winter. Something can still be done by increasing production in areas which are either near important centres of consumption or easily accessible and by swelling stocks near centres of consumption before the winter comes. But the possibilities of accumulating stocks in the next few months are now limited, and the fact has to be faced that the coal position will depend crucially, whatever other steps are taken, on transport being available.

The remedies are still to hand. A careful estimate of requirements, pruned of all unnecessary and wasteful uses, will provide the Department of Mines with its target. And the swift measures which are required to reach this target—in recruitment, in production, in distribution and in transport—are plain enough. The enemy now is time; and the nation must face the fact that procrastination and clouded vision have made some sort of shortage in the later months of this year probable. It would be intolerable if the war effort were to be impeded for lack of coal; and there is no doubt that considerable sacrifices will be required of producers, workers and consumers to avert this fantastic outcome.

Help for the Colonies

MORE than a year after the Third Colonial System—the stage of construction after the stages first of tribute and then of self-support—was inaugurated with the passing of the Colonial Development and Welfare Act, an official statement has been made on the progress that is likely to take place during the war. A warning was given during the Act's passage through Parliament that it would be impossible in wartime to give the colonies anything like the maximum help authorised. It was the hour of need when, for the time being, the emphasis was laid not on what England could do to help the colonies, but on what the colonies could do to help England; and that the colonies wanted it so was shown by the spontaneous gifts to the Imperial Exchequer that came flowing in from all parts of the dependent Empire.

Soon, however, the emphasis changed again in spite of the war; and since last December, when the late Lord Lloyd described five "black spots" in colonial economic conditions, attention has once more centred on what the colonies need rather than on what they can give to the

war effort. But it was not until last week that any official statement of the Government's policy was forthcoming. More than once recently on non-Parliamentary occasions Lord Moyne has announced that colonial development, as envisaged by last year's Act, would go forward; and in the House of Lords he was much more explicit. Briefly, his statement fell into two parts: a fairly detailed description of relief measures made necessary by the war and of the extent to which colonial development can take place in war conditions; and a somewhat vague outline of the larger planning that will be a part of post-war reconstruction.

Under the head of relief come the crop purchase schemes which were described in some detail in an article in *The Economist* of February 22nd (on page 236). Here it need only be repeated that though they may have prevented the worst forms of distress, these schemes are not over-generously conceived. Their total cost to the Exchequer, after allowing for resales, is only some £1 million to £2 millions a year. Whereas under the agree-

ment recently made with Australia and New Zealand, payments for their surplus produce will aim at "keeping the industry operating efficiently," the colonial producers will be kept going, but that is all. In Palestine, where the citrus growers have merely been granted bank advances on which they have to pay 6 per cent. interest, a large proportion of the orange groves are being uprooted and neglected. Moreover, Lord Moyne, when asked in the House of Lords whether the British taxpayer was making a profit out of the West African cocoa producer, first of all denied the intention of making any profit, and then expressed the hope that if there were a profit it would be given back "in some form or another" to West Africa. But he did not deny that this year, for whatever reason, the price has been raised by 10s. a cwt. to the wholesaler in Great Britain, and reduced by 3s. to the grower in West Africa—who will draw his own conclusions, however erroneous.

The crop purchase policy, in fact, shows that, in spite of the new system, the attempt is still being made to run the Empire on the cheap. It would, of course, be bad policy to give the producers the pre-war financial return for their crops if, as a result, they had no inducement to turn to alternative crops and subsistence farming. But it is worse policy to give them less than their pre-war real income, without giving them adequate encouragement and assistance to make the change-over. Almost from the beginning of the war, it is true, the Colonial Office has impressed upon Colonial Governments the importance of self-sufficiency in food, but clear instructions and a statement on the financial help that might be expected do not appear to have been given. In planning what is for many colonies an agricultural revolution, the Governments concerned must decide what are the best crops to be grown, having regard to tradition as well as to nutrition; they must provide agricultural instruction; and they must arrange loans for the purchase of seed and for cultivation. The loans and the marketing would preferably, especially in Africa, be carried out on a co-operative basis. An example of how successful a Government inspired and supervised native agriculture can be is provided by cotton growing in Uganda. An opposite example is the food production campaign in Jamaica, where the Government has suddenly withdrawn its guarantees from several crops which last year the peasant farmers had been encouraged to grow. Agricultural credits are obviously within the scope of the Colonial Development and Welfare Fund in wartime, for money spent in this way fulfils Lord Moyne's condition that schemes submitted should not involve imported materials or staff. Soil erosion (which is the subject of a note on page 73) is in need of even more urgent treatment.

It is easy to think of other schemes which need not await the end of the war. In the House of Lords debate, Lord Hailey mentioned the tsetse fly and rinderpest, which must be defeated before mixed farming can be introduced in some African colonies. In the Leeward Islands, under the supervision of Sir Frank Stockdale, the Comptroller for Development and Welfare in the West Indies, proposals have already been made, not only for agricultural improvements, but for the complete reorganisation of the medical services. Something of the nature of a national health service is proposed, which would be free for certain classes of the population; and health centres in the villages, which will promote better sanitation and preventive medicine, are envisaged. Measured in terms of money, the development and welfare schemes for the Leeward Islands are not large—they do not involve the expenditure of more than about £40,000 a year. But they show that even the much larger programme that would be necessary to provide Nigeria, for instance, with an adequate medical service would not be extravagant in terms of either money or men.

Plans such as these, for agriculture and the social services, need only financial support from the Imperial Exchequer and the energy and enthusiasm of local administrations. The first is now promised; the other will be more difficult to obtain. It will be hard indeed for the colonial servant, who may have seen plan after

plan defeated through lack of means, to set himself to the task anew—especially when his heart and mind are centred on the struggle at home. The Colonial Office should, therefore, see that the dispatches which have now been sent to the Colonial Governments are followed up; progress reports should be requested; the appointment of Comptrollers, like Sir Frank Stockdale, for the African colonies might be considered; above all, the colonial administrators should be encouraged to realise that this is war work for a peace aim which will have propaganda value throughout the world.

But there is one wartime difficulty which at this stage no amount of financial assistance can relieve. The colonies, like other countries at war, are suffering from a shortage of consumers' goods. Much more than other countries, they are most of them entirely dependent for the reduced quantities available upon shipping which is equally scarce; and they have not been able to live on their fat, for colonial import trade has always fluctuated so much with the fortunes of exports that importers have not been disposed to carry large stocks. Attention is being given to this problem. The West Indies, which—dollar considerations apart—can still import necessities from the United States and Canada, are to confer, under Sir Frank Stockdale, on a common policy in import control; and all Colonial administrations have been advised to divert spending power by levying higher taxes on persons living on European standards. Taxation has recently been increased in Kenya; but it is still nowhere near the British level, and personal extravagance and expensive entertaining of the British troops are at present a common feature of European life there. But, even if taxation on wealthy colonists is raised considerably, the difficulty of finding essential consumer goods for the great mass of the poor will remain; and the Colonial Office should consider the possibility of some form of rationing among the settler population so that goods for the native peoples secure a fair share of the shipping space available.

In the Dominions, circumstances such as these in the last war gave a big impetus to secondary industries. In the colonies, the lack of capital, machinery and some materials is a stumbling-block. Funds could to a limited extent be provided by the United Kingdom under the Colonial Development and Welfare Act, but machinery and materials are a different question. Here again, however, it might be possible to obtain the co-operation of the United States and Canada. The United States has already concerned itself with the economic difficulties of South America and might well be willing to help the West Indies, in which it is now directly interested through the lease of naval bases. Similarly, equipment for some of the African colonies might be obtained from the Union. Nevertheless, during the war secondary industries can probably be established in the colonies only to a very limited extent. But there is no reason why plans should not now be made for the larger industrial development that after the war will surely be an important part of colonial construction. On the whole of this subject of post-war policy Lord Moyne was disappointingly brief. He spoke of the need for regulating colonial trade and development on a regional or continental rather than a local plane; he referred to the close touch that is being maintained with the Governments of the Free European colonies; and he announced that a small official committee under Lord Hailey has been set up at the Colonial Office to collect information on which future policy can be based. But on such fundamental questions as colonial finance and industrialisation he was silent.

Something like a revolution in the official attitude towards the relationship between Great Britain and the colonial empire has taken place in the last eighteen months—since the West India Royal Commission reported. It is now accepted that the dependent peoples are dependent economically as well as politically, and that trusteeship covers their material as well as their spiritual progress. That is a tremendous advance; and it is from no lack of appreciation that the Colonial Office is now urged to get on with the job.

NOTES OF THE WEEK

The Anglo-Russian Pact

The essence of the Treaty between Britain and Russia signed on July 12th is, in Mr. Churchill's words, that "both the British and Russian Governments have undertaken to continue the war against Hitlerite Germany to the utmost of their strength, to help each other as much as possible in every way and not to make peace separately." All three points follow logically from the war situation, and the third, given the present course of the war, is obviously pure gain from the British standpoint. There is nothing in the Pact to upset the most apprehensive opponents of Communism, and, to reassure them still further, the Prime Minister went out of his way to quote General Smuts. "Let no one say that we are now in league with the Communists and are fighting the battle of Communism. . . . Hitler has made her [Russia] his enemy and not us friendly to her creed." It is a fact and not a quibble that the alliance is with Russia and not with Communism, any more than it was with Tsarism in the last war. In spite of this, and in spite of the fact that the Russians themselves have based none of their war propaganda, at home or abroad, on Communist tenets, there are still traces of ideological uneasiness in the air, and there is clearly some pressure, on the one hand, to read implications of much closer friendship into the alliance than in fact can possibly exist, and, on the other, to boggle even at so innocuous a document as the Treaty as a pact with Anti-Christ. The extent to which this division will develop into a real cleavage depends, of course, on the length and strength of Soviet resistance; and it is perhaps logical to suggest that if Russia stands up sufficiently to Hitler's onslaught to remain intact and influential at the time of the Armistice, the question of peace aims may create an almost insoluble problem.

Does the guarantee not to conclude a separate peace necessarily include within it the further promise to concert on common peace aims now? Certainly it makes infinitely more urgent the British Government's duty to furnish some general idea of its commitments to Europe in the post-war period. Russia's record as a dictatorship and as an aggressor nation is undeniable; and there is a curious unwillingness among the friends and sympathisers of Russia Soviet, as distinct from Russia belligerent, to believe that any small country lying to the east of Germany can either be maintained in independence or prefer German to Russian domination. This belief may spring in part from a basic lack of understanding in Britain's highly industrialised and urbanised community for the status of a free peasantry. There is little in the recent history of Finland or the Baltic States to suggest that this eastern fringe would welcome incorporation or collectivisation. Therefore it is essential that Britain should refuse to sacrifice small peoples to strategy or interest as strenuously as she refused in the summer of 1939. The negotiations with Poland are an augury that an agreement, and perhaps even a guarantee, can be secured. Britain's duty is simple enough. In the war it is to strain every nerve to defeat Hitler and to give all possible aid to those who are fighting against him. In the peace it is to refuse steadfastly to allow any extraneous consideration to modify the motives which impelled the British people to take up arms. The Russian alliance may vastly alter the course of strategy. It cannot surely change the aims of the embattled democracies; and there is not a tithe of evidence that Russia has asked for, or expects, a change.

On the Stalin Line

The German advance goes on. Nowhere have the attacking armies been decisively held; in the centre, Smolensk has been "reached," and in the north and south two ugly thrusts have developed, one by way of Narva and Pskov towards Leningrad, the other beyond Novgorod Volynsk to Kiev. The loss of Leningrad itself would not be dangerous to the land fighting, but it would obviously jeopardise the efficiency of the Red Fleet in the Baltic. The fall of Kiev might well be the prelude to cutting off the Ukraine from the armies in the north; and it is relevant to recall that the interpretation given by German propaganda of the Russian decision to divide the front into

three sectors under three popular leaders was the suggestion that the Red Army had ceased to fight as a united whole and that the task of the three commanders was to ensure that local resistance continued, in spite of the "collapse" of the High Command. Yet the Germans are achieving their steady progress only at terrific cost. The Russians are still counter-attacking in the central sector, and the Russian air force is still active and effective. The long bloody struggle for the Dnieper and the carnage on its banks are evidence both of the fierceness of the resistance and the strain of the advance. The fantastic German claims made over the week-end—the Stalin Line pierced, the "roads open" to Leningrad, Moscow and Kiev—so strangely at variance with the usual reticence and sobriety of the German land communiqués, are perhaps a measure of the impatience and anxieties felt by the German General Staff. The Russians have not yet shown their ability to hold the Germans, it is true; on the other hand, there is nothing to suggest a collapse of resistance and the Germans have both a time and a wastage factor to consider which grows more formidable with each week.

The Silent Service

Mr Shinwell's forecast of a fortnight ago that the announcement of sinkings was to be stopped has proved correct. The shipping losses for June announced on Tuesday are the Admiralty's swansong. The policy of announcing sinkings has always been anathema in some official circles and the compromise after March, when monthly instead of weekly totals were given, did not remove the pressure for secrecy. Now it is stated that losses will not be announced in future "because valuable information is by this means given to the enemy." Although Service opinion must, of course, be weighed, this explanation is not really convincing. Oddly, it is accompanied by the total for June, which is apparently not informative to the enemy because it is the smallest since January, and by the cryptic statement that the Lords of the Admiralty will consider the publication of losses from time to time "as may be required"—which, by the same process of reasoning, would mean when they are not too big. It is very hard indeed to see how the publication of monthly losses, with a lag of, say, a month or even six weeks, if need be, could aid the enemy more than their suppression will disquiet the people most concerned on both sides of the Atlantic. In the United States, the only figures will be German exaggerations; in this country the feeling is bound to be that no news is bad news—that, just as the totals announced "from time to time" are likely to be the small ones, so those not given are likely to be large. It may very well be that this inference will be quite unjustified. But it will be made; and the case of coal, where if the regular statistics of production had been continued, non-official expert opinion would have been sounding the alarm many months before the present fantastic state of shortage had developed, is a dire precedent for any extension of the statistical secrecy that bureaucrats, lay and Service, delight in. The details of shipping losses up to their suppression are given in the following table:—

	British	British, Allies, Neutral
September, 1940	311,511	439,637
November, 1940	303,627	372,617
December, 1940	242,726	325,616
January, 1941	205,473	309,731
February, 1941	275,574	350,884
March, 1941	348,118	515,763
April, 1941	346,208	589,273
May, 1941	380,035	497,847
June, 1941	228,284	329,296
Total from beginning of war	4,605,132	7,118,022

The June total is still dangerously high—11,000 tons a day—but it shows a very encouraging fall below April, May, and March. Defence measures are having greater success; and there is probably work for U-boats now in the Baltic, which may keep the July losses down as well. The May total has been raised by over 36,000 tons from the original announcement to just under half-a-million tons; and it is possible that the June losses also will require some revision as further information comes in of distant sinkings.

Food and the Lords

Lord Woolton had to face some fairly heavy criticism in the House of Lords this week, mainly directed against the Government's policy in relation to milk and eggs. Lord Dawson of Penn made a serious appeal for the prevention of a further shortage of these two products, and claimed that some millions of gallons of milk had been allowed to go sour during the summer. Lord De La Warr affirmed that hundreds of thousands of eggs have gone bad during the past few weeks. The weakness of Lord Woolton's statement, and of the reply of the Duke of Norfolk, Joint Parliamentary Secretary of the Ministry of Agriculture, lay in the fact that no attempt was made to give a direct answer to these two disturbing statements. Lord Woolton suggested that the food position is, in fact, much more satisfactory than is generally realised, that there is less malnutrition than before the war, and that there is no prospect of any serious shortage. "We can look forward to the future with confidence," Lord Dawson's alarm at the prospect of a milk shortage in the ensuing winter was countered by the affirmation that "during the coming winter, I have no doubt that, with the help of New Zealand and the United States, we shall secure all the milk we require in one form or another." The trouble about this assurance is that it deliberately bases the security of the milk supply on the ability to import. The suggestion of the critics is that the milk supply should be increased by the vigorous elimination of waste, as well as by the immediate training of specialised labour for dairy farms. On the egg question, too, Lord Woolton would have been more convincing had he met and answered the criticism that the channel between producers and packing stations is imperfectly developed, instead of merely recounting statistical evidence of progress since the first week of the egg control scheme. These assurances are, admittedly, encouraging, but they hardly go far enough.

Whither Concentration?

At the beginning of March, Mr Oliver Lyttelton, then President of the Board of Trade, launched the scheme for concentrating the production of consumers' goods into fewer units, in order to release men, plant and factory space for war activities. Mr Lyttelton invited the submission of voluntary schemes by the trades concerned, subject to a time-limit, and proposed to impose schemes upon those firms that failed to respond by the appointed dates. These time limits were reached some time ago, and it was widely supposed that Mr Lyttelton was about to announce a plan for compulsory concentration when he was transferred to Egypt. If this supposition were true, the change of Ministers at the Board of Trade has given rise to some delay—not unnaturally perhaps—and Sir Andrew Duncan's statement in the House of Commons on Tuesday gave no indication of the methods he proposed to adopt to carry his predecessor's programme to its logical and stated conclusion. Sir Andrew confined himself to the general statement that the concentration scheme had met with "very satisfactory response"; that "nearly 110,000 workers had been released or were being made available for release under arrangements now in hand"; that some "16,500,000 square feet of factory space had been placed at the disposal of the Controller-General of Factory and Storage Premises"; and that the completion of the process was being hastened. No details were given of the procedure to be adopted in the case of recalcitrant or tardy firms. No time-limit has yet been set for compulsory concentration. The impression that Mr Lyttelton's own intentions are being reconsidered may, of course, be quite erroneous; but, whatever the cause or causes of delay, it is to be hoped that this indispensable and urgent scheme for releasing resources for the war effort is not to be allowed to fizzle out at its crucial stage.

The Problem of the Draft

The question whether the men drafted for National Service a year ago are to serve for more than twelve consecutive months, and whether geographical limits are to be set on the place of their service, is bound to raise passionate discussion in the United States. The President has, probably wisely, decided that it is a decision that must be taken by Congress, and it is possible to forecast that the opportunity, will be taken to debate hotly, not only the question of the draft, but also the whole isolationist-

interventionist controversy. For some months now, the President has been making use of his executive powers to ensure more aid to Britain. The hotheads will be all the more eager to make their protest for the weeks during which action and debate were conducted outside Congress. Even apart from this general and rather highly charged situation, the question of the draft is itself inflammable material. There is no more emotional issue in the United States than that of "sending our boys overseas" to die in foreign wars, and no more cruel or unjust accusation was made against the President than that his policy was "to plough every fourth American boy under." Now the Americans are being asked to face squarely the fact that they cannot carry out even the oceanic garrisoning duty they are prepared to accept as inevitable, unless some modifications are made both in the duration and place of service. The figure of 80,000 American troops has been spoken of in connection with Iceland. If Japan is likely to commit provocation in the South Seas, the problem of Philippine defence is immediate and urgent. Yet, if this draft of nearly a million men is allowed to break up, the United States will have almost literally no army—a ludicrous position in the deepening world crisis. The Chief of Staff, General Marshall, summed up the position when he said that failure to alter the conditions would be "a national tragedy." Unfortunately, the issue will not be decided by reason and national interest alone. The whole question vibrates with emotional significance; and it raises important economic issues, too. Britain and the United States—and to some extent, it is to be hoped, Russia as well—draw for their war equipment on a common stock of materials or finished goods. If America is to make and maintain the army its responsibilities require, without cutting damagingly into supplies for Britain, the people and the industries of the United States will have to face the hard choices of war economy even more squarely than they are yet willing to do.

The Syrian Armistice

The terms of the armistice between the Allies and the representatives of the Vichy Government in Syria, which were agreed on July 14th, will reassure those who, recalling the rather ineffectual conditions imposed on Iraq, feared that the collapse of Vichy's resistance would not be fully exploited to give the Allies complete military and political control in the Levant. Allied forces will occupy Syria and Lebanon; the French forces, while retaining their individual weapons, will surrender all war material, which Britain will either use or destroy; Allied prisoners will be set free at once, and French prisoners once the occupation is completed; all public services will be handed over intact, as will all airfields, aircraft and fuel stocks. Finally, every French soldier and civilian will have the choice of joining General-de Gaulle or of returning to France. The armistice brings to an end one of the most painful episodes of the war, and the importance of securing complete control throughout Syria and Iraq is doubly important now that the German war machine is pushing East. The armies used in the attack will now be free, apart from garrison duties, for use elsewhere, and since it is only in the Libyan sector that Allied and German armies face each other across a land frontier, it may be that here an effective blow could be struck to reinforce the Russian effort and to carry a step further the purging of Germany from the Middle East.

An Avowed Stop-Gap

Since the Government openly proclaimed that the National Health Insurance, Contributory Pensions and Workmen's Compensation Bill is only an interim measure to meet immediate necessities, there was little opposition to the Bill itself on the second reading. First, it provides for an increase of 3s. a week in both sickness and disablement benefit; secondly, it raises the income limit for compulsory insurance from £250 for health and pensions, and £350 for workmen's compensation, to £420 a year, which will bring in 450,000-500,000 persons; and, thirdly, increases the premium by 2d. a week. Most Members, however, though willing to accept the Bill as an improvement of sorts, considered that even now it might have stopped a larger gap. Any large-scale reorganisation of the existing system must necessarily wait upon Sir William Beveridge's survey—though not necessarily, as the Government declared, on the end of the war—but some anomalies

might have been rectified in the meantime. There seems no reason, other than the financial one, why grants should not be given to the poorer approved societies to enable them to allow additional benefits, such as dental and ophthalmic treatment, without which national health insurance is a mockery. But the most serious anomaly is still the absence of any dependants' allowances. An injured worker, who comes within the scope of workmen's compensation or who is incapacitated, either temporarily or permanently, by enemy action, receives such allowances. But the children of a worker suffering from cancer or any other illness, mild or serious, are left to public assistance. And the only reason the Minister of Health could give for this distinction was that dependants' benefits in cases of sickness would cost £9½ millions a year.

Essential Work and Wages

The problem of wartime wages is not simply a general problem of putting a stop to indiscriminate increases—in the interests of the workers themselves as well as of national economic stability. It is also a technical industrial problem upon the solution of which the actual efficiency of war production depends. In May last year, the Emergency Powers Act was passed, to enable the Government to mobilise the entire resources of the country to the full. In introducing this measure to give the Government full control over persons and property, Mr Attlee declared that "the Minister of Labour will be given the power to direct any person to perform any services required of him... the Minister will be able to prescribe the terms of remuneration, the hours of labour, and the conditions of service." It seemed logical and likely that these powers would be applied at once to everyone, or at least to the most important industries, and that approved and set standards of wages, conditions and welfare would be centrally imposed forthwith. Actually, as Mr Henderson Stewart declared in the Commons last week, "the bright flame has spluttered and fizzled out." The bastard and overdue child of the Emergency Powers Act is the Essential Work Order. There is no question now of the Minister of Labour directing or prescribing anything. Before this Order, which properly applied would, of course, be an indispensable part of war organisation, is applied to any industry, an elaborate procedure of negotiation with employers and trade union officials must be gone through; and it is therefore quite fortuitous whether more or less important firms get scheduled first as essential and protected. Some vital industries have not yet been scheduled. Many important firms have so far been left out, while other less important or less efficient ones have already been included. There is no plan or system about the setting of wage standards in different occupations.

It is still left to the relative attractiveness of wage levels in different occupations to secure the shifting of labour from peace to war work; and, since wages are still fixed in accordance with the bargaining power of the unions concerned—on the basis of the industrial values accepted in peacetime—there is no allowance for the relative wartime urgency of jobs or for special wartime living costs due to evacuation and the expensiveness of travelling and billeting. Thus Essential Work Orders, when at last they are applied, tend to perpetuate peacetime differences in wages which are inappropriate and even harmful in wartime conditions. Heavy workers are underpaid. Labour has to be dragooned to many vital but poorly remunerated war jobs. War workers may find themselves underpaid by Order, if by historical accident their occupation has not acquired a powerful trade union, as in the case of drop forging, while the staffs of beauty parlours and millinery establishments can be paid whatever the traffic will bear. While the employees of essential industries must remain at their present jobs, workers in retail trade and domestic service can wander wastefully at will from post to post, without any pressure or inducement to enter the war effort. Thus, the Essential Work Order tends to reduce rather than promote the movement of labour into war industries; and the absence of central planning and direction to allocate man-power and fix remuneration and working conditions means that workers, as well as the national effort, suffer. The official policy, which is designed to preserve the minutiae of collective bargaining at all costs, may be a good trade union policy. It is not a working class policy, for the real sufferers are those who belong to, or move into, occupations that are essential in wartime, but poorly paid by tradition.

Hanging Fire

No solution has yet been reached in the struggle between the TUC and the Government over fire watching. The Government still holds, rightly, that fire prevention is an obligation of citizenship, and has now agreed that, in view of this, the State should assume some financial obligation. It has, therefore, proposed a uniform allowance of 3s. for a twelve-hour period of duty, with possible adjustments for unusually long or short periods, which corresponds roughly with the rate of allowances for other civil defence duties. The employers, not unnaturally, have accepted this proposal in principle; in many cases it will presumably relieve them of a considerable financial burden—though the Government wishes to avoid unnecessary interference with existing agreements. The TUC, on the other hand, has decided that the basis of negotiation has been so completely altered by the Government's statement that it must withdraw for consultation—at a time when, as Mr Churchill said at a civil defence rally this week, "all engaged in our civil defence forces... must prepare themselves for further heavy assaults." Meanwhile, the supervision of fire prevention has been improved. As Mr Morrison indicated when he announced the appointment of additional Deputy Regional Commissioners, the functions of the Regional Commissioners are now to include the general supervision and control of all fire prevention arrangements in their regions. This means that the Commissioners will control not only the fire watching of private houses, shops and other business premises for which the local authority is responsible, but also the arrangements made in factories, including those working for the Government. Owners of factories and occupiers of business premises are still under the obligation imposed by the Fire Prevention (Business Premises) Order to notify their fire prevention arrangements to the "appropriate authority," which may be a Government Department or the local authority; but the Regional Commissioners will have general executive control and will be assisted by regional councils, composed of representatives of Government Departments, local authorities, employers and trade unions, whose functions will be to receive reports, suggest remedies and keep the Commissioners in touch with industrial problems. There will thus be ample opportunity for fire watchers' grievances to be heard by an independent authority, on the spot, who will have the power to remedy them. But neither this arrangement nor the 3s. has yet convinced the TUC.

The Middle Eastern War Front

The German drive into Russia and the appointments of Generals Wavell and Auchinleck to Commands which together stretch from Libya to the frontiers of Tibet,



suggest the creation of a new war front on which the military and economic resources of Africa, India and Australasia could be deployed to strengthen Russian resistance and to stem the tide of the German advance eastwards to China or southwards to the oil of Iraq and Iran.

Unfortunately, the geographical and political layout of the new Middle East is not favourable to any type of co-operation. Russia and her allies are separated from each other by a chain of buffer states, Turkey, Iran and Afghanistan, and none of these states is likely to make concessions which would embroil them with Germany. Turkey's reactions to the new Anglo-Russian agreement have been distinctly tepid and her fears of "Russian Imperialism," skillfully played on by the Nazis, are making the balance between German friends and British allies increasingly difficult to maintain. Were Turkey participating in the struggle, the question of contact with Russia would be partly solved, since there is direct railway communication through Erzerum linked with the Baghdad line. Iran is strictly neutral, but there exists a fear, parallel to that of Turkey, of Russian expansionism, and there are also strong Germanophil elements at Teheran. It is significant that the Iraqi rebels and the Mufti of Jerusalem are still finding sanctuary on Iranian soil. The country's neutrality is all the more unfortunate in that, strategically, its road system could be used to advantage to bring up material from Basra or Bushire to the Russian frontier. Afghanistan is mountainous, without railways and without good roads. Whatever its political attitude—it is one of neutrality—it would be geographically impossible to establish a working connection with the Russian railheads at Kushk and Termez. This is the rather unpromising strategic position at the junction of General Wavell's and General Auchinleck's Commands. The question whether strong diplomatic pressure on Iran and Britain's Turkish ally would induce them to permit that species of transit for arms and material and men which has not been held to interfere with Sweden's "neutrality" can be answered only with knowledge of the Allies' strength in the Middle East.

Japan on the Verge

Prince Konoye's Cabinet has resigned *en bloc* "in order to make room for a stronger Government to cope with the national and international situation." This suggests that the year-old struggle between the militarist extremists and the moderates, which has been maintained at a pitch of furious energy since the Germans launched their attack on Russia, is likely to be decided in favour of the extremists. Germany has been urging by every known method of propaganda and pressure that Japan must at last enter the war and play her part beside the Axis. The Nazis find a ready audience in army circles, who are either insatiable in their ambition or, driven desperate by their inability to finish the "China incident," feel that more war is a better way out than continued stalemate. If the extremists are really to be in the saddle now, then an attack upon Russia or an open drive southward, or even the double stroke, is possible. But it is unwise to under-estimate the strength of the moderates. It is they who have faced the economic and financial realities of the situation, and they may still be in a position to check action which would bring Japan into direct collision with Britain or the United States. Nevertheless, it may still be argued that an occupation of Indo-China would not lead to international repercussions, and this still remains the most likely course.

Africa's Dust Bowl

Out of all of Africa's many problems, the one that commands general agreement among both official and unofficial observers is soil erosion. Hardly a single report on the continent has been issued which does not emphasise the gradual but inevitable deterioration of the land and the consequent piling up of a legacy of social and economic troubles, some of which are already apparent. Yet little has been done to combat the danger, except by a measure which presses most hardly on the African—the compulsory destocking of cattle in native reserves. Little has been done in the way of prevention by steps such as the building of contour bunds and afforestation. It is therefore good news that, towards the end of last year, a Land and Water Preservation Amendment Ordinance was passed in Kenya, where the problem is perhaps most urgent, giving the Government wide powers to make rules controlling the Government wide powers to make rules controlling the clearing of land for cultivation, the grazing of livestock, the firing or clearing of vegetation, afforestation, the repair of gullies and so on. Moreover, for the first time, financial provision is made for soil erosion measures. Land-owners may apply to a land bank for Government advances, which are granted at low rates of interest. Yet it appears

that this essential work is still being held up. No funds were voted this year, because, it was said, there was not the staff to carry out the work. In the meantime, the war has caused a heavy demand for timber, so that the problem will be aggravated by the too rapid cutting down of forests. In combating this malignant growth of soil erosion there is surely a great opportunity for the Colonial Development and Welfare Fund; the measures to be taken do not require shipping or essential materials. Great Britain has a very real responsibility in the matter. The old native shift system of cultivation was bad enough, but there can be no doubt that the advent of the white settler, which in Kenya and Northern Rhodesia at least has crowded the Africans into inadequate reserves, has quickened the progress of the evil, and the white settlers themselves have been guilty of over-cultivating the soil. The land is the African's only asset. It must not be allowed to waste.

Shorter Note

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	21,669	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
June	399	461	860
Totals to date	40,077	50,998	91,075

In June, of those killed 175 were men, 160 women and 64 children under 16. In addition, 7 men are missing and believed killed.

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America's Defence Programme

The Arsenal's Progress

[FROM OUR WASHINGTON CORRESPONDENT]

June 19th.

THE President's speech fell almost exactly on the anniversary of the first year of defence effort. The question that was then being asked—how much difference has a year of defence production made?—has since turned into the question—how much difference has the President's speech made?

The anniversary progress reports differed according to the temperaments of the reporters. Those on the optimistic side pointed with pride to the 41 billions appropriated or authorised by Congress for defence. Acres of new plant have been planned and laid out, and are either nearing completion or already operating. Anyone driving at midnight through the industrial cities sees the lights of night shifts silhouetting the outlines of factory upon factory. The "by 1942" deadline for mass output is only six months off.

Those statements are all true. Also true is the fact that actual disbursements to date under the arms programme amount to only \$6½ billions—which looks less like a capital expenditure than an interest rate—and even contracts let amount to less than 17 billions. The President's first report to Congress on Lease-and-Lend operations showed that during the first 90 days of the Act the newly produced supplies transferred under its provisions amounted only to \$11,000,000, of which \$8,000,000 represented agricultural products. As the stepping up of monthly expenditures currently in view materialises, defence spending, by the end of the year, will still be only about 20 per cent of the national income. On a percentage basis, this is less than the expenditure of Canada, and notably less than that of England and Germany. More important, it is much less than Germany is spending—on an absolute basis. And this is the case in spite of the fact that the United States' standard of living leaves a larger margin above necessities than that of other countries, and that the nation's economy—because of America's only recently finished transcontinental expansion—included at the start of the programme an exceptional proportion of equipment for the production of durable goods.

Why is this so? The matter can be explained in segments. It can be said that the army and the navy have in some cases gone at their contracts with the specific accuracy of engineers about to build a bridge, and borrowed the assumption from the Negro spiritual that to get to Jordan there is "jes' one mo' river to cross." It can be said that some of the civilians in the defence agencies have been opposed to the establishment of backlog orders of big dimensions because of the present and future pressures they would create. It can be said that the attitude of business-as-usual-with-a-defence-sideline has been too prevalent in industry, the attitude of more-butter-if-more-guns too prevalent in labour.

Summed up, this amounts to a national underestimate of the job. After the President's speech, officials, who for weeks and months have been privately aware of the need to double—at least—our current effort, have been free to advocate it. The resulting shifting of decimal points can be illustrated—an extreme example—by a Press release of the Office of Production Management dated June 13:

The Office of Production Management has recommended the expansion of facilities to produce magnesium metal to a capacity of 400,000,000 pounds annually. Present production is at the rate of approximately 30,000,000 pounds a year and additions to plants already under way will raise that capacity to approximately 75,000,000 pounds annually.

Tremendously increased requirements for aircraft and other military uses, arising out of the expanded national defence and Lend-Lease programme, require a productive capacity of approximately 400,000,000 pounds a year by the end of 1942.

This shift in attitude regarding production is probably the most important change this last month. It is a recognition that a job well done in previous terms of reference may be bad preparation for larger output for earlier delivery.

Because of the upward revision of defence demand, the defence programme can doubtless not be divided into a period of construction followed by a period of production in so sharp a manner as has hitherto been thought possible. As recently as six months ago, acute shortages of basic materials were not expected. Now they are at hand—many of them in industries where close control had previously limited unused capacity to a minimum. A continued expansion of facilities therefore seems likely to remain a feature of the months ahead.

The shift in attitude toward production also includes developments with regard to labour. The record of the National Defence Mediation Board, established after the strikes of January-March, has been exceptionally successful; at the same time, various no-strike agreements, on a union or an area basis, have been negotiated between employers and employees. The strike at the North American Aviation plant at Inglewood, California, was one of the small number of cases where a strike has been called in violation of an understanding to hold off pending the Board's consideration of a case. Under legislation enacted after the declaration of total emergency, and after the strikers had been urged to return to work by both Mr Thomas, President of the United Automobile Workers of America, and Mr Philip Murray, head of the Congress of Industrial Organisations, to which the United Automobile Workers belongs, Federal troops took over the plant and reopened it. It was announced that any strikers who had received deferred status under the Selective Service Act because of their defence employment would become subject to calling-up. The national union suspended the local leaders.

Labour Leadership

This case brought the problem of left-wing leadership into the open. It is a problem which union heads have been wary of touching—Red-baiters have flung the term Communist around so promiscuously during the last twenty years that the charge sounds odd on the lips of a union official. Yet, in a number of unions and city central bodies, a small group of followers of the "party line" is undoubtedly in effective control, and progressive union leaders are under the disadvantage of having not infrequently played union politics with the Communist element in order to outdo the right-wing groups. The current choice before these leaders is to undertake a difficult house-cleaning job themselves, or to see further public action taken with the concurrence of a considerable part of labour as well as the public at large.

Very shortly, the changed attitude toward the defence effort which is now measurable in respect of production will be making itself felt with regard to consumption goods. Now, defence stimulus of business is reflected, not only in the windows of little general stores in the Tennessee mountain areas of summer manoeuvres, where the ratio of troops to doughnuts is said to run as high as 50 to 1, but in the solid indices of department store sales compiled by the Federal Reserve Board, whose national average for May stood at 105, compared with 89 a year before. Sales of automobiles and chain grocery store sales tell comparable stories, exaggerated in areas where defence concentration is heaviest.

But in the last month there has been talk of restricting the production of automobiles, not by the 20 per cent previously discussed, but by 50 per cent. Reduction in the variety of models and colours in which goods are offered is being

talked all along the line—consumers may not have to tighten their belts, but they will have to choose from fewer styles when they buy them. Purchasers of refrigerators discover that the number of aluminium trays for ice-cubes is limited. In Richmond, Virginia, and Madison, Wisconsin, house-to-house salvage collections of used aluminium utensils have been made with a fanfare of bands and Boy Scouts. Housing shortages have reached the stage where model fair rent laws are being drafted. To relieve pressure, instalment buying conditions are being tightened. Defence bond sales are being pushed as alternatives to consumption.

These changes in attitude apply to the mechanics of the defence effort. It is less easy to say to what extent they reflect a change in the policy for which defence production will be used. At the least, they indicate preparation for a long haul. In his speech on May 27th, the President asked for unity; his request was seconded by Mr. Willkie in Chicago some days later. But within 48 hours full-page advertisements in a Washington paper announced: "On Tuesday you heard the President speak. Friday, May 30th, our spokesmen will answer." In the face of the facts of last November, the Lindbergh-Wheeler-Flynn demand for "new leadership" goes on.

But support of the President goes on also. The last Gallup poll shows 55 per cent replying in favour of present policies and 22 per cent more in favour of them as far as they go, but convinced they do not go far enough. In a country that normally divides on a 55-45 range of difference, this 77 per cent is a very large majority. The questions, moreover, were asked before the news of the *Robin Moor*, before the freezing of Axis assets and before the closing of the German consulates.

The Training of Labour

According to the latest available bulletin of the National Industrial Conference Board of New York, the number of persons employed in the United States in all branches of activity at the end of last March was 49,373,000, an increase of 3,682,000 on the figure for the corresponding month a year ago. Employment rose by 2,016,000 to 14,510,000 in the constructional and manufacturing industries, and by 1,265,000 to 11,407,000 in the service industries. The number of unemployed fell by 3,052,000 to 6,142,000, but as 2,472,000 of these were employed by the Government's various emergency organisations, only 3,670,000 persons were without work at the end of last March.

The number of unemployed is still large, while the number that can be transferred from their present occupations to manufacture the goods of war is even larger. But, in spite of the enormous labour force potentially available for enlistment in the defence programme, there is already a shortage of skilled labour, a shortage which is likely to become acute when the new munition factories and shipyards are completed, unless steps are taken now to train the requisite labour. Indeed, America's problem is very similar to Great Britain's two years ago and the rate of expansion in the production of defence equipment in America will be conditioned by the rate at which labour is recruited and fitted for the new tasks.

There are indications that the Government is alive to the problem, and the schemes it has devised for the purpose may be considered under three headings:

First, there are the *college training courses* sponsored by the Office of Education. Many engineering colleges have special facilities for training which can be utilised, without prejudice to the regular students and to research, for making available competent specialists to the defence industries and the armed forces. Last October, Congress appropriated \$9 millions to be used for the purpose of reimbursing engineering colleges for the expenditure incurred in training engineers up to the end of last month. Over 50,000 of the engineers and supervisory staffs employed in the defence industries are now enrolled at engineering colleges; they attend classes, twice or three times a week, chiefly in their spare time. Some of them attend refresher courses; the majority receive advanced training in design and in industrial engineering.

Secondly, and also under the auspices of the Office of Education, the Government has provided refresher courses at *vocational schools* for skilled workers who have become "rusty," as well as classes designed to facilitate "upgrading." These public vocational schools exceed 1,000 in number and they possess training equipment valued at more than \$1,000 millions. Congress has already appro-

riated \$66.5 millions for a vocational programme designed for skilled workers. Nearly two million workers are already enrolled in the regular programme, and more than three million persons are expected to attend training courses during the year ended June, 1942.

Thirdly, there is a scheme, sponsored by the Labour Division of the Advisory Commission to the Council of National Defence, designed to assist the training of additional workers by industry itself within the *factories*, and at the expense of individual companies. The organisation, set up at the Government's request, consists of experts borrowed from industry who tender advice concerning training programmes upon request.

Work in Progress

General Motors expects to need some 60,000 additional trained workers for its defence orders. Training is carried on simultaneously in forty of the Corporation's plants, with the General Motors Institute at Flint, Michigan, as the headquarters. Lathe operators, milling machine men, drilling press hands, welders and tool grinders, set-up men, foremen, technicians, and, not least, instructors are undergoing training. Experienced men drawn from regular production departments constitute the nucleus of the scheme, and trainees are taken in to work with them. The methods of training employed naturally vary to fit local needs and problems. Thus, in some plants, trainees are taught "on the job," working either as assistants to experienced operators or alone on a machine under the eye of set-up men. They are started on single operations, and those showing promise are upgraded to more complex machines to make way for those at the bottom. Another method uses the "vestibule school" by which trainees are given preliminary instruction on machines set aside for the purpose before they enter a manufacturing department. Then there is the "group" method by which small groups are placed under individual instructors who give their charges one hour of classroom work a day and supervise them in the shop the rest of the time. The institute under Chrysler's management has enrolled over 4,000 trainees since 1933, and is further expanding its training facilities. Ford, who normally provided training for between 4,000 to 5,000 students a year, has to-day over 8,000 trainees under 350 full-time instructors, and is extending facilities to coach over 10,000.

The training programme fostered by the Wright Aeronautical Company will enable it to increase its personnel from the 17,000 now employed in the Paterson factory to nearly 30,000 before the end of the year. The Republic Aviation Corporation of Farmingdale, New York, has started a training course for foremen and would-be foremen. Ford has also set aside 20,000 square feet of floor space in the new aero-engine building as an aircraft apprentice school. The General Electric Company, in addition to the regular 4-year apprentice training programme in its nine major plants with 1,015 undergoing training, has inaugurated practical short-term courses in which men are trained to do one specific job to meet the demand for skilled and semi-skilled labour.

While a good deal is thus being done in training additional labour for the production of war equipment, it is still too early to ascertain whether the programme is likely to be adequate. But, apart from its large reservoir of labour available for employment in the defence programme, America has a "hidden" reserve of man-power that can be drawn upon in case of need. According to the National Industrial Conference Board, the average number of hours worked in 27 industries last March was only 41.2 per week. True, the average weekly working hours in certain industries, such as machine tool manufacture, are above the average. But in case of need it should be possible to lengthen the working week quite appreciably to increase the output of the existing labour force.

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THE BUSINESS WORLD

The Future of the Discount Market

THE merger of two firms in the London discount market, Cater, Brightwen and Co. and Roger Cunliffe, Sons and Co., was announced this week. In itself, the news may seem of no outstanding importance. It follows a long-standing trend towards concentration in the discount market which, in the space of little more than a decade, has reduced the number of its constituent firms from 22 to 13. The significance of this latest amalgamation lies in the fact that it is the first response to renewed official requests for such concentration and that, in retrospect, it may well prove to have been the forerunner of a series of such operations which, within a comparatively short period, will have reduced the membership of the market to about half its present figure, each unit having capital and reserves in excess of £1,000,000. The merger, therefore, raises the whole problem of the future organisation and function of the London discount market.

The discount market has provided a specialised and highly elastic market in bills of exchange. On the one hand, it has brought to the grading and discounting of commercial bills a knowledge born of long experience and tradition. On the other, it has provided a pool of bills from which the banks have been able to satisfy their requirements far more easily than if they had been dependent on the sales of bills from their own clients. In the course of maintaining and financing this reserve of bills, the discount houses have provided the basis for a short loan market—an essential adjunct to any highly developed deposit banking system. Through that short loan market, and by its contact with the Bank of England, the market has, by tradition provided the principal connecting link between the deposit banks and the central bank, and has thus become an integral part of the mechanism of credit control. Finally, by its participation at the weekly tenders for Treasury bills, and by its operations in the market for short term Government bonds, it has provided some contribution to the cheap financing of the Government's deficit. In the days of the supremacy of sterling as the international currency and of the bill on London as the instrument for financing international trade, the London discount market rose to great importance and considerable prosperity.

Little, however, remains of this functional importance. The commercial bill has virtually disappeared, and the specialised knowledge of trades and names which the discount market brought to its trade counts for very little to-day. The collapse of the London acceptance credit which formed the basis of most of the discount business handled by London began in earnest in 1931, with the departure of sterling from gold and the freezing of much of the credit extended on acceptance terms to central Europe. The process was completed by the outbreak of the war. Some attempts were made in the immediate pre-war years to replace the international bill by the domestic acceptance, and in some directions they bore fair fruit. But the results at no time provided more than very fractional compensation to the discount market for the business lost by the decline of the international acceptance. The war—and its resultant concentration of trading activities in Ministries and Government controlled organisations—has resulted in the collapse of most of the domestic acceptance business laboriously built up over the few preceding years. The discount market is thus almost wholly concerned in its discount business with turning over Treasury bills. These require no grading, no skill in handling. Even the determination of the rate at which they are to be discounted is a feat which no longer demands special aptitude or flair. The market syndicates its tender, and the rate at which each house applies for its fixed quota is dictated to it week by week. Neither is skill required in selling these bills. The banks take them at a fixed rate, and if, on the rare days of credit stringency, the bankers are not buyers,

the broker acting for the Bank of England is always ready to accept them—not at a penal Bank rate, but at the clearing banks' buying rate. This highly stereotyped procedure probably covers more than 95 per cent of the bills passing through the market—a ratio which can be estimated from the balance sheets of those banks which separate Treasury from commercial bills. It is a business which could be handled by a small fraction of the existing personnel of the market, working at most one day a week.

The discount market, however, still provides the basis of the London short loan market. No structure of banking assets, as banking operates in this country, would be complete, without a second line of defence in the shape of interest-bearing assets available at call or short notice. If the discount market were not there to provide the banks with this particular type of asset, it would have to be found in some other direction. It could, for example, be provided by an inter-bank short loan market. But for the discount market, there would certainly have to be a change in the tradition which prohibits direct rediscounting of bills by the clearing banks at the Bank of England. In other words, the discount market, by providing a short loan market, fulfils a function which in its absence would have to be performed by some other mechanism. And it is a moot point whether the substituted article would function as well and smoothly as this market after over a century of experience and adaptation.

The discount market is also the link between the commercial banks and the central bank; and there have been significant signs of a weakening of this traditional rôle also. The Treasury deposit receipt method of short-term Government financing has, in fact, created a direct contact between the banks and the Bank of England—complete with rediscounting facilities. Moreover, for some months in 1939 and 1940, the banks were fed direct from the Bank of England with Treasury bills originally issued through the tap, and there developed a new open market technique, which allowed direct operations in bills between the banks and the Bank of England and wholly by-passed the discount market. On this score, therefore, the claims of the discount market to indispensability are beginning to wear thin. A direct bridge has already been thrown over the gap between the central bank and the commercial banks; and the choice between the use of this bridge or of the long-established detour via the discount market is one which will ultimately be decided on grounds of expediency and economy.

The discount market thus remains as an organisation representing a considerable capital and even more considerable goodwill reflected in its power to borrow on attractive terms from the banking system. These resources are now almost wholly mobilised in the financing and turning over of Government paper, ranging from three months Treasury bills to gilt-edged securities of short to medium currency. For its profits, the market depends almost wholly on the bond side of its business. It can borrow from the banks—and particularly from non-clearing banks—against the security of bonds at an exceptionally cheap rate, and the running profit on its investments plus the jobbing profits on its operations in the gilt-edged market have no doubt provided all the profits distributed by the market for many years past. Does this function of dealing in and financing Government paper justify the existing organisation of the market? The authorities have evidently decided that it does not, and for more than ten years the Bank of England has persistently pleaded the virtues of concentration and curtailment to the members of the market. These promptings have not gone altogether unheeded; over this period the number of firms in question has nearly halved. And the latest prompting has behind it not merely the power of the Bank, but that of the Treasury.

The problem has probably been somewhat blurred by the

insistence on the virtues of amalgamations for their own sake. If it is admitted that holding and dealing in bonds involves a greater measure of risk than comparable operations in bills, it is reasonable to demand from the market more solid standards of capitalisation than the smaller firms can provide to-day. But it is not merely the grouping of the smaller units which will achieve this strengthening of the market. It will only be attained by the imposition on the smaller firms of the ratio of capital to bonds adhered to by the larger units and especially by the companies whose balance-sheets have to run the gauntlet of public criticism. The orthodox criteria of the structure of assets have varied widely over recent years and vary to-day as between different firms. During the past four or five years, there is good reason to believe that the total "book" of the market, that is, the bills and bonds financed by it, has fallen considerably in relation to the aggregate capital employed. On

the whole, it is the smaller units that tend to build up the most extended holding of bonds on the basis of their own capital resources. It would now be regarded as normal for a discount house to maintain a total book of about 30 times its capital and reserves and to distribute this book as to 25 in bills and 5 in bonds. Exact standards of orthodoxy cannot be formulated because bonds vary in currency and quality, and it would, for example, be unreasonable to require the same capital reserve for 2 per cent Conversion Loan 1943-45 as for 2½ per cent National Defence Bonds 1947-49. But it can be said that the larger houses tend on the whole to maintain smaller bond positions relatively to their own capital resources and, if these more conservative standards are applied to the whole of the market as a result of current and future mergers of the smaller firms, the required strengthening of the capital structure of the market will have been achieved.

Finance and Banking

Over £650,000,000

The circulation continues its steady upward secular trend, which is now helped by such seasonal factors as remain operative. During the week to last Wednesday a further £2,890,000 of notes went into circulation, bringing the total for the first time above the £650 million line. The unissued notes in reserve in the Banking Department are now down to £29,321,000. This expansion in the circulation has been one of the minor factors in the credit situation, making for somewhat scarcer supplies of money. The banks this week have been diffident buyers of bills, and the market has found it none too easy to balance its books day by day. Most of the ½ per cent non-clearing money has disappeared, and 1 per cent has been the general rate for such accommodation. The main factor in the depletion of bank cash has been the heavy payments which have during the past week found their way to the Exchequer. Some of these have been in respect of revenue, which normally makes a spurt at this time of the year, but another powerful influence has been the acceleration in the flow of subscriptions to war and national defence bonds. The result of these influences is to be found in the latest Bank return in a reduction of £23,685,000 in bankers' deposits, which have fallen to the comparatively low level of £108,108,000. The counterpart of this movement is in the main to be found in an increase of £18,352,000 in public deposits. Government securities are down by £9,965,000, indicating the gradual running off of the July bills purchased in the open market over the turn of June. Discounts and advances have risen by £4,129,000, a movement which must not be taken to indicate direct assistance to the discount market.

Rate on Tap Treasury Bills

Mr Stokes, who so indefatigably pursues the Chancellor of the Exchequer with his questions on money rates, occasionally succeeds in extracting interesting information from the Treasury. This week we have learned through him that the total amount of interest on Treasury bills issued through the tap, paid, during the six months from June 30, 1941, was rather less than £4,000,000. Generally speaking, added Sir Kingsley Wood, this sum accrued directly or indirectly for the benefit of the Exchequer. During the period in question the issue of Treasury bills issued through the tap averaged around £1,400,000,000. It follows that the average rate of discount charged on these bills was slightly over ½ per cent, the actual figure working out at 11s. 5d. per cent. It should be reasonable to assume from this that on those tap bills which go to one or other of the public departments, and in particular to the Exchange of the public departments, and in particular to the Bank Equalisation Account and the Issue Department of the Bank of England, a nominal rate of ½ per cent is charged. The actual rate is immaterial since the Exchequer both pays and receives the amount in question. On the small minority of tap bills, the interest on which does not, on the Chancellor's evidence, accrue to the Exchequer, it seems probable that the rate charged is the open market rate of 1 per cent. That was certainly the rate at which tap bills were made available to the clearing banks during the period when these institutions were being plied with such bills through the official broker.

War Damage Premiums

Each of the last two weekly Exchequer returns has revealed a source of receipts new to these documents, namely, the sums received under the War Damage Act, 1941. In the first five days of July these amounted to £5,920,000, and a further £1,800,000 appeared under this head in the return covering the week to July 12th. These are not the gross sums collected by way of premium on the War Damage Insurance for buildings and chattels. They are only the surplus of premiums collected over current expenditure incurred by payment of compensation under the Act. That expenditure appears in the Exchequer Accounts under Supply Services, the amounts being paid out of the Vote of Credit to meet such outlay. A corresponding amount of revenue collected in premiums is credited week by week to miscellaneous revenue, and it is only the surplus of premium income over current expenditure under the Act which appears separately in the Exchequer return. It must not be assumed that the experience of the first twelve days of July is likely to prove representative of the financial year as a whole. The voluntary scheme for the insurance of chattels has been launched with a rush of initial premium payments, and much of the total collected in the first twelve days of July represents the premium for the whole year on the sums insured under the voluntary scheme. This, moreover, is the time when Schedule "A" income tax payments are due, and some of the £7,720,000 shown as the surplus of premium income over expenditure under the Act may represent premiums on the compulsory scheme which are being collected with Schedule "A" income tax.

Cater, Brightwen and Roger Cunliffe

It was announced this week that subject to Treasury permission the discount market firm of Cater, Brightwen and Co. had acquired the business of Roger Cunliffe, Sons and Co. It was in October, 1939, that the firm of Cater and Co. absorbed Brightwen and Co. and the product of this amalgamation became easily the largest of the private firms in the market, ranking only after the three public companies. The merged concern first made its balance sheet public last month when it showed capital and reserves of £830,000, a bill portfolio of £16,052,000 and British Government securities of £7,307,000. Though Cater and Co. was established in 1908 only, and is thus one of the youngest members of the market, it is evidently marked out as one of the nucleus firms in the current concentration movement. The firm of Brightwen and Co. which it absorbed soon after the outbreak of the war was founded in 1860. The firm of Roger Cunliffe, Sons and Co. which is now being acquired is of even longer standing, having been established in 1819. The three directors of Roger Cunliffe, Sons and Co. will join the board of Cater, Brightwen. The merger will call for an increase in the capital of Cater, Brightwen, and it may be assumed that, when the absorption has been completed, the capital and reserves of the firm will comfortably exceed the figure of £1,000,000 which has been set by the authorities as a desirable minimum capitalisation for firms operating in the discount market.

Life Assurance and Income Tax

In the House of Commons on July 1st, Captain Crookshank, Financial Secretary to the Treasury, moved a new clause to the Finance Bill providing that the limit of income tax relief in respect of life assurance premiums may be calculated by reference to pre-war income. At present, the limitation to one-sixth of income operates harshly where incomes have been reduced. For example, if an income has fallen from £3,000 to £1,800, relief is now restricted to premiums representing one-sixth of the latter figure. The new clause, which was read a second time and added to the Bill, remedies any hardships by providing that the taxpayer's total income for 1939 may be substituted for that of the year of claim. This concession is especially welcome in view of the provision introduced last year, which pegs the income tax rebate on premium payments at 3s. 6d. in the pound, against the previous figure of half the standard rate. Actually, policy holders enjoy not inconsiderable privileges in the matter of income tax—rightly so, by reason of the importance of life insurance as a medium of saving—for, in addition to the direct rebate on premium, there is a concession restricting income tax on the offices' interest earnings to 7s. 6d. in the pound, a concession which helps the offices to maintain their profit earning capacity and from which participating policy holders at least will derive some benefit.

Ionian Bank Dividend Passed

The directors of the Ionian Bank have this week announced that they will not recommend the payment of a dividend for the year 1940. The accounts of the bank, excluding those of branches now in enemy occupied territory, will be submitted at the adjourned meeting fixed for August 12 next. They will show that the directors have decided to transfer to contingencies fund the whole of the year's net profits. The passing of the dividend breaks a long record but can cause no surprise in view of recent events in the bank's particular sphere of activities. Its main network of branches is to be found in Greece. It was established just over a century ago to develop trade between Great Britain and the Ionian Islands which were then a Protectorate of Great Britain. Later it spread its activities to the mainland. Fortunately it has also extended its branches and agencies to Egypt and Cyprus, and these, together with the London Office, provide a

nucleus from which renewed development will be possible when peace has returned and Greece is again freed from enemy occupation.

European Assets in U.S.A.

The United States Treasury has up to now issued four exemption orders to the freezing of European assets decreed by the President on June 14. Immediate exemptions were granted to Switzerland and Sweden, the nationals of both countries being thus immediately allowed to dispose freely of their dollar assets. Similar treatment was given to Soviet Russia following the German invasion of that country. The latest country to receive such exemption is Spain, whose assets in the U.S.A., estimated at about \$30 millions, were released from the freezing order this week. The delay which occurred in lifting the restrictions on the assets of this particular neutral needs no elaborate explanation. Before issuing its exemption order the American Treasury naturally wished to satisfy itself that the freedom given to Spanish assets in the United States would not be used to benefit the Axis Powers, and Spain's answers to this general request may not have been so readily forthcoming or so immediately satisfactory as those of the other countries concerned.

Half-Year's Money Rates

The following table shows the average level of short loan and discount rates in the first half of 1941 compared with previous years:—

AVERAGE MONEY RATES.				
Year	Bank Rate	Market Rate 3 Months' Bills	London Deposit Rate, Banks	Short Loans
1930	£ s. d. 3 8 5	£ s. d. 2 12 3	£ s. d. 1 8 5	£ s. d. 2 0 0
1931	3 18 7	3 11 0	2 1 0	3 0 10
1932	3 0 2	1 16 9	1 5 2	1 15 7
1933	2 0 0	0 13 10	0 10 0	0 15 5
1934	2 0 0	0 16 7	0 10 0	0 16 10
1935	2 0 0	0 11 3	0 10 0	0 14 10
1936	2 0 0	0 11 10	0 10 0	0 15 6
1937	2 0 0	0 11 10	0 10 0	0 15 1
1938	2 0 0	0 11 6	0 10 0	0 15 7
1939	2 5 3	1 4 5	0 13 7	1 2 2
1940	2 0 0	1 0 10	0 10 0	1 2 3
1941 (Jan.-June 30)	2 0 0	...	0 10 0	...

Investment

Course of Equities

Following a rise which, with minor interruptions, had lasted for more than three months, the markets in general experienced a check in the early days of this week. The publication by Germany of extravagant claims to success on the Russian front may have been the occasion of this halt, but it was scarcely the principal cause, and it is to be noted that, while the rise has been halted in many sections, there has been no appreciable reverse in prices. What has occurred is that a movement, which was tending to become definitely speculative, and to spread, both to a wider public and to an extended range of equities, has been nipped before it had time to develop fully. The improvement in equities

	June 26, 1940	End Sept., 1940	Jan. 29, 1941	End April, 1941	Mid-July, 1941
L.M.S.	10	11½	13½	11½	14
Guinness	46/3	67/6	69/6	66/9	75/-
Courtaulds	21/-	28/9	32/9	29/-	31/4½
Rolls-Royce	48/9	70/-	76/3	73/1½	77/6
General Electric	53/9	69/6	79/-	79/6	84/3
A.P. Cement	40/-	57/6	61/3	48/9	55/-
John Barker	26/3	27/-	27/6	29/6	33/9
I.C.I.	19/3	26/6	30/-	29/3	32/-
Internat. Tea	9/6	10/6	11/3	11/3	11/-
Turner & Newall	43/9	56/-	67/3	67/6	71/10½
Imperial Tobacco	68/9	25/-	101/3	90/-	103/9
Vickers	9/6	13/-	15/1½	14/7½	15/10½
Whitehead Iron	40/-	51/3	62/6	62/6	66/3
Guest, Keen	13/9	19/9	22/-	21/9	23/9
Fine Spinners	2/4½	3/-	3/4½	2/9	3/3

at the close of last week has been continued, but at a much reduced tempo. The above table gives the movement over the year in a small selection of industrial leaders, and also

Pinedo Plan Rejected

According to a semi-official statement made this week, the Pinedo Plan for the outright acquisition by the Government of Argentina of the British owned railways has now been finally rejected. Possibly, it would be better to say its operation has been indefinitely postponed, for it is probably still the policy of the Argentine authorities to obtain control at an appropriate moment, and the explanation given for taking no action now is that the funds are not available at the present time to make what the Argentine Government considers a reasonable payment. Put in another way, this means that Argentina prefers to take something other than railway stock in exchange for any "hard" currency she can lay hands on, for it is improbable, in the changed circumstances, that this country would be prepared to accept payment in any other form. Nor was it ever very clear why the United States should elect to finance the purchase—as some have suggested—since this would

mean taking Argentina's name to a bill instead of our own, scarcely a profitable exchange, despite the deservedly high standing of the Republic as a debtor. With this possibility out of the way, the expectation of any early improvement in the position of Argentine railway stocks seems slight. At the moment, our import policy is ruled by the shipping position. South America is much nearer than the antipodes, but with that exception—and for the time being that of India—it is our most distant source of supply, and most of her other markets are closed. Until the shipping position is relieved, and that must at best be a matter of months, the outlook is distinctly poor. Holders who have seen their stocks fall to the existing prices are not, however, thinking of prospects in terms of months but of years.

Economic Co-operation Necessary

What is the longer term outlook for investments in Argentina, and indeed in the whole of South and Central America? No doubt the answer to this question will depend in no small degree on diplomatic action during and after the war. It may, however, be assumed that, once the compulsion of a single aim, imposed by the need for victory, has been removed, the objectives of diplomacy will be largely economic. At least it cannot be harmful to attempt to sketch in the main lines of the economic background against which they will be set. It may be taken as axiomatic that raw material and foodstuff-producing countries will continue to engage more in secondary industries. The desire to do this will be increased by inability to purchase abroad, but this inability will to some extent limit the imports essential for the establishment of these industries. It is reasonable to assume that there will be, after the war, a substantial unsatisfied demand for such products from some at least of the South American republics, including Argentina. Whatever limitations may be imposed on British exports by the exigencies of reconstruction at home, or on imports of foodstuffs by agricultural policy, there should be room for some marked revival in trade between the two countries, and this should bring a more than proportionate increase in the national income of the

Republic and, in due course, an improvement in its balance of trade, and consequently remove that *bête noire* of the railway stockholders, the depreciation of the *peso*. As to the attitude of the Government to the railways, as was pointed out in *The Economist* of November 16, 1940, when the Pinedo Plan was discussed, it has recently been more favourable. Supposing, as we must, that the movement for joint action among the Americas will take account of the need of markets for foodstuffs, it seems probable that this attitude will improve with improving conditions. There is, in fact, some hope that more may be saved from the wreck of investments in that area, whether it be in railway equities or in oil shares, than seemed at all probable in the early stages of the war, always provided that policy is governed by economic considerations.

Company Notes

Bank and Discount Dividends

The interim statements of all the leading English banks, and of the three discount houses whose shares are publicly held, are now available, showing in every case that the payments of a year ago have been maintained. The public and the market would have been surprised at any other result, so quickly has the scare of a year ago been forgotten. At that time, bank shares slumped on the collapse of France and numerous other adverse factors, until the yield was 6.12 per cent at the end of June, according to *The Actuaries' Investment Index*, against 4.38 four months earlier. A year later, at the end of February last, it had recovered to 4.81, while the latest figure is 2s. per cent lower. Recent fluctuations have been moderate, and the outlook for bank shares seems reasonably secure for the duration of the war regime. The shares selected for mention in the following table are the "equities" of this section, and among equities those with callable capital. Although the prospect of calls being made is extremely light, the fact that they are possible affects the yield, and the absence of this danger accounts

Glyn, Mills & Co.

(ESTABLISHED 1762)
Registered with unlimited liability 1885
Incorporating

CHILD & CO.
(Established before 1800)

HOLT & CO.
(Established 1805)

BANKERS

Army and Air Force Agents, Navy and Prize Agents.
One Hundred and Fourteenth Statement of Assets and Liabilities — 30th June, 1941.

Dr.	LIABILITIES.	£	s. d.	Gr.	By	ASSETS.	£	s. d.	Gr.
To Capital authorised and issued	1,060,000	0	0		By Coin, Bank Notes and Balance at Bank of England	5,316,004	0	8	
To Reserve Fund	850,000	0	0		By Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom	2,455,211	15	0	
To Current, Deposit and other Accounts (including provision for Contingencies)	47,104,900	1	7		By Money at Call and at Short Notice	4,168,700	0	0	
To Acceptances and Engagements on account of Customers	3,715,574	5	2		By Bills Discounted	836,426	2	2	
					By Treasury Deposit receipts	5,500,000	0	0	
					By Investments:—				
					British Government Securities	£17,810,380	7	1	
					Other Securities	1,116,596	13	5	
					Subsidiary Companies	18,926,977	0	6	
					By Advances to Customers and other Accounts	11,071,581	3	3	
					By Liabilities of Customers for Acceptances and Engagements as per contra	3,715,574	5	2	
					By Bank Premises (at cost, less amts. written off):				
					Freehold	£820,000	0	0	
					Leasehold	120,000	0	0	
						740,000	0	0	
						£52,730,474	6	9	

£52,730,474 6 9

AUDITORS' CERTIFICATE AND REPORT.

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

KEMP, CHATTERIS, NICHOLS, SENDELL & CO.,
JACKSON PIXLEY & CO.,
15th July, 1941. Chartered Accountants.

H. A. LAWRENCE, Chairman.
ERIC GORE BROWNE,
IAN LESLIE MELVILLE, } Directors.
QUINTIN BROWN, Accountant.
15th July, 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.

largely for the low return on Barclays Bank "B" and Union Discount. The banks have found their costs mounting and their advances—their most remunerative asset—falling away. They have had to rely on increased total assets to make good a decreased margin, and apparently this has sufficed. They will have been helped by the fact that the rise in the Funds has made any provision for

Name and Shares	1940		1941 Interim	Price Ex Dividend		Yield, July 16, 1941
	Interim	Year's Total		Highest, July, 1940	July, 16, 1941	
<i>Banks</i>						
Barclays "B" £1	7	14	7	69/6	67 6/8	4 3/4 s. d.
Lloyds £5 (£1 pd.)	6	12	6	49/-	49/-	4 18 0
Midland £12 (£2½ pd.)	8	16	8	145/-	165/-	4 17 0
National Prov. "B" £5 (£1 pd.)	7½	15	7½	55 5/8	59 5/8	5 9 10
Westminster £4 (£1 pd.)	9	18	9	70 6/8	75 6/8	4 15 4
District "A" £5 (£1 pd.)	9½	18½	9½	63/-	75 -	4 17 9
Martins £20 (£2½ pd.)	7½	15	7½	137/6	150/-	5 0 0
Wm. Deacons "A" £5 (£1 pd.)	6½	12½	6½	...	...	...
<i>Discount Companies</i>						
Alexanders £2 (£1 pd.)	7½	17½	7½	55/3	63/9	5 9 10
National "B" £7½ (£2½ pd.)	9	26	9	200/-	237/6	5 9 5
Union Discount £1	3½	10	3½	36/3	43/9	4 11 5
+ Cum. dividend						

† Cum. dividend.

depreciation unnecessary. The discount houses have had to rely on such opportunities as arose for operating in securities on a rising market to make good a decrease in the turnover in non-Government bills, which, of course, yielded a much more substantial margin of profit than operations in Treasury paper, the total holding of which has perhaps not been greatly increased. The longer term prospects for bank shares is intimately bound up with the continuance of the cheap money policy.

* * *

W. and T. Avery Earnings

Profits after tax of W. and T. Avery for the year to March 31st last are moderately reduced from £207,715 to £185,365. The decline is, however, no more than can be accounted for by the expansion in tax liability during the year. After meeting depreciation at £44,704, against £46,616, and service on preference capital, the rate of earnings for equity is up from 24.0 to 26.7 per cent. The 15 per cent. dividend which has been paid on the increased capital since 1935-36 is maintained, and, after transferring a total of £55,000 to general and contingencies reserves, as in the previous year, the carry forward is only slightly lower at £63,751, against £65,207. There is no doubt that these results are, in war conditions, highly satisfactory. The company is, of course, separated from its considerable markets on the continent, although it is well placed to satisfy overseas markets which are still open from its associated companies in the Dominions and India. Conditions in the home market, where the demand for the company's weighing, counting and testing machines is likely to have been large, were doubtless the deciding factor in the result. The balance-sheet indicates a moderate expansion of business. Debtors are some £82,000 higher at £448,993; creditors, including taxation, are up from £574,730 to £676,016. Total reserves, excluding pensions fund, stand at £430,000 after the latest additions. Stocks are up from £336,642 to £390,007, while cash, other than cash in pensions fund, is approximately stable at £31,435. The chairman, Mr. Walford H. Turner, points out in his statement circulated to shareholders that while investments in and advances to subsidiary companies have declined from £719,000 to £687,000, amounts represented by trading in countries under enemy occupation have already been written off. The £1 shares, at 66s. 3d. ex dividend, offer a yield of £4 10s. 7d. per cent.



Two Textile Reports

The reports of *Patons and Baldwins* and *English Sewing Cotton* for the years to May 31st and March 31st, respectively, both show a setback in profits struck after taxation. In the case of *Patons and Baldwins*, the directors state that higher tax liability in respect of the year in question, and retrospectively for the two previous years, is mainly responsible for the fall in profits from £687,453 to £448,728. Despite a reduction of some £41,000 in depreciation to £143,143, which goes far to finance the provision of £47,915 for war damage premiums, equity earnings have fallen from £434,110 to £195,855, representing a tax-free rate of 10.2 against 22.6 per cent. The dividend on ordinary stock is reduced from 8½ to 5 per cent tax free, equivalent to 10 against 13.6 per cent less tax. War contingencies receives £100,000 against £270,000, leaving the carry forward only slightly reduced from £74,989 to £74,886. The full accounts of *English Sewing Cotton* add little to the information contained in the preliminary statement, discussed in *The Economist* of July 5. Profits after tax are down from £261,779 to £253,421. Depreciation is approximately stable at £42,142. As was already estimated, the dividend, which is maintained at 7½ per cent, is narrowly covered by equity earnings of 7.6 per cent. The balance-sheets of both companies show a rise in stocks. For *Patons and Baldwins* from some £2,682,000 to £2,915,000 and for *English Sewing Cotton* from £691,000 to £871,000. *Patons and Baldwins* show no separate item for cash, but the total of debtors, bills receivable and cash is up from £2,259,721 to £2,513,819. Creditors including taxation are rather over £400,000 up at £2,087,506. Elsewhere, the accounts show no significant change. The £1 ordinary stock of *English Sewing Cotton*, at 25s. 7½d., offers the normal yield of £5 17s. per cent. The *Patons and Baldwins* £1 ordinary stock, after the recent rise, stands at 45s. 7½d., at which price it offers a yield of £2 3s. 10d. per cent tax free.

* * *

U-Boat Results

Gross income of United British Oilfields of Trinidad, including value of oil stock, increased last year from £2,116,765 to £2,963,445, largely as a consequence of a jump in purchases of crude and refined oils from £968,000 to £1,412,000. General costs rose from £646,995 to £925,348, while the depreciation charge was raised and tax provision called for £270,000, against £152,000. This reduces the surplus available for ordinary shareholders from £112,070 to £67,756, representing a rate of 6.5 against 9.8 per cent. The ordinary dividend is reduced from 8½ to 7½ per cent, leaving the carry forward at £24,266, against £34,557. The chairman, Sir Robert Waley Cohen, in his statement circulated with the report, expresses the hope that the company may ultimately benefit from recent legislation affecting the taxation of wasting assets. He points out that United British Oilfields suffers from an extremely unfavourable EPT standard. As in the previous year, for reasons of security, no details of output of crude or refined oil are published, but the directors state that in one area exploration is still going on. The balance-sheet shows a rise in material in stock and in transit from £431,118 to £659,611 due partly to higher prices and partly to increased purchases, and in oil stock from £121,554 to £137,908. Net additions to wells, equipment and other fixed assets is reduced from £304,956 to £280,021. The liabilities side of the account shows a transfer of £100,000, following the previous year's transfer of £200,000, from share premium account to exploration reserve, bringing the total of that fund to £350,000. Liquid assets exceed current liabilities by £10,000, compared with £487,000 a year before. Of a total of creditors and taxation reserve amounting to £633,174, taxation reserve represents £307,000. The 6s. 8d. ordinary shares, at 8s. 3d. ex dividend, offer a yield of £6 1s. 3d. per cent.

* * *

Scribbans' Improved Results

The improvement in Scribbans' profits, after tax, from £91,602 to £115,370 for the year to April 30th last, has permitted the resumption of dividends on ordinary and deferred capital, neither of which received any payment since 1936-37. Tax provision last year is not disclosed, but there is every reason to suppose that it must exceed the

£50,294 required in the previous year, while depreciation is raised from £26,978 to £34,154. The 5 per cent dividend on ordinary shares, the same rate as was paid four years ago, is covered by earnings of 6.8 per cent, against 4.2 per cent in 1939-40. The deferred capital receives 14.166 per cent, against 7.083 per cent in 1936-37, the rate of earnings last year amounting to 19.4 per cent. The allocation of £50,000 to general reserve is repeated, but there is no provision of £5,000 for civil defence work as in the previous year. The carry-forward is nearly £30,000 lower at £64,850. It was clear in the previous year that the profit position of Scribbans had considerably improved and that, if the improvement continued, resumption of dividends should shortly become possible. That a further improvement has been realised in the face of limitation of supplies, higher costs and higher taxation is highly satisfactory. The progress is no doubt due in part to a vigorous sales policy,

in part to the disappearance of some competition since the outbreak of war, and possibly to the growth of ARP and military canteens. The improvement in the profits position has been accompanied by progress in the financial position of the company. The bank overdraft of £91,770 is eliminated and an increase in cash from £3,135 to £103,453 removes the acute shortage of liquid capital which hampered the management at the date of the previous balance sheet. The decline in stock, in view of the rise in the price level, from £131,543 to £118,235, is somewhat disquieting, since it carries a hint that the progress of the past year may have brought the realisation of irreplaceable stores. This and the future level of supplies will determine the prospects of the concern in the current year. Other items of the balance sheet show no striking change. The £1 ordinary shares, at 8s., offer a yield of £12 10s. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

WHILE the undertone throughout the markets remained steady, the upward movement in all sections resulting from active and selective buying had by Friday come to an end. A desire to await developments was strengthened by the news from Russia, while decreased shipping losses and the Prime Minister's speech gave no cause to change this attitude. The markets opened rather dull on Monday, and while prices throughout remained steady, small losses were general during the earlier part of the week, although brewery issues were a notable exception, and on Tuesday both the kaffir and rubber markets presented a rather more cheerful front.

*

After some earlier weakness, the gilt-edged market closed firm on Friday, when 2½ per cent Consols and Local Loans were down ¼, while 3½ per cent War Loan dropped ½, the 3 per cent adding a similar amount. Lack of support on Monday brought further slight declines, 2½ per cent Consols losing ¼, 3 per cent and 3½ per cent Conversion, 4 per cent Funding and Local Loans ¼, while 3½ per cent War Loan eased ¼. The following day saw little improvement with 4 per cent Consols and Local Loans down ¼, although 2½ per cent Consols recovered ¼. Brazilian and Chinese issues were prominent in a firm foreign bond market at the end of last week, but some weakness developed in the early part of this week. On Tuesday, Japanese issues were down, the 5 per cent 1907, 6 per cent 1924 and 5½ per cent 1930 all losing a point, after smaller losses the previous day. Brazilian issues lacked support and fell back slightly on Tuesday, but many European loans were brighter. German Potash 6 per cent and 7 per cent bonds each gained 2 points on Tuesday, while Spanish Fours were prominent with similar gains on Monday and Friday. Later, conditions became quiet with prices remaining firm.

*

The home rail market was fluctuating and irregular, the prospect of an ultimate agreement with the Government being offset by the NUR's decision to demand further wage increases. The market opened well on Monday, GWR and LMS ordinary recovered Friday's losses of ¼ and ½ while the Southern deferred and preferred were up ¼ and ½. The following day saw falls of ¼ and ½ in GWR ordinary. Southern deferred and preferred ordinary, with LMS down ¼, and the downward movement was continued in midweek. Canadian Pacific ordinary dropped Monday's rise of ¼ on the following day when the preference issue was down a similar amount. There was a fair demand for Argentine rails.

New York

At the close of last week, trading on Wall Street was narrow and irregular. Sentiment, however, remained firm and no weakness was evident. Pending some clarification of the war situation in Russia and of the ultimate intentions of Japan, dealers were unwilling to buy stock and, in general, prices stagnated. This week, the continued absence of definite news gradually caused business to fall away and by Tuesday price movements began to be irregular as well as narrow. In midweek, buying was selective with turnover at a low ebb.

The American Iron and Steel Institute states that production of steel ingots fell from 7,102,000 tons in May to 6,801,000 tons in June.

New York Prices

1. Railroads.	Close		Close		Close	
	July 8	July 15	July 8	July 15	July 8	July 15
Balt. & Ohio	38	4	Chrysler	58	56	
Gt. Nth. Pf.	26½	27	Curt. Wr. "A"	28	28½	
Illinois Cent.	88	88	Eastman Kdk.	136½	139½	
N.Y. Cent.	13	13½	Gen. Elec.	33½	33½	
Northern Pac.	7½	7½	Gen. Motors	39½	38½	
Pennsylvania	24½	24½	Inland Steel	74	75½	
Southern	13½	14½	Int. Harvest	52½	54½	
2. Utilities, etc.			Int. Nickel	27½	26½	
Amer. Tel.	158½	156½	Liggett Myers	91	91	
Amer. W'ks.	44	44	Nat. Dairy	13½	14	
Pac. Light	36½	37½	Nat. Distillers	22½	22	
Pub. Sv. N.J.	22½	22½	Nat. Steel	55½	55	
Sth. Cal. Ed.	23½	23½	Proct. Gamble	56½	58	
United Gas	7	7	Sears Roebuck	73½	74½	
3. Commercial and Industrial.			Shell Union	14½	15½	
Amer. Metal	18½	18½	Socoy Vac.	9½	9½	
Am. Roll. Ml.	15½	14½	Std. Oil N.J.	43½	43½	
Am. Smelting	43½	44	U.S. Steel	59½	58½	
Anaconda	29½	29½	West. Hose. El.	96	95½	
Briggs	20½	19½	Woolworth	29½	28½	
Celanese of A.	24½	25½	Yangtze Sheet	38½	36½	

Total share dealings: July 10, 840,000; July 11, 810,000; July 12, 270,000*; July 14, 560,000; July 15, 700,000; July 16, 640,000.

* Two-hour session.

STANDARD STATISTICS INDICES (1926 = 100)

WEEKLY AVERAGES

	1941		June		July	
	Low	High	25, 1941	July 2, 1941	July 9, 1941	July 16, 1941
347 Industrials	83.6	89.6	89.5	89.7	93.3	
32 Rails	425.4	428.0	26.8	26.7	27.8	
40 Utilities	67.0	78.7	69.3	69.2	70.1	
419 Stocks	71.9	82.1	76.1	76.2	78.9	
Av. yield ^a	6.80%	6.13%	6.43%	6.42%	6.17%	
	High	Low				
	(c)	(d)				

* 50 Common Stocks. (a) Jan. 22. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 28.

(Continued on page 84)

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	
			30 Ord. shares*	20 Fixed. Int.†
July 10...	2,931	2,651	74.6	130.0
" 11...	3,063	2,648	75.0	130.0
" 14...	3,384	2,691	75.0	130.0
" 15...	2,777	2,915	75.0	129.9
" 16...	2,545	2,842	74.9	130.0

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1941, highest, 75.0 (July 11); lowest, 66.8 (Apr. 24). 20 Fixed Int., 1941; highest, 130 (July 16); lowest 126.1 (Jan. 2).

Industry and Trade

Unemployment at 300,000

Between May 12th and June 16th the number of unemployed on the registers of employment exchanges in Great Britain showed a substantial and widespread decline, from 368,988 to 301,939. There were reductions in unemployment in all the administrative divisions and in all the principal categories. The number of unemployed normally in casual employment fell from 12,932 to 10,550, while the category of the temporarily stopped was reduced from 65,744 to 47,733 and that of the wholly unemployed from 290,312 to 243,656. The number of wholly unemployed men declined from 127,733 to 110,428 and that of women from 122,002 to 102,181; 34,763 men and boys and 3,975 women and girls have been classified by interviewing panels as unsuitable for ordinary commercial purposes. While the application of the Essential Work Order to the coal-mining and building industries last month may have contributed to the decline in the official unemployment statistics, the extent of this contribution cannot be measured. The transfer of workers from unessential and overstaffed occupations (now the main reservoir of labour) to war work is still proceeding all too slowly; and it is interesting to compare the bold training schemes sponsored by the American Government, outlined on page 75, with the haphazard procedure in this country in the early part of the war.

* * *

Education by the Ministry of Labour

The idea of telling the world what they are doing is gradually spreading among the Government departments. Its newest manifestation is a monthly Engineering Bulletin inaugurated by the Ministry of Labour and "designed to help the engineering industry to solve current problems of labour utilisation." Profusely illustrated, this bulletin is of intense interest, not only to employers and to actual and potential munition workers, but to all who appreciate that Britain's existence as a nation depends upon the use that is made of our labour force. The first issue, dated June, is largely, but by no means exclusively, concerned with training. The account of the work of the Government training centres is encouraging. Training now appears to be planned soundly and calculated to produce a semi-skilled workman who will have nothing to unlearn if he later shows a capacity to develop further, but not aiming at too ambitious an immediate result. Special courses, both for beginners and for men who are to be upgraded, are often arranged to suit the needs of individual employers, who can visit the centres and examine for themselves the progress being made by their employees-designate. This, in present conditions, must be a valuable service. The training, at a technical college, of women as machinists is described in another article, and yet another gives a most glowing account of the part played by women in war industry. It appears that they can be used for heavier work than had hitherto been believed possible, especially when aided by

intelligent adaptation of the job, as, for example, by the provision of slightly smaller shovels for stoking. Far more important, they are successful in precision work—some are employed in optical grinding and polishing to the limit of .0000025 in.—and particularly good at inspection and as machinists, while in certain work requiring delicacy of feel they are measurably better than men. Though not apparently designed for that purpose, this bulletin should have a very considerable recruiting value, for it conveys a definite and attractive idea of the sort of work likely to be encountered by those who "go on munitions." For those who seek information at a crucial point in the war effort, the vital fact—the number of trainees coming forward to do war work—is not made plain.

* * *

Pooling Technical Knowledge

In view of the many technical problems involved in the adaptation of industry to the production of military equipment, and of the need to utilise resources as efficiently as possible, the pooling and dissemination of technical knowledge is a matter of vital importance. As a contribution to this end, the Institution of Production Engineers, which has a large membership of works managers, has set up a technical and publications committee. One of the committee's means for the dissemination of knowledge is a monthly bulletin, the first number of which was published recently. It contains useful notes on designing for production, on the functions of Area Board clearing centres, on a new advisory service on welding, on methods of training in an engineering factory and on other problems. The notes on designing are particularly interesting in that they emphasise the need for closer collaboration between the designer and the production expert in the interests of economy in materials and speed of production; for example, it is often possible to achieve an appreciable simplification of production processes by comparatively minor adjustments in designs. And since both labour and materials are in scarce supply, anything that leads to their more efficient utilisation and to greater speed in production is an important contribution.

* * *

Road Haulage and Essential Work Order

In view of the important part played by the road haulage industry in maintaining inland communications, it has been necessary to safeguard its labour resources. The Ministry of Labour and National Service has therefore agreed to accept for scheduling under the Essential Work (General Provisions) Order, 1941, firms engaged in the industry which operate 20 or more vehicles. (The position of the smaller firms is still under consideration.) All firms holding either A or B licences can apply for the application of the Order. Holders of C licences are only eligible if they can properly be regarded as engaged in road haulage

and have a separate and identifiable department or staff, and in their case the application is to be confined to the department concerned. It remains to be seen whether the decision to allow road haulage undertakings to be scheduled is the prelude to the extension of official control over road traffic; this was initiated on a small scale last January, when the then Ministry of Transport decided to enter the business on its own account by hiring lorries from the hauliers for the purpose of carrying goods for the various Government Departments.

* * *

Winter Clothes in Good Time

The introduction of the coupon system for clothing has made possible a temporary modification of the limitation of supplies regulations, designed to make winter clothing available at the beginning of the season. A general licence has been issued enabling registered hosiery and clothing manufacturers and wholesalers to supply, until August 30th, children's clothing and the cheaper kinds of adult clothing against coupons, but outside the home-trade quotas. No further authority is required for this extra trade, but persons supplying under the general licence must afterwards furnish the Board of Trade with a list of the amount and kinds of goods so supplied during the period July 11th-August 31st. Where manufacturers are unable to supply from stock, and where there are likely to be difficulties about raw materials, they can apply to the Board of Trade, and the appropriate Control will make the necessary arrangements. The garments covered by this licence are: children's garments in sizes exempt from purchase tax; suits up to £2 5s. each; sports coats up to 15s. 6d. each; trousers up to 8s. per pair; woollen cloth up to 6s. 6d. per yard; shirts up to 55s. a dozen (these are all wholesale prices); and the cheaper grades of men's and women's underwear, socks, stockings and corsets. Most of the goods specified are cotton, but woollen vests, pants and socks of the cheaper grades are also included. The limitation of supplies quotas remain in force, at any rate until the end of September, but these goods, for the time being, are entirely outside it. This enables purchasers to use their coupons at the time most convenient to themselves, which will normally be before the beginning of the winter, instead of having to wait until their sold-out retailers receive their next quota, as they frequently had to do last autumn. The Board of Trade states that "the continuation of these quotas will be reviewed in due course," and it seems likely that they will be superseded now that the more elastic system of coupons has been established.

Rice versus Wheat

In its March issue of *Wheat Studies*, the Food Research Institute of Stanford University makes an interesting examination of the parts played by wheat and rice as staple cereals. About four-fifths of the world's population depends upon one or the other for at least half of the cereal calories in its diet. The conditions of supply and demand for these two cereals are remarkably different. Rice requires a hot climate, is grown in flooded fields, requires a great deal of labour, gives a higher yield than almost any other similar crop, and is very reliable. Moreover, the land on which it is grown can often be double cropped. In densely populated countries with hot damp climates it is thus unrivalled as a staple cereal, while wheat would be out of the question. Marketing technique for rice is not nearly so highly developed as that for wheat, so that trading is more individualistic and therefore more risky. This leads to a wide spread between producers' and retailers' prices and to a tendency for the farmer to be victimised. Recognition of this in the Far East has led to Government intervention in many instances. A further disadvantage under which rice labours is the much greater difficulty of storing it. Only Japan undertakes this systematically, and even she does not store on a very large scale. On the demand side, rice and wheat differ equally widely. In wheat-eating countries, wheat only furnishes 25-35 per cent of all the food calories available or ingested, while rice provides 70-90 per cent of the calories available or ingested in the Orient. Moreover, rice is eaten whole (after various processes of milling and polishing), and served freshly cooked, whereas wheat is ground into flour and then made up into bread or other dishes. This means that the ultimate consumer can and does distinguish between different kinds of rice in a way quite impossible to the wheat eater. It also means that the substitution of wheat for rice involves far more complicated changes in the dietary than the mere substitution of one cereal for another, for the accompaniments which an oriental uses to flavour and add nutriment to a dish of boiled rice are fundamentally different from any which are used in conjunction with bread. The latter, if obtainable at all in rice-growing countries, would be beyond the peasant's means. In any case, the much more elaborate processing which wheat undergoes before it reaches the table makes it far more expensive, relatively to rice, than a comparison of the grain prices would suggest. Thus, though wheat has certain advantages over rice, it seems likely that traditional preference, convenience, economy, and the absence of any alternative employment for either the land or the labour of most of the rice-growing countries will prevent any substantial change from rice to wheat for a long time to come.

COMMODITY AND INDUSTRY NEWS

PEPPER prices show further rises, with white Muntok a penny up on the week and Lampong black $\frac{1}{4}$ d. higher. On Tuesday white Muntok, spot, in bond, was 15d. a lb. and Lampong black was 9 $\frac{1}{4}$ d. Tin, standard cash, closed at £256 15s. £257 per ton on Wednesday, the same as a week ago; three months was £260 5s. 10s. compared with £260 10s. 15s. The rubber market has again been quiet, but a feature of the week was the announcement of the dealers' fee of $\frac{1}{4}$ d., discussed below. The price of smoked sheet, spot, quoted on Tuesday was 13 $\frac{1}{4}$ d. a lb.

Rubber Dealers' Fee.—Rubber Trade Association members have welcomed the Rubber Control's announcement that dealers will be paid a fee of $\frac{1}{4}$ d. a lb. on all rubber bought through them by the Control. This fee will enable many of them who were considering closing down for the duration of the war to carry on. It is thought that the Rubber Controller may have had in mind the potential importance of the Exchange in post-war business in reaching this decision. The United States Government recently made a similar arrangement in that country. The London dealers' fee was payable from July 14th, but details of how it is to be paid have not yet been announced.

American Cotton Crop.—The Department of Commerce of the United States Government has estimated the area under cultivation for cotton for the 1941-42 season at 23,519,000 acres. This is 5.4 per cent less than a year ago and is the smallest total on record since 1909, when the present system of reports was begun. It is too early in the season for any reliable estimate to be issued as to the probable output, but some authorities are forecasting only about 10,000,000 bales for the current season, as against last year's 12,500,000 bales. In view of the acreage report and further news of unfavourable weather in the belt, cotton prices in the United States have continued to advance. The position in Lancashire is not affected by these recent developments, as prices are fixed until October 31st.

Cotton.—There has been further evidence in the Manchester market of demand exceeding supply, and it would seem that owing to the concentration of production scheme producers cannot satisfy the requirements of customers. Government supplies and export business receive first consideration, but the Controller is now allowing rather more raw cotton for home trade fabrics to

make certain that coupons can be met. The Controller has advised spinners that all contracts arranged must be for deliveries to be completed within three months.

Tinplate Industry Concentration.—A committee has been appointed by the Minister of Supply to consider and report on the application to the tinplate industry of the policy of concentration of industry, having regard to the measure of redundant plant existing in the industry. The Right Hon. the Lord Essendon, J.P., is chairman, and the other members of the committee are Captain H. Leighton Davies, C.B.E., J.P., Mr. J. E. James, Major Llewellyn David, Messrs R. G. Lewis, John Brown, and P. Owen. Mr. J. C. Carr, Raw Materials Department, Ministry of Supply, will act as secretary to the committee.

Paper Box Industry.—It has been decided to set a limit to the period within which voluntary arrangements for concentration of production in the paper box and carton industries can be submitted to the Board of Trade, and the closing date has been fixed as July 31st. Application for voluntary concentration

(Continued on page 89)

(Continued from page 83)

DAILY AVERAGE 50 COMMON STOCKS

Year	July 3	July 4	July 6	July 7	July 8	July 9
1941	98.0	(a)	98.0	99.8	101.8	101.9

1941 High: 105.80, January 10. Low: 90.70 April 30.

(a) Independence Day.

Capital Issues

Week ending July 19, 1941	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	400,000	Nil	400,000
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	210,007	Nil	210,007
Net Savings Certs.†	3,416,330	Nil	3,416,330
3% Nat. War Bonds (a)	3,489,875	Nil	3,489,875
3% Nat. War Bonds (a) (w)	8,611,083	Nil	8,611,083
3% Savings Bonds (a)	7,769,807	Nil	7,769,807
† Week to July 6, 1941. Total sales, Nov. 22, 1939 to July 1, 1941, £323,399,047.			
1939 to July 1, 1941, £311,743,305. (a) Total sales to July 8, 1941, £234,089,179. (w) Total sales January 2, 1941, to July 8, 1941, £36,431,029.			

Year	Including Conversions	Excluding Conversions
1941 (New Basis)	888,566,987	839,032,405
1940 (New Basis)	965,465,539	612,510,406
1941 (Old Basis)	884,750,711	837,946,567
1940 (Old Basis)	950,556,132	597,800,999

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
'41 (New Basis)	835,800,059	£ 3,162,346	70,000
'40 (New Basis)	611,747,994	763,012	Nil
'41 (Old Basis)	835,046,567	2,900,000	Nil
'40 (Old Basis)	597,858,543	142,456	Nil

Nature of Borrowing (Conv. Excl.)

Year	Deb.	Pref.	Ord.
'41 (New Basis)	835,259,223	304,460	3,468,722
'40 (New Basis)	597,721,188	1,290,005	13,499,213
'41 (Old Basis)	835,046,567	Nil	2,900,000
'40 (Old Basis)	596,701,367	77,500	909,132

"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

Allied Sumatra Plantations, Limited.—In his speech at the ordinary general meeting, the chairman, Mr. A. I. Mathewson, drew attention to the satisfactory rise in gross profits for which the higher price of rubber and the increase permitted in standard production were jointly responsible. The failure to pass on to the shareholders a corresponding increase in distributable earnings is due to the very heavy rise last year in Netherlands East Indies taxation and to the fact that the company is liable to double taxation on a considerable scale. The prospect for the current year suggests that the exportable crop will reach a new record, but that, as before, taxation will absorb a large slice of gross profits.

Cunard Steamship Company Limited.—The £3,683,615 outstanding of the 5 per cent mortgage debenture stock of this company is to be redeemed on February 2, 1942.

COMPANY MEETINGS

IMPERIAL BANK OF IRAN

SATISFACTORY RESULTS

DIVIDEND MAINTAINED

The fifty-second ordinary general meeting of the Imperial Bank of Iran was held, on the 16th instant, in London.

Colonel Sir A. Henry McMahon (the chairman) said: Gentlemen, You will have noticed that the rate of exchange at which the rial accounts are converted to sterling is about 6½ per cent. higher this year, which would have the effect of reducing the sterling equivalent, in the balance sheet, of the items in Iranian currency. Deposits, when allowance is made for this factor, show very little change, and the same applies to bills payable.

The acceptances item reflects a substantial reduction, in guarantees issued for railway contractors whose commitments have run off, and in credits opened mainly in respect of imports from America. Trade with Russia, and with Germany by transit through the Caucasus, has for some years been conducted under barter and clearing agreements, and even in times of peace would therefore not come into the picture so far as we are concerned. Trade with India has been normal, but business with America and with this country has been reduced by war-time difficulties.

The figures of cash and investments are practically unchanged. Discounts, loans and advances show an increase which is more than accounted for by money lent by us on short term in London and by deposits with our bankers in India and America on behalf of our customers.

Bills receivable show a reduction of £240,000—reflecting the reduced trade with America and this country which I mentioned when speaking of credits opened by us.

RESTRAINED ACTIVITIES ABROAD

You may recall that a year ago I referred to our increased commitments in Iran and Iraq, where we had found ourselves able to utilise more of our resources. This year our activities abroad have been more restrained, and our present position is such that we can face all possibilities of the future without undue anxiety.

Notwithstanding our reduced commitments, and in spite of heavier taxation, we are able to show a profit which is only £1,000 less than last year. We propose therefore to pay the usual dividend, and to increase the amount carried forward by £7,440.

Iran is happily at peace with all the world, and if the will of her statesmanlike ruler, and the desire of her industrious people, can prevail, she will remain so. Her foreign policy is still centred on good neighbourly relations with the countries on her borders. The preservation of her own integrity is obviously essential to the material and moral development in which she has steadily progressed in the past twenty years. The signs of stability and progress have been most evident, over the year under review, in the general activity of residential, municipal, and industrial building construction throughout Iran, and in the energetic pursuit of railway construction eastward to Khorasan, northwestward to Agerbaijan, and southeastward towards the Baluchistan frontier, where we reopened our Zahedan Branch last summer.

The expansion of internal activity calls for more currency, and the authorised limit of note issue, supported by adequate reserves, has recently been raised to two thousand million rials. The actual circulation is much below this figure.

POSITION IN IRAQ

In Iraq, the poor harvest of last year left no surplus of wheat, and little of barley, for export, and the Basra date crop was partly unsold. The cotton crop which was a good one was taken by Japan. In the late spring of this year the normal process of trade was abruptly halted, as you know, by political misadventure. Our Baghdad branch was under hostile control from May 2nd till June 10th, but no irreparable damage was suffered in this brief interlude. I take the opportunity of expressing our thanks to the British Ambassador for his hospitable care of our British staff in Baghdad during a somewhat trying period.

Our British, Iranian and Iraqi staff have once more fully merited our cordial appreciation of their good work. To them and to those who have joined the fighting services, we extend our thanks and good wishes.

The report and accounts were unanimously adopted.

NATIONAL BANK OF NEW ZEALAND, LIMITED

RESULT NOT UNSATISFACTORY

The sixty-ninth ordinary general meeting of the National Bank of New Zealand, Limited, was held, on 17th instant, in London.

The Rt. Hon. Lord Balfour of Burleigh (the chairman) said that deposit and current accounts at £15,181,000 were up by £275,000 and bills payable and other liabilities by £165,000. Those increases were reflected in an almost exactly similar increase of £433,000 in their advances to £11,713,000. New Zealand Government Treasury Bills, which stood last year at £450,000, did not appear in this year's balance sheet, and there were counter-balancing increases of £272,000 in the cash in hand and balances with bankers and £245,000 in investments, £65,000 of the latter increase being in British Government securities and £180,000 in New Zealand Government securities. The figure for bills receivable in London and in transit was lower by £175,000 and now stood at only £125,000, due to the fact that the bulk of New Zealand exports were now financed by the New Zealand or United Kingdom Governments instead of by the trading banks. The rise of £210,000 in bills receivable in New Zealand and in transit was chiefly due to delays in arrival of mails to New Zealand. After the allocation of £10,000, premises appeared at £3,000 lower than last year.

The year's accounts showed a net profit of £81,736, which was £4,413 less than last year. Considering the difficult circumstances in which the past year's work had been carried on and remembering the large increases in rates and taxation that had occurred, he thought that was not an unsatisfactory result on the year's working. They had not yet thought it desirable to close any of their branches, but economies in expenses of administration had been effected wherever possible. In January they had paid an interim dividend of 1½ per cent. less United Kingdom income tax. No allowance was then made for Dominion income tax relief. They now proposed to make that adjustment by paying a final dividend of 2 per cent. free of tax. There would then be left £115,849 to be carried forward, which was £486 more than last year. It was not their present intention to continue to pay the dividend free of tax in future years.

The Dominion Budget figures for the year to March 31, 1941, showed that the total revenue exceeded the Budget estimate by well over £3,000,000 and that there was a surplus of £1,726,000. Those results were very gratifying, but it was important to remember that those were the figures of the consolidated fund only and did not include those of the war expenses account or of the social security account. During the same period the trading figures were most satisfactory, the excess of exports being £18,609,000 sterling as against £11,257,000 for the year to March 31, 1940. He would, however, again draw attention to some of the less favourable features of the situation. The United Kingdom Government had found it necessary to curtail imports of meat from New Zealand and the effect of that upon New Zealand's overseas assets was bound to be serious. It might be that in the difficult shipping position New Zealand would suffer a further shrinkage in her income from exports, and it would be folly for her to neglect that danger and to squander her sterling balances by relaxing the import restrictions which had led to so great an improvement in the external position.

TRIBUTE TO N.Z. FORCES

He must refer with special pride to the great feats of arms performed by New Zealand troops. Tribute had been paid to their behaviour by the Prime Minister and they had earned the admiration of the world. Faced with so much sacrifice they did well to keep constantly in mind the object for which they were fighting and in defence of which the Empire was unitedly at war. That could hardly be better defined than in the words of President Roosevelt as the four freedoms—freedom of speech, freedom of religion, freedom from want and freedom from fear. It was his own conviction that, if they were to have the best chance of securing those great objects not only for themselves but for the whole world, they must somehow or other find time to give thought now to the physical and economic problems involved in their attainment. There could be no greater stimulus to the people than to know that there was a prospect of a smooth transition from war to peace, and that this time they would have the foresight to avoid the mistakes which had led them again to war within twenty years of triumphant victory.

The report and accounts were unanimously adopted.

ALLIED SUMATRA PLANTATIONS, LIMITED

SUBSTANTIAL CONTRIBUTION TO THE WAR EFFORT

RECORD CROP EXPORTED

R. A. L. MATHEWSON ON INTERNATIONAL GOOD WILL

The fifteenth ordinary general meeting of Allied Sumatra Plantations, Limited, was held, on Wednesday, the 16th instant, at 19, Fenchurch Street, London, E.C.

Mr A. L. Mathewson, the chairman, presided. The chairman's review of the company's affairs, which had been circulated with the annual report and accounts, contained the following and was taken as read:—

In all but one respect the year 1940 was a satisfactory one from a profit-earning point of view. The net revenue from the sale of produce was over half as much again as in the previous year, but for reasons which I shall explain the dividends paid to us by our local companies total only £75,000, as compared with £88,000 in 1939, and we are in a position to distribute only the same rate of dividend as for that year.

Our estates were entitled to export in 1940 77½ per cent. of standard production, as against 55½ per cent. in 1939. This enabled our local companies to bring into the accounts under review a crop of 9,245,056 lbs., compared with 6,606,808 lbs. in the previous year.

After taking in the unsold portion of the crop accounted for at a conservative valuation, our average sale price is equivalent to approximately 1s. 0½d. per lb. London landed equivalent.

These improvements, both in the crop accounted for and in the sale price, resulted in a striking increase in the net revenue of our local companies, from which, by way of dividends, Allied Sumatra derives its main income.

Compared with £158,464 for 1939, for 1940 the equivalent in sterling of the combined profits of the local companies before charging taxation was £274,035

Interest earned by Allied Sumatra in London	£6,922
was	
Deduct London office expenses and directors' fees	3,760
	3,162

The total of £277,197 represents almost 20 per cent. on the issued capital of Allied Sumatra. It is natural for stockholders to enquire why, if nearly 20 per cent. has been earned, only a meagre dividend of 4 per cent., less tax at 10s. in the £, can be distributed to them. The following figures provide the answer:—

Provision for Netherlands Indies Government export duties, war profits and company taxes takes	£170,700 = 12½% on the issued capital.
--	--

(Compared with £46,300 for 1939.)	
Reserve for British N.D.C. is	£4,650
Provision for income-tax by transfer to reserve £17,000 plus by deduction from proposed dividend	£45,000
£28,000	49,650 = 3½%
	£220,350 = 15½%

Provision for depreciation of mature areas	£22,991
And for writing off the year's expenditure on buildings, machinery and plant	4,981
	27,972 = 2%
Dividend of 4%, less tax at 10s. in the £ takes	28,000 = 2%
Balance of profit added to the carry forward of local and Allied Sumatra companies	875 —
Total	£277,197 = 19½%

The following is the explanation of the greatly increased provision for Netherlands Indies taxes. Ordinary export duty payable on rubber shipped from that territory was continued at the 1939 rate of approximately ½d. per lb. The rate of Defence Export Duty was trebled for the second half of 1940, and in August a

War Export Duty equivalent to about ½d. per lb was imposed. The War Profits Tax levied on the statutory excess of profit over pre-war standard was continued at 63 per cent., but company-tax now takes 40 per cent. of the balance of statutory profits remaining after deduction of the War Profits Tax: the 1939 percentage was 35.

All estates' expenditure was kept to the minimum compatible with upkeeping the properties at the desired high standard of agricultural efficiency.

In continuance of our policy of gradually replanting older rubber areas with up-to-date material, the old trees on 379 acres were removed during 1940 and replaced with budgrafts of the finest available strains.

The planting during 1940 of 515 acres of oil palms marks the completion of a programme designed to extend our oil palm plantation up to an economic unit.

CURRENT YEAR'S PROSPECTS

As regards the financial year now current, it seems highly probable that we shall be permitted to export an even larger crop than in 1940, which was a record one for the company. If the present market price of the commodity is maintained throughout the year we should show a further improvement in gross earnings, but there is no doubt that once again the lion's share will go to the Netherlands Indies and British Exchequers.

The only consolation stockholders have in bearing this fantastically disproportionate burden of double taxation is the knowledge that a magnificent contribution in cash is thus meantime being made towards the common war effort and that the estates are producing a commodity so vital to that effort. Looking ahead, however, it would, I fear, be wishful rather than realistic thinking to expect an early return to pre-war scales of taxation when victory for our common cause ultimately brings us peace. Obviously, this company and other British enterprises engaged in tropical agriculture in the Netherlands Indies cannot permanently continue to hand over to the two Governments the greater part of their profits and themselves shoulder future periodical losses. To do so could hardly fail sooner or later to undermine the efficiency or even lead to the gradual liquidation of this section of the plantation industry, representing an investment of at least 30 to 40 million pounds of British capital. Another consideration, far from unimportant, is that enterprises such as ours employing both Dutch and British staff living side by side engaged on similar work and problems exemplify one of the best means of promoting mutual international respect, understanding and good will. The framing of post-war relations between ourselves and all other nations who value our way of life and who support us in the present grim battle to preserve it will obviously demand wise and far-seeing statesmanship. A primary aim must surely be to strengthen and by every practicable means further develop the economic and social ties uniting us. In this connection the finding of ways and means of providing a reasonable measure of relief from a double tax burden so severe as seriously to threaten certain of these ties is clearly one of the questions which should receive the attention of our own statesmen and those of gallant Allies now in our midst. Fortunately, it is one that ought to prove easier of adjustment than some of the other problems that will confront them.

The report and accounts were unanimously adopted.

THE TRUSTEES CORPORATION, LIMITED

DIVIDEND MAINTAINED

The 53rd ordinary general meeting of The Trustees Corporation, Limited, was held, on the 16th instant, at Winchester House, London, E.C.

Mr W. Sandford Poole, chairman of the Corporation, in the course of his speech, said that they would appreciate that throughout the year to May 31st last the business of Investment Trusts was confined and restricted as never before. For the 12 months to May 31st last income from interest and dividends, before providing for British taxation, amounted to £184,671, compared with £187,429 for the previous year, a result which he believed in the circumstances would be regarded as not unsatisfactory.

There had been one outstanding exception to the lack of opportunity for new investment. They, in common with all other financial institutions in the City of London, had felt an urge, irrespective of the comparatively meagre financial return to be derived,

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended July 12, 1941, total ordinary revenue was £25,106,000, against ordinary expenditure of £27,338,000, and issues to sinking funds of £130,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £866,078,000 against £605,488,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	Receipts into the Exchequer (£ thousands)	Week ended July 12, 1941	Week ended July 13, 1940	Week ended July 12, 1940
ORDINARY REVENUE					
Income Tax	756,000	40,823	98,079	8,519	6,026
Sur-tax	80,000	7,160	8,719	350	560
Estate, etc.	82,000	26,960	28,614	1,610	3,509
Stamps	14,000	3,780	2,731	210	...
N.D.C.	210,000	5,420	4,890	460	521
E.P.T.	1,000	130	145	10	20
Other Inland Rev.	114,300	93,833	190,517	12,789	14,596
Customs	310,700	81,313	94,838	5,227	6,636
Excise	266,660	38,100	60,500	900	2,400
Total Customs & Excise	577,360	119,413	155,338	6,127	9,036
Motor Duties (Net Receipts)	39,000	6,698	6,262	974	877
Crown Lands	3,300	3,850	2,650	600	550
Sundry Loans	1,100	280	280	...	...
Miscell. Receipts	20,000	476	852	53	45
Total Ord. Rev.	1,786,360	229,692	370,691	20,650	25,106
SELF-BALANCING P.O. & Broadcasting	99,346	22,250	26,450	800	950
Total	1,885,706	251,942	397,140	21,450	26,056

Expenditure	Estimate, 1941-42	Issues out of the Exchequer to meet payments (£ thousands)	Week ended July 12, 1941	Week ended July 13, 1940	Week ended July 12, 1940
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	90,892	98,306	996	1,225
Payments to N. Ireland	9,200	1,928	2,038	...	...
Other Const. Fund Serv.	7,800	3,195	2,831	244	...
Total	272,000	96,015	103,175	1,240	1,225
Supply Services	393,497	737,066	1,131,557	63,000	76,113
Total Ord. Exp.	420,697	833,081	1,234,732	64,240	77,338
SELF-BALANCING P.O. & Broadcasting	99,346	22,250	26,450	800	950
Total	430,633	855,331	1,261,182	65,040	78,288

After decreasing Exchequer balances by £211,471 to £2,628,181, the other operations for the week (no longer shown separately) raised the gross National Debt by £50,553,655 to about £12,204 millions.

NET ISSUES (£ thousands)	
Overseas Trade Guarantees	11
P.O. and Telegraph	200
Anglo-Turkish Arms	1
Total	212

NET RECEIPTS (£ thousands)	
Under War Damage Act	1,800
Land Settlement	9
Total	1,809

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1941, to July 12, 1941, are:—

Ordinary Exp.	Inc. in balances	Ord. Revenue	Gross bor.	Net borrowing	Misc. Receipts
1,234,732	2	370,690	859,857	2,037	857,820
				(net)	6,224
1,234,734					1,234,734

BANK OF ENGLAND RETURNS

JULY 16, 1941

ISSUE DEPARTMENT

Notes Issued:			
In Circulation	650,920,059	Govt. Debt	11,015,100
In Bankg. Department	29,321,516	Other Govt.	666,438,187
		Securities	2,286,066
		Silver Coin	260,647
		Am. of Fed. Issue	680,000,000
		Gold Coin & Bullion (at 168s. per oz. time)	241,575
			680,241,575

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs.	142,842,838
Rest.	3,335,279	Other Secs.	11,567,608
Public Deps.	28,880,522	Discounts	19,548,145
Other Deps.	108,108,434	Advances	31,115,813
Other Assets	50,154,874	Notes	29,321,516
		Gold & Silver Coin	1,751,942
			205,032,109

THE WEEK'S CHANGES

Both Departments	Amount, July 16, 1941	Compared with Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	650,920	+2,890	+42,003
Deposits: Public	28,881	+18,353	+27,156
Bankers	108,108	+23,686	+28,943
Others	50,155	+2,240	+1,079
Total outside liabilities	838,064	+4,683	+42,711
Capital and rest	17,888	-31	-55
COMMON ASSETS			
Govt. debt and securities	820,296	+9,962	+38,565
Discounts and advances	11,568	+4,130	+8,543
Other securities	21,834	+1,132	+4,833
Silver coin in issue dept.	261	...	...
Coin and gold bullion	1,994	+50	+629
RESERVES			
Res. of notes and coin in banking dept.	31,073	+2,841	+8,625
Proportion (reserve to outside liabilities in banking dept.)	16.6%	+0.8%	+4.6%

COMPARATIVE ANALYSIS

	1940	1941
Issue Dept.:		
Notes in circulation	608.9	643.4
Notes in banking department	21.3	36.9
Government debt and securities	625.9	677.5
Other securities	3.6	2.2
Silver coin	0.5	0.3
Gold, valued at s. per fine oz.	0.2	0.2
Deposits:		
Public	56.0	12.3
Bankers	79.2	164.4
Others	51.2	53.2
Total	186.4	229.9
Banking Dept. Secs.:		
Government	155.9	182.3
Discount, etc.	3.0	8.4
Other	23.0	18.4
Total	181.9	209.1
Banking depart. res.	22.4	38.5
"Proportion"	12.0	16.7

* 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 May 8th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Mellie Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Reichsbank, of Feb. 15th; Egypt and Japan, of May 10th; Bulgaria, Turkey, of May 31st; U.S. Federal Reporting Member Banks, Greece, Yugoslavia, of June 7th; Sweden, Roumania, Argentina, of June 21st; International Settlements and Hungary, of July 5th; Australia, India, New Zealand, Portugal and Prague, of July 12th.

BANK OF CANADA.—Million Can. \$.

Assets	June 25, 1940	June 11, 1941	June 18, 1941	June 25, 1941
Reserve: Gold	8.9	245.2	260.8	294.8
Securities	521.2	498.3	530.6	541.1
LIABILITIES				
Note circulation	267.1	387.3	388.7	388.3
Deposits: Dom. Govt.	39.1	137.8	165.6	231.4
Chartered banks	203.4	211.5	231.3	222.1

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

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS RESOURCES	July 11, 1940	June 26, 1941	July 3, 1941	July 10, 1941
Gold Certifs. on hand and due from Treasury	17,944	20,314	20,312	20,311
Total reserves	18,316	20,608	20,562	20,573
Total cash reserves	360	285	241	252
Total U.S. Govt. sec.	2,450	2,184	2,184	2,184
Total bills and sec.	2,461	2,195	2,196	2,197
Total resources	21,556	23,805	23,846	23,781
LIABILITIES				
F.R. notes in circ.	5,232	6,633	6,788	6,707
Mr. bank res. dep.	6,830	5,150	5,270	5,270
Govt. deposits	13,764	12,985	13,125	12,971
Total deposits	297	1,081	837	1,038
Total liabilities	15,336	15,957	15,782	15,766
Reserve ratio	89.0%	91.2%	91.1%	91.1%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	20,166	22,620	22,627	22,640
Treasury & bank currency	3,015	3,148	3,150	3,152
LIABILITIES				
Money in circulation	7,884	9,490	9,704	9,695
Treasury cash and dep.	2,488	3,356	3,113	3,330

SOUTH AFRICAN RESERVE BANK

Million £'s	June 7, 1940	May 16, 1941	May 23, 1941	May 30, 1941
ASSETS				
Gold coin and bullion	36.36	50.30	50.47	50.72
Bills discounted	8.43	0.59	0.35	0.47
Invest. and other assets	25.54	39.14	39.28	40.74
LIABILITIES				
Notes in circulation	20.31	22.82	22.71	26.18
Deposits: Government	5.90	2.84	2.98	2.47
Bankers'	33.14	54.13	53.05	51.70
Others	6.44	6.51	7.44	7.48
Reserve Ratio	54.5%	58.4%	58.4%	58.1%

SWISS NATIONAL BANK

Assets	May 23, 1940	May 31, 1940	June 13, 1941	June 30, 1941
Gold	1981.9	2168.3	2292.5	2283.1
Foreign Exchange	246.8	360.6	1310.1	1310.5
Discounts, etc.	391.6	174.3	62.6	62.4
Advances	148.4	143.8	24.0	27.0
Securities	86.6	86.9	69.8	69.8
LIABILITIES				
Notes in circulation	2225.6	2245.6	2041.5	2115.2
Other sight liabilities	564.7	565.1	217.3	215.1

MONEY MARKET

EXCHANGE RATES
The following rates fixed by the Bank of England remained unchanged between July 11th and July 18th. (Figures in brackets are par of exchange.)
United States. \$ (4.86) 4.02-03; mail transfers 4.02-03. Canada. \$ (4.86) 4.45-47; mail transfers 4.43-47. Switzerland. Francs (25.22) 17.80-40. Sweden. Krona (18.159) 16.85-95. Argentina. Peso (11.45) 16.95-17.13; mail transfers 16.95-17.15. Dutch East Indies. Florin (12.11) 7.58-62; mail transfers 7.58-64. Dutch West Indies. Florin 7.58-62; mail transfers 7.58-64. Portugal. Escudo (110) 99.80-100.20. Panama. \$ (4.02-04) 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. Italy. 71.25 lire.

Market Rates
The following rates remained unchanged between July 11th and July 18th.
Finland. Mark (193.23) 180-210 (Nominal). Egypt. Piastres (97) 97-1. India. Rupee (18d. per rupee) 17.33-18. Hongkong. 14-15d. per \$. Japan. Yen (84.58d. per yen) 13-14. Singapore. \$ (28d. per \$) 28-30. Colombia. Peso 6 (sellers). Belgian Congo. Francs 176-1. Shanghai. July 8th-13th, 2-3; July 14th-18th, 3-3.
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 2 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 July 11th and July 18th:—
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 1/2-1 1/4%; 6 months, 1 1/4-1 1/2%. Treasury Bills: 2 months, 1-1 1/4%; 3 months, 1 1/4%. Day-to-day money, 1-1 1/4%. Short loans, 1-1 1/4%. Bank deposit rates, 1%. Discount deposit at call 1%; at notice 1%.

AMERICAN WHOLESALE PRICES

	July 1, 1941	July 8, 1941	July 15, 1941	July 22, 1941
METALS (per lb.)—cont.				
Spelter, East St. Louis, spot	7.25	7.25		
MISCELLANEOUS (per lb.)—cont.				
Cocoa, N.Y., Acera, July	7.37	7.54		
Coffee, N.Y., cash—				
Rio, No. 7	11 1/2	11 1/2		
Santos, No. 4, Am. mid. spot	15.33	15.92		
Cotton, Am. mid., July	14.50	15.11		
Cotton, Am. N.Y., July	11.50	12.25		
Cotton, N.Y., July	9.85	10.65		
Lard, Chicago, July				
MISCELLANEOUS (per lb.)—cont.				
Petroleum, Mid. cont. crude, per barrel	117	117		
Rubber, N.Y., smkd. sheet spot	21 1/2	21 1/2		
Sugar, N.Y., Aug. Sept.				
deg. spot		3.52	3.46	
Sugar, N.Y., 96 deg., No. 4				
f.o.b. Cuba, Sept.	1.104	1.124		
Moody's Index of staple commodities, Dec. 31, 1931=100	202.0	205.0		

* Official rate 29.78.

THE WEEK'S COMPANY RESULTS

British Linen Bank . . .	100
Other Sub Banks . . .	100

WILLIAMS DEACON'S BANK, LIMITED

COUTTS AND COMPANY

LIABILITIES			ASSETS		
	June 30, 1940	June 30, 1941		June 30, 1940	June 30, 1941
"A" Shares	1,896	1,896	Cash	10,307	12,048
"B" Shares	316	316	With other Banks	3,822	4,789
"C" Shares	764	764	Money at Call, etc.	8,301	7,168
Reserve Fund	2,976	2,976	Bills of Exchange	11,115	8,250
Deposits	93,050	114,529	Treasury Deposit Re- ceipts	Nil	16,000
Acceptances	1,699	326	British Govt. Stocks	27,912	40,894
Endorsements	2,787	2,925	Dominion, Colonial Stocks, etc.	2,628	2,393
			Other Investments	216	190
			Advances	33,108	27,217
			Acceptances	4,486	3,250
			Bank Property	1,593	1,533
Total	103,488	123,732	Total	103,488	123,732

Statistics for June 1941 (on Basis of £8 8s. 0d. per fine ounce)

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	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.		
Financial, Land, &c.															
Gas Consolidation	May 31	53,953	...	£ 21,918	£ 30,542	£ 5,865	£ 13,051	% 5	£ ...	+ 3,002	£ 51,951	£ 24,209	% 5		
Hamstead Garden Sub. Trust	Mar. 31	26,156	...	5,182	8,217	...	5,500	5	...	+ 318	27,203	5,886	5		
United Kingdom Gas Corporation	Dec. 31	264,543	...	89,302	103,452	64,324	24,950	4	...	-	269,277	113,471	5		
Coal, Iron and Steel															
Avery (W. & T.)	Mar. 31	185,365	44,704	130,661	195,868	8,604	68,512	15	55,000	- 1,455	207,714	141,098	15		
Mirrlees, Dickerton & Day	Mar. 31	14,822	...	14,822	23,109	2,001	13,980	6	...	- 1,159	27,265	25,596	6		
Rubber															
Allied Sumatra	Dec. 31	81,922	...	56,512	118,294	...	56,000	4	...	+ 512	94,475	59,370	4		
Devitural	Dec. 31	25,804	2,267	8,297	9,955	...	8,427	41	...	+ 130	20,081	9,037	41		
Dorankande	Dec. 31	8,538	...	4,341	7,018	...	4,219	81	...	+ 122	2,610	2,115	47		
Javan Amalgamated	Dec. 31	39,351	1,000	13,436	18,093	...	11,562	61	2,000	-	23,528	19,036	61		
Krubong (Malaya)	Sept. 30	3,255	250	1,815	2,135	...	884	3	...	+ 931	695	140	Nil		
Madingley (Malay)	Feb. 28	9,212	...	2,880	4,144	...	2,618	7	...	+ 262	6,917	3,712	5		
Malayan Para	Dec. 31	27,768	1,089	8,122	15,883	...	5,687	6	2,453	- 18	16,145	9,718	4		
Medini	Dec. 31	6,005	...	2,788	5,677	...	3,000	6	...	+ 212	5,138	2,658	5		
Rubber Estates of Johore	Dec. 31	11,533	766	10,032	22,297	...	7,537	4	2,500	- 5	4,560	4,560	2		
Tarun (Malay)	Dec. 31	19,190	...	5,344	10,252	...	5,000	10	...	+ 344	12,913	5,532	8		
Telogoredjo	Dec. 31	66,498	...	17,175	38,594	...	18,527	3	...	+ 1,352	54,618	18,635	21		
Textiles															
English Sewing Cotton	Dec. 31	253,421	42,142	200,812	320,674	50,000	150,000	71	...	+ 812	261,779	251,779	...		
Patons and Baldwins	May 3	448,782	143,143	144,087	219,076	48,232	95,958	51	...	+ 103	687,453	487,128	81		
Trusts															
Clyde and Mersey	May 31	69,806	...	23,471	55,876	5,929	10,613	5	5,000	+ 1,929	73,454	28,974	5		
Dominion & General	April 30	51,111	...	10,096	44,099	7,087	2,306	14	...	+ 703	53,102	14,539	15		
Melville	May 31	56,897	...	18,307	22,661	11,069	2,882	2	...	+ 4,356	62,002	23,042	2		
Monks Investment	May 15	51,857	...	18,447	32,099	...	11,425	31	5,000	-	52,882	21,323	31		
Perham Investment	Mar. 31	17,410	...	14,516	17,758	...	6,091	31	3,000	+ 2,425	20,009	13,284	3		
U.S. Trust of Scotland	May 31	61,932	...	23,430	40,635	7,031	9,525	9	...	+ 6,874	63,406	25,652	9		
Other Companies															
Amalgamated Dental	Dec. 31	211,094	...	118,413	145,175	85,253	10,000	5	...	+ 23,160	177,164	96,995	Nil		
Amblamanna Tea	Dec. 31	5,441	1,451	946	1,534	...	1,497	3	Dr. 700	+ 149	6,673	3,389	5		
Anandade & Son	Dec. 31	9,680	1,600	2,632	5,580	2,500	...	...	...	+ 132	16,618	7,451	81		
Banister, Walton & Co.	Mar. 31	53,936	...	20,830	26,303	...	12,723	20	...	+ 8,107	54,801	27,335	15		
Burnah Oil Co.	Dec. 31	3,769,498	...	2,145,612	2,847,013	300,000	2,060,477	15	250,000	- 464,665	4,314,561	3,499,751	21		
Chubwa Tea	Nov. 30	29,909	...	19,481	41,234	...	3,710	15,900	15	...	30,461	20,481	15		
Country Life Limited	Mar. 31	1,494	...	494	28,037	...	5,500	...	...	+ 5,006	682	432	Nil		
Dartford Brewery	Dec. 31	144,457	...	24,180	78,132	12,658	11	6,386	+ 401	143,783	33,733	11	...		
Dimbula Valley Tea	Dec. 31	28,023	...	18,138	19,173	17,585	71	1,000	+ 447	33,818	18,594	71	...		
Electric Construction	Mar. 31	187,183	15,000	41,765	67,223	7,000	30,000	10	...	+ 4,765	141,270	42,363	10	...	
Fisher's Foils	Apr. 30	26,932	...	12,182	19,195	...	2,500	5	10,000	- 318	28,882	13,732	5	...	
Greyfriars Press	Apr. 30	28,774	...	13,746	27,906	...	12,500	71	...	+ 1,246	29,560	12,296	71	...	
Hubbard (S.) Limited	Nov. 30	71,772	...	13,423	45,111	...	8,000	10	...	+ 5,423	47,708	20,863	10	...	
Kalgoorlie Electric Power	Dec. 31	41,165	16,000	14,650	25,225	...	14,062	71	...	+ 588	33,800	12,928	71	...	
Lyon & Lyon	June 30	12,698	...	11,320	13,399	...	1,287	12	1,250	+ 317	19,660	11,503	10	...	
Mellowes & Co.	Dec. 31	44,027	...	12,000	13,891	...	1,112	10,750	20	...	762	58,805	22,660	25	...
Mayfield (Dimbula) Tea	Dec. 31	12,755	312	5,618	11,686	1,980	3,371	11	...	+ 268	9,314	6,093	11	...	
Meters Ltd.	Mar. 31	15,606	...	12,439	26,280	3,608	9,463	9	...	+ 632	20,400	16,167	9	...	
Metropolitan Association	Mar. 31	40,773	...	8,708	10,020	5,165	5	...	+ 1,543	41,008	9,310	5	...		
Newnes (George)	Mar. 31	120,584	...	88,842	141,883	41,273	37,500	71	10,000	+ 69	77,010	71,536	71	...	
Owen (Thomas)	Mar. 31	104,027	25,392	57,418	175,184	2,479	28,646	121	60,000	- 33,707	178,826	92,372	121	...	
Pantaya Tea	Dec. 31	7,117	500	1,758	1,956	...	1,250	44	...	+ 508	8,125	1,093	44	...	
Para Electric Railways	Nov. 30	120,938	18,345	Dr. 42,787	Dr. 200,197	...	...	...	...	- 42,787	108,510	36,459	...	...	
Pearson (C. Arthur)	Mar. 31	59,452	...	43,152	83,494	13,750	19,687	71	10,000	+ 285	39,545	39,570	71	...	
Royal Brewery, Brentford	Dec. 31	152,623	...	32,576	82,131	5,175	19,600	12	5,092	+ 2,509	154,986	47,588	12	...	
Scribbans & Co.	April 30	115,370	34,154	77,412	171,516	56,667	(b)	50,000	- 29,255	91,602	58,755	4	...	...	
Spicers, Ltd.	Mar. 31	84,327	134,107	28,454	134,107	32,500	20,000	5	...	- 24,046	107,814	51,861	4	...	
Union Citrus	Dec. 31	284,114	60,000	Dr. 418	40,008	...	...	...	...	+ 418	195,399	121,933	...	...	
United British Oil (Trinidad)	Dec. 31	2,038,097	265,608	89,176	123,733	21,420	78,047	71	...	- 10,291	1,469,770	134,303	...	...	
Vab Products	Dec. 31	7,054	...	5,235	8,441	600	2,000	5	1,500	+ 1,135	11,475	8,186	71	...	
Whiteaway Laidlaw & Co.	Feb. 28	158,867	29,501	36,953	61,003	(a) 36,000	...	...	...	+ 953	69,244	Dr. 38,000	...	...	
Wilkes Berger Engineering	Dec. 31	38,402	...	10,772	12,188	1,859	5,625	121	...	+ 3,288	14,509	1,222	9	...	
Totals (1000's): No. of Cos.															
Week to July 19, 1941	56	9,678	837	3,769	5,652	785	3,044	...	479	- 539	9,821	5,769	...	...	
Jan. 1 to July 19, 1941	1,083	129,274	17,593	119,708	174,721	23,979	74,726	...	10,959	+ 4,043	123,206	128,795	...	...	
(a) Represents 3 years' arrears on 6 per cent. Cum. Preference Shares. † Adjusted figure. (b) 5% on Ordinary and 14.166% on Deferred Shares.															

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 B.W. Africa	%	%	3	%	Nededeem Tea	%	%	Aug. 19	%	Daily Mail Trust	%	%	Sep. 1	%
District Bank "A" & "C"	3*	4	...	9*	New Columbia Rubber	...	15	...	...	English & New York Trust	1*	...	July 31	...
District Bank "B"	9*	...	Aug. 1	5*	Panawatte Tea, &c.	...	...	...	...	Hampshire (F. W.) & Co.	20*	...	...	20*
Imperial of India	16	...	...	16	Pelmadula Rubber	11†	16	...	15	Hancock (Wm.)	7†	10	...	10
Lloyds Bank "A"	6*	...	...	6*	Rupai Tea	2†	7†	...	15	Hills (F.) & Sons	...	10	...	9
Lloyds Bank "B"	2†	...	...	2†	Tara Tea	10†	15	...	17†	Hoffmann (S.)	...	9	...	9
Midland Bank	8*	...	July 15	8*	Vallambrosa Rubber	22†	...	...	20	Kent (George)	9†	12†	...	9
Munster and Leinster	4† pa	...	...	5 pa	INDUSTRIALS					New Investment	9†	13	Aug. 1	14
Williams Deacon's Bank	6†	...	...	6†	Assets Co.	2*	...	...	2*	Nigerian Electric	4*	8	...	Nil
"A" & "B"	6†	...	...	6†	Australian Estates Co.	...	3†	...	...	Owen (Thomas)	7†	12†	...	12†
MINING					Baird (William) & Co.	11†	15	...	15	Scottish-American Mort'ge	...	7	...	6
Bisichi Tin	8†	11	...	10	Barratt (W.) & Co.	6†	12	...	12	Shipley Collieries	...	6	...	25
Blackwater Mines	15†	10†	...	10†	Beer (L.) & Sons	7†	10	...	10	Silentbloc	12†	25	...	Nil
Cons. Gold (New Zealand)	122*	...	...	122*	Blackwell Colliery	2*	...	...	2*	Scribbans & Co. Ord.	...	14†	...	Nil
Kampong Lanjut Tin	5*	...	...	10*	Bland (John)	...	15	...	15	" "	5*	...	...	5*
Taiping Consolidated	12†	...	...	10*	British Timken	...	...	...	...	Telegraph Construction	...	30	...	30
Tati Goldfields	24†	5	...	Nil	British Tyre, &c.	3*	...	July 24	3*	Terry (Herbert)	1*	...	...	2*
Zaaplaats 1 in	...	10	...	Nil	Cardiff Gas Light	2*	...	...	3*	Third Guardian Trust	1*	...	...	4*
TEA AND RUBBER					Charterland Exploration	...	7†	...	5	Traction, &c., Trust	3*	...	July 31	2*
Attee Khet Tea	6*	...	...	...	Charrington Gardner, &c.	15†	12†	July 26	14†	United States Debenture	1*	...	July 31	4*
Ceylon Tea Pltns.	7†	10	...	10	Clover Paint, &c.	3†	6	...	6	W. & T. Avery	10†	15	...	15
General Ceylon	5*	5	...	5	Crossley Brothers	...	5	...	5	Weber & Phillips (L. & J.)	4*	...	July 25	31*
Linger Plantations	7†	10	Aug 19	5	Crown Brewing	7†	...	...	7†	Wills (Matthew)	12†	20	...	18

UNIT TRUST PRICES

Name	July 15, 1941	Name	July 15, 1941	Name	July 15, 1941
Second Brt.	20/74-21/43	National D.	9/104/-10/104	Key. Gold ...	8/4/-9/71xd
Lm'd Inv.	13/6-14/5xd	Century	11/1/-12/12	Br. Ind. 4th. ...	11/6-13/0xd
New British ...	8/- bid	Scottish	9-9-11/3	Elec. Inds. ...	13/6-15/0xd
Inv. Trust ...	8/9-10/1	Univ. 2nd ...	12/4/-14/1	Mt. & Min. ...	10/0-11/6
Bk.-Insur.	14/6-16/*	Inv. Flex ...	9-10-13/0	Cum. Inv.	13/9-15/3
Insurance	14/6-16/*xd	Inv. Gen.	12/9-13/9	Producers ...	5/6-6/6
Bank	15/0-16/9*	Key. Flex ...	10/4/-11/7d	Dm. 2nd ...	4/7½-5/7½
Scottbills	10/6-11/9*	Key. Con. ...	9/9-11/-	Orthodox ...	7/6

* Free of commission and stamp duty.

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1940		Prices, Year 1941		Name of Security	Price, July 8, 1941	Price, July 15, 1941	Yield, July 15, 1941	Prices, Year 1941		Name of Security	Price, July 8, 1941	Price, July 15, 1941	Yield, July 15, 1941
High	Low	High	Low					High	Low				
77	68½	82½	76½	British Funds	82½	82	£ s. d.			Iron, Coal, &c.—cont.	23/11½xd	23/9	£ s. d.
111½	103½	111½	110	Consols 2½%	110½	110	3 1 0	24/3	20/10½	Guest Keen & Co. Ord. £1	26/3	26/3	4 4 0
98½	98½	98½	98½	Conv. 2% 1943-45	99½	99½	3 12 3½	21/-	17/-	Hadfields Ord. 10/- ..	14/9	14/9	8 11 6
100½	97½	103½	101½	Do. 2% 1944-49	100½	100½	2 8 6	21/9	18/6	Powell Duffryn Ord. £1	19/4½	20/-	9 9 0
103½	94½	106½	102½	Do. 3% 1948-53	102½	102½	2 12 6	48/9	42/6	S. Durham Ord. £1 ..	47/4½	44/4½	3 6 0
112	107½	108½	106	Do. 3% after 1961	106½	106½	3 6 0½	45/4½	41/3	Staveley Coal, Ord. £1	47/4½	44/4½	5 12 6
92½	86½	94½	91½	Do. 5% 1944-64	107	107	2 13 0	33/-	28/-	Stewarts and Lloyds £1	29/4½	30/7½	6 10 0
98½	92	99	97½	Fund. 2½% 1956-61	93½	94	2 18 0	24/3	19/9	Un. Steel Cos. Ord. £1	23/9	24/-	6 13 3
99½	95	100½	98½	Fund. 3% 1959-69	100½	100½	2 19 9	10/11½	14/3	Vickers Ord. 10/-	15/9	16/-	6 5 0
114	105½	114½	111½	Fund. 4% 1960-90	114½	114½	3 1 0	4/9	3/-	Textiles			
102	98½	101½	100½	Nat. D. 2½% 1944-48	101	101	2 8 6½	34/11½	27/6	Brit. Celanese 10/-	4/6	4/9	Nil
102	95½	100½	100	Do. 3% 1954-58	101	101	2 18 0	34/7½	26/9	Coats, J. & P. £1	33/6	33/9	5 18 6
100½	100	100½	100	War Bds. 2½% 1945-47	100½	100½	2 9 9	29/4½	22/9	Courtauld £1	30/3	31/6	5 1 3
...	...	...	...	Do. 2½% 1946-48	100½	100½	2 9 0	20/3	15/-	English Swg. Ctn. £1 ..	25/-	26/3	5 14 3
...	...	...	...	Sav. Bds. 3% 1955-65	100½	100½	2 19 6	53/11½	45/-	Lancs. Cotton Corp. £1	18/6	19/9	7 11 9
112½	105½	112½	110½	Victory Bonds 4%	112½	112½	3 18 0½	43/3	38/3	Patons & Baldwins £1	50/-	45/0½xd	2 3 9
101	98	101½	100½	War L. 3% 1955-59	101	101	3 6 3½	48/3	38/3	Electrical Manufacts.	42/6	42/6	4 14 0
103½	98½	105½	102½	War L. 3% af. 1952	105½	105½	3 2 10	58/3	5 10 6	Associated Elec. £1 ..	86/3	86/3	4 12 6
83½	80½	86½	84½	Local Loans 3%	86½	86½	3 1 0	19/7½	17/6	British Insulated £1 ..	65/-	65/-	4 12 0
94½	85½	98½	88½	Red'ption 3% 1956-96	97½	97½	3 1 0	19/7½	17/6	Callenders £1	18/9	19/4½	5 3 9
101	97½	101	100	Austria 3% 1933-53	100	100	3 0 0	35/4½	28/3	Crompton Park, A 5/-	35/-	35/-	5 14 0
71½	69½	78½	70	India 2½%	77½	78	3 4 1	84/3	77/-	English Electric £1 ..	82/6	83/9	4 15 9
97½	82½	100½	96	Do. 3½%	100	99½	3 10 2	50/-	42/6	General Electric £1 ..	48/9	48/9	6 3 0
				Dom. & Col. Govts.						Johnson & Phillips £1			
107½	101	105½	103½	Australia 5% 1945-75	104	104	3 17 11	36/4½	33/6	Gas and Electricity			
112	105½	112	108½	Canada 4% 1953-58	111	111	3 16 0	35/-	29/6	Clyde Valley Elec. £1	34/4½	35/0½	4 9 6
110½	106	110	107½	Nigeria 5% 1950-60	109	109	4 2 0	26/10½	23/6	County of London	31/3	32/6	4 19 0
105½	100	108	104	New Zealand 5% 1946	104	104	4 2 0	14/11½	9/3	Edmundsons £1	26/-	26/-	4 12 0
108½	103	108½	106	S. Africa 5% 1945-75	107	107	3 2 2	38/1	28/-	Gas Light & Coke £1 ..	12/-	13/3	3 8 0
				Corporation Stocks						Lancashire Elec. £1 ..	31/10½	31/10½	4 14 0
116½	104	108½	106	Birmingham 5% 1946-58	108	108	3 6 6	34/-	28/6	North-East Elec. £1 ..	28/11½	28/11½	4 19 0
85	78	93	84½	L.C.C. 3%	92	93	3 4 6	36/9	33/9	Northmet Power £1 ..	28/9	31/3	4 9 9
104	87½	104½	93	Liverpool 3% 1954-64	95	95	3 6 6	39/-	33/9	Scottish Power £1	38/3	36/3	4 8 9
94½	97	104½	100½	Middx. 3½% 1957-62	103	103	3 5 6			Yorkshire Electric £1	38/11½	38/11½	4 4 0
				Foreign Governments						Motor and Aircraft			
92½	71	85	77	Argen. 4½% Stg. Bds.	81	81	5 11 1	16/-	11/3	Austin "A" Ord. 5/- ..	15/-	15/-	3 6 8
35½	20	42	31	Brazil 5% (1929)	42	42	5 19 0½	19/9	16/-	B.S.A. Ord. £1	17/9	17/9	7 13 9
23	9	16½	11½	Chile 6% (1929)	15	16	9 7 6½	11/3	9/-	Bristol Aeroplane 10/-	10/9	11/-	9 1 0
45½	12	37½	26½	China 4% (1913)	35½	35½	Nil	35/7½	25/9	De Havilland Aircraft £1	33/11½	35/7½	7 0 0
80½	50	83½	50	Egypt United 4%	77½	77½	5 3 3	13/3	10/10½	Falvey Aviation 10/- ..	12/-	13/7	7 14 0
25	12	20	9½	Greek 6% Stab. Ln.	10	13	Nil	20/4½	15/9	Ford Motors £1	19/4½	19/4½	5 3 0
65	19½	42	21	Japan 5½% 1930	35½	33	16 13 4	14/9	11/3	Hawker Siddeley (5/-)	12/9	13/-	12 6 0
69	50½	67½	58	Portuguese 3%	65½	67½	4 8 11	66/3	57/6	Leyland Motors £1	63/9	66/3	3 0 0
57½	37½	45	27	Spanish 4%	30	35½	11 5 4	59/-	50/7½	Lucas, J. (£1)	58/9	58/9	6 13 0
								30/3	24/6	Morris Motors 5/- Ord.	30/-	30/-	6 10 0
								77/6	70/7½	Rolls-Royce £1	72/6	76/3	5 10 0
								13/10½	10/3	Standard Motor 5/- ..	12/6	13/6	5 11 0
								21/3	17/6	Shipping	20/-	20/-	5 0 0
								25/3	20/-	P. & O. Def. £1	24/-	25/-	6 0 0
								20/7½	17/-	Royal Mail Lines £1 ..	19/9	19/9	5 1 0
								15/-	8/3	Union Castle Ord. £1 ..	14/-	14/-	7 2 0
										Tea and Rubber			
5½	2½	Nil	Nil	Railways	4½	5½	Nil			Allied Sumatra £1	8/9xd	8/9	9 2 0
37½	7½	Nil	Nil	B.A. Gt. Stn. Ord.	36½	36½	10 19 3	10/3	7/6	Anglo-Dutch £1	15/3xd	15/3	9 12 6
106½	89½	1½a	2½b	Can. Pac. Com. \$25	100½	100½	4 19 6	17/4½	13/6	Anglo-Dutch £1	32/6	32/6	6 3 0
69	60	2½a	2½b	Gt. Western Ord.	66½	66½	7 10 5	33/-	28/9	Jokai (Assam) £1	2/9	2/9	7 5 0
143½	33	2½a	2½b	Do. 5% Con. Pref. 1955 ..	14½	14½	10 10 6	34/4	27/4	London Asiatic 2/- ..	26/-	27/-	7 8 0
43	3½	1½c	2½b	Do. 4% 1st Pref.	41½	42½	9 8 4	27/6	24/6	Rubber Trust £1	2½	2½	8 8 0
60	48½	2½a	2½b	L.M.S. Ord.	59	59	6 15 7	2½	1/9	United Serdang 2/- ..			
37½	29	2½a	2½b	4% Pref. 1923	37	37	8 2 2						
12½	9	1½c	2½b	Lon. Transport "C"	12½	12½	10 0 0	42/-	25/11½	Anglo-Italian £1	32/6	36/10½	2 14 0
95½	43½	2½a	2½b	Southern Def.	54½	54½	9 3 6	27/-	24/6	Apex (Trinidad) 5/- ..	26/3	25/9	5 16 0
69	77½	2½a	2½b	Do. 5% Pref. Ord.	97½	98½	5 1 6	61/3	43/10½	Burmah Oil £1	52/6	54/4½	5 10 0
				Do. 5% Pref.				47/6	38/9	Shell Transport £1	45/-	45/-	2 4 0
				Banks and Discount				71/3	58/9	Trinidad Leaseholds £1	63/11½	63/9	3 18 0
66/9	53/4½	10 b	7½a	Alexanders £2, £1 pd.	63/9xd	63/9	5 9 6			Miscellaneous			
363½	333	6 a	6 b	Bank of England Stk.	361½	361½	3 6 8			Assoc. P. Cement £1 ..	55/-	55/-	3 12 6
7½	6½	3½a	4½b	Bk. of Australasia £5	6½	7 12 0		63/11½	47/6	Barker (John) £1	31/3	31/3	6 8 0
£494	£46	3 a	4 b	Bk. of Montreal £100	£46½	£47	4 4 0½	33/9	25/-	Boots Pure Drug 5/- ..	33/9	36/3	3 6 6
27/3	23/9	5 a	7 b	Bk. of New Zealand £1	25/-	25/-	4 2 4½	38/-	30/6	Brit. Aluminium £1 ..	43/8	44/4½	4 10 0
71/3	64/10½	7 b	3 c	Barclays Bank "B" £1	67/6xd	68/-	4 2 3	40/-	38/-	Brit. Amer. Tob. £1 ..	83/9	85/-	4 4 4
50½	47½	5 a	5 b	Chtd. of India £5	51	50	5 14 0	65/-	80/7½	British Oxygen £1 ..	65/-	66/3	4 10 6
£83½	£70	£2½b	£2½b	Colonial B. £5, pd.	£70½	£80½	6 8 0	68/6	61/10½	Cable & Wir. Hdq. Sdk.	61	61/-	6 5 0
51/6	45/-	7 b	7½a	Hongkong and S. £125	49/-	49/-xd	4 18 0	90/-	71/3	Carreras "A" Ord. £1 ..	80/-	85/-	6 14 0
7½	7½	7 b	7½a	Lloyds "A" £5, £1 pd.	7½xd	7½	5 0 0	35/4½	31/-	Dunlop Rubber £1	33/9	35/-	5 14 0
83/3	77/6	8 b	8 a	Martins £20, £24 pd.	82/-	81/-xd	3 19 0	12/7½	6/9	Elec. & Mus. Ind. 10/-	12/6	11/9	7 13 9
32½	30	7½b	8 a	Midland £1, fy. pd.	5½xd	5½	4 7 0	28/9	25/-	Forestal Land £1	22/6	23/6	7 13 3
82/6	56/-	7½b	7½a	Nat. Dis. £2½, fy. pd.	31½	31½	6 7 0	24/6	19/6	Gallagher Ltd. Ord. £1	4½	4½	5 17 0
425	397	8½a	8½a	N. of Ind. £25, £124 pd.	420	59½	5 1 9	4½	17/6	Gestetner (D) 5/-	20/-	20/-	5 10 0
75/6	41/3	8½a	8½a										

and the Ministry of Information, which has already defeated the efforts of three older men than Mr Bracken, must be regarded, in its present constitution, as a labour of Sisyphean, in which the responsibility is great but the authority minute.

The status of Mr Duff Cooper's assignment, which is to examine and report upon the co-ordination of political, administrative and military arrangements in the Far East, is hard to assess. In one aspect, it is another chapter in the Great Dispersal of Ministers which has sent Lord Halifax to Washington, Mr MacDonald to Ottawa, Sir Ronald Cross to Canberra, and Mr Lyttelton to Cairo. It is Mr Churchill's sensible intention that, in this world-wide battle, neither authority nor understanding shall be weakened by mere distance; and his Government has now been given a special personal foothold on four continents. But Mr Duff Cooper is not a member of the War Cabinet like Lord Halifax and Mr Lyttelton, or a permanent ambassadorial representative like Mr MacDonald and Sir Ronald Cross, who are distinguished from other High Commissioners because they have been important Ministers in the recent past, and still remain members of Parliament. As Chancellor of the Duchy of Lancaster, Mr. Duff Cooper remains a member of the Government, but he will not be a pro-consul or political commissar of the stature of Mr Lyttelton, who is the Cabinet-in-small in Cairo. He is a missionary who will show Tokyo and the world that the eye of the British Government is on the Far Eastern scene, and his temporary stay may result in the closer knitting of the many scattered activities of British authorities from India to Australasia. The last word has not been said about the division of functions in distant theatres between civilians and soldiers.

The only change which is plainly of the first importance is the choice of Mr Bracken; and, unless the conditions under which the Minister of Information is asked

to do vital work with inadequate powers are modified, the only question which arises is the new Minister's ability to square a circle. Mr Bracken is an unknown quantity, for his quick rise to influence as the *éminence rouge* of Mr Churchill has not been in the public eye. He is young, vigorous and determined. Compared with his predecessors, he has the advantage of a close connection with the newspaper business. He has stated that he was "conscripted" to the Ministry, and that he will "get news" or go. He has the Prime Minister's ear. In a special sense, Mr Bracken is Mr Churchill.

Mr Churchill's final solution of every obdurate problem of wartime administration is to do the job himself. He has his emissaries in Washington, Cairo and Singapore. He has his *fidus Achates* in Bloomsbury. As Minister of Defence, he has even shouldered the burden of deciding priorities in production in his own Cabinet—pending his second thoughts on last week's criticisms. Probably it is as hard for him to act otherwise as it is for him to be uniformly successful in all his rôles. In past years, when discussions were going on—outside the jealous circles of Cabinet and caucus—about the candidates for any office of vital importance to the nation, the answer was always Mr Churchill. Minister of Defence, Minister of Production, Minister of Information, Ambassador in Washington, Minister of State on eastern fronts—the best choice would still be Mr Churchill. But Mr Churchill is Prime Minister, and he cannot play every instrument in person. The crucial problem is the search for men of character and vision to bring harmony out of discord wherever it is heard in the war effort. It is not solved when all the best men in the Government have to be engrossed by the overtime tasks of the Supply and Service departments. Mr Churchill cannot lead the orchestra while he conducts and, in war production, it is still a leader that is wanted.

The Middle Way

THERE is no doubt that the one exclusive aim of the hour is to win the war, and it is with no desire to embarrass the Government or to involve Britain in advance in troublesome or untenable commitments that the significance of Mr Sumner Welles' statement on peace aims must be underlined. Mr Welles urged that free governments and peace-loving peoples should be preparing now for the better days after Hitler's defeat; and his plea reinforces the fact that certain practical and immediate problems of the first importance are now bound up with the clarification of peace aims, while actual damage might well be done to the war effort if British statesmen were to succumb to the temptation to drift.

In the Near East, the problems of Syria, of the position and future of the Arab States, of the future relations between France and Britain are all being raised as matters of urgency. It is not suggested that a detailed settlement could be worked out now for these problems. But it is of great importance that the Government should have a sufficiently clear picture of its own future policy in the Near East to prevent decisions from being taken now which might prejudice solutions in the future. The immediate task, it is true, is simply to make the Near East impregnable against the Nazis. But even this can only be done by displaying a policy that will remove friction, allay resentments and cause justice to prevail. Not even expediency is purely momentary and empirical. And in the Near East there is the lesson of last time. If the Wilson Points, which were in no way a detailed programme, had been adopted as the general basis of future arrangements in the early days of the war, it is perhaps possible that neither the Treaties of London nor St Jean de Maurienne nor the Sykes-Picot Agreement would have conspired to create the Levantine confusion of 1919.

In Europe, it may be that the problem of the future is not so urgent. The sole task of the moment is to beat and drive back the invader. But here, too, it is obvious

that there is need for some general body of principles to provide the framework for a future settlement and to serve as a yardstick whereby particular agreements are judged. The free Governments of Europe are already consulting together; the Poles and the Czechs have reached an agreement; the Poles and the Russians are negotiating; and the presence of the exiled Allied Governments in London is an obvious invitation to continue this process of consultation which may well avoid much friction and misunderstanding in post-war Europe. The nations need to know by what criterion they are to judge whether their individual arrangements will fit into the general framework of a larger settlement. And the criterion can only be set by Britain. It is useless to boggle at this fact. Britain is the only industrial centre in Western Europe comparable to Germany, the only remaining Great Power. The question must be asked whether its strength is to be exerted in the interests of Europe as a whole. It is a responsibility Britain can either accept squarely or refuse. What is inadmissible is that the issue should not be faced.

It is not a question of frontier agreements and constitutions. Immediately, the problem of ordering Europe or the Levant is connected most closely with the propaganda arm. Mr Brendan Bracken takes over the Ministry of Information in a delicate hour. Germany's war on Russia presents the danger that the old rift between Left and Right in Europe may be reopened. It is Hitler's strategy that the Conservative elements in civilised Europe should be persuaded that their vital interests lie with Nazism in the struggle against Bolshevism, while the progressive elements should correspondingly feel themselves drawn towards Bolshevism in its struggle against "world fascism."

Thus there are very practical reasons why some attempt must be made to state the principles for which Britain stands in this mêlée. No one doubts this country's will, above everything else, to stave off the German

assault and win the war; and it would be foolish either to underestimate the difficulty of stating principles while the battle is on or to overestimate the degree of precision which could be given them. They could only refer to reconstruction after the defeat of Nazi Germany; and both Russia and the United States will have participated in that defeat. To what extent will these Powers be able or willing to participate in any settlement? To what extent will Russia be prepared to accept the peace aims for which the Allies took up their arms? To what extent will the United States be prepared to join in? These are unsolved problems which make the advance phrasing of a peace settlement impossible. But at the same time, they are questions which underline the importance of providing the prolegomena to a settlement now.

It cannot be questioned that, in the clash between Left and Right, Britain stands for a middle way, a democratic faith. The real question is what does Britain intend to do about it. After the storms of the French Revolution and the Napoleonic Dictatorship had passed, it was the theory and practice of constitutional government, the British way, that swept the world. To-day, the revolution of the Left and the dictatorship of the Right have produced a situation that is, in many ways, the same as then; and Britain stands midway again between contemporary extremes. In order to solve the tremendous problem of technical organisation in an industrial society, to meet the challenge of war and unemployment and to recreate a unified community out of an anarchy of warring groups and classes, Russia and Germany evolved the Party State, all-planning, all-controlling, all-enslaving. With it was abandoned the whole Western tradition of political rights, responsible action, spontaneous co-operation, representative government and free creative action on the part of individuals—all that Britain and the United States still stand for.

The unsolved problem of the democracies, and therefore the unfound key to the "embattled idea" with which they must arm themselves and reinforce the crushed peoples of Europe, is the reconciliation of freedom and growth with the degree of control in economic and social life that is necessary to create conditions of freedom in a highly complex and interdependent industrial order. Freedom, fruitful work and a rising standard of living cannot be secured without some measure of control; but the limits and the perils of that control—centralisation, bureaucratisation and tyranny—are plain.

If the problem is considered in this light, clearly the case of Europe and the case of the democratic community are not very different. The solution for one free country is the solution for the entire free world. The general framework that the people of Britain must find—for themselves and for other peoples—is one in which the measure of economic control and centralisation necessary to ensure the fair distribution of raw materials and the creation of steady markets is combined with the freedom of the nations to develop on their own lines and to make their distinctive contributions to the life of the com-

munity of Europe and the world. Only in this way can the "securities" from want and fear—of which Mr Welles speaks—be combined with the "freedoms" for which President Roosevelt has already spoken.

This is practical and pressing politics. The conquered peoples cannot yet be given arms. But they can—and must—be given ideas, inspiration and encouragement. As important as the blueprint itself of peace, order and plenty is some commitment here and now from the British Government that Britain will play its due part in bringing about this system of ordered freedom. Europe's memories of the British record are not happy. André Siegfried once wrote that "Britain is a ship moored in European waters, always ready to sail away." The nations of Europe are now used to being left on the bank to make what arrangements they are able with Britain's continental Allies—and the latest ally in this world struggle has a militant "new order" of its own.

The commitment has in a veiled way been given already. It is not impossible that the Government is fully conscious of its aims, and it needs to sign no affidavit simply to satisfy civilian anxieties. Mr Churchill has spoken of a better day for the common people; Mr Eden has declared that while "social security must be the first object of our domestic policy after the war . . . it will be our policy abroad not less than at home." But it is all-important, for the present rallying of the world as well as for its future ordering, that the military and economic obligations that such a policy will entail in the military anarchy and economic dislocation of the German collapse should be squarely considered. If their implications have been considered and officially accepted, then the attempt should be made to convey the assurance of Britain's constructive and co-operative rôle in post-war Europe to the peoples of Europe—and to bring home to the people of Britain itself the sacrifices and high courage that such a positive post-war policy may involve. It is not the duty of the Minister of Information to make policy. But if the mind of the War Cabinet has been made up on these matters, and if the Allied Governments in London have been given the measure of the contribution that Britain is prepared to give, it is surely one of the first tasks of Mr Brendan Bracken to make it known on the home and on the foreign fronts. The theme of a dynamic democracy prepared to make sacrifices and take risks, so that both its own people and the peoples of Europe may know "a new birth of freedom," could give British propaganda a unity, a clarity and a drive which it has so far signally lacked. Propaganda is only one arm; and machines and munitions count most in battle. But "the people without a vision shall perish." This vision, this picture of the future, lies there to hand, like a jig-saw puzzle which is half completed with the pieces lying about on the board and no more than a hint of the final picture. Britain must put together, not only the framework of a future Europe, but the weapon which will sap and split the Europe of Hitler's building.

Prelude to Planning

LAST week's report of the expert Committee set up by Lord Reith to consider the public control of the use of land will serve as a rough and ready milestone in the record of planning. At the beginning of the war, a generation of concern and discussion about land-use had reached a climax in the report of the Barlow Commission. The disadvantages of inconsequent development were widely accepted. The best and most fertile agricultural land was rapidly disappearing as towns grew. In the towns, overcrowding and congestion had made the need for redevelopment pressing. The depressed areas of the industrial north and west had come to be seen as strong arguments for a better and more diversified balance of industries throughout the country. More daylight, more open space and less congestion and traffic had come to be accepted as the desirable objectives of public policy.

The Barlow Report merely set down these accepted

conclusions. Control of the development of rural land and of the re-development of urban sites; and the establishment of balance between town and country, light and heavy industries and industrial and residential needs—these were common opinion. There was little or no disagreement with the Commission's recommendation that the powers of public planning should be strengthened and that the means should be discovered for the public guidance of new and migrating industries. Since then, the war has added new arguments. Air-raids have caused scattered and indiscriminate destruction. War factories have been dispersed about the country. Firms and offices have moved to "safer" places. These happenings mean that, to the pre-war reasons for a planning policy, has been added the certain need after the war to restore and restrict. There are vital economic questions to be answered. Will the heavy industries ex-

pand or contract again? Will it be possible for the production of capital goods for re-equipping the civilian industry to re-absorb the army of war workers? On the answers must depend the steps taken to make development and re-development consciously conform to national policy, industrial efficiency and social amenity.

The point is that planning is now practical politics. For the first time, there is an enthusiasm for planning which is comparable with the enthusiasm for housing which marked the end of the last war. Better conditions of life and work are expected; and in the change and confusion of war-time, people and undertakings have become accustomed to movement and to new surroundings. What is more, the question has, in principle, left the realm of controversy. In February this year, Lord Reith told the House of Lords that he would act in his investigations in these matters on the assumption "that the principle of planning would be accepted as national policy; that some central planning authority would be required; and that this authority would proceed on a positive policy for such matters as agriculture, industrial development and transport."

The interim report of the expert Committee under the Chairmanship of Mr Justice Uthwatt starts with this assumption. The report lays down that a central planning authority is essential to an effective physical reconstruction of this country after the war. It takes it for granted that this authority would be set up and organised at an early date, not only to work out a national plan for the future, but also to guide all works carried out in the meantime. It does not admit that the war-time controls on the use of land and on building, exercised by the Ministry of Agriculture, the Ministry of Works and Buildings, the Ministry of Health and the local authorities are adequate, even temporarily, to discharge the duty of planning. In its view, they should, therefore, be vested as soon as possible in a central planning authority.

The Government has not agreed to set up such an authority. It is content to rely in the main upon the strengthening of existing controls; and it has deputed to Lord Reith, the Minister of Health and the Secretary of State for Scotland the task of using existing planning powers in a more positive way. These powers are well known. Together, the Ministry of Health and the Department of Health for Scotland administer the Town and Country Planning Acts and supervise local bye-laws about street widths and building spaces. The Ministry of Transport administers the Ribbon Development Act and is responsible for the design and lay-out of main roads. Unfortunately, however, these powers have been largely ineffective in the past; and the demand for a new planning authority has arisen from precisely this ineffectiveness.

The administrative difficulties which have rendered planning ineffective have been very largely financial. One of the main tasks of planning is to keep undeveloped rural land free from building. Another is to thin out over-built areas. In both cases, effective planning means the lowering of values in the properties affected, and the question of compensation becomes crucial. Usually it is beyond the means of local authorities; and, moreover, since city corporations draw their rate income from urban properties, they have a common interest with property owners in maintaining congestion and overcrowding. In the case of the Kingsway scheme in London and of the Corporation Street scheme in Birmingham, an attempt was made by the city authorities to make redevelopment schemes pay for themselves. The adjoining sites were acquired by the authorities for "improvement," and the result was that one symptom of over-centralisation was alleviated by fostering still more centralisation.

This financial problem is not the least of the reasons why a national planning authority is imperatively needed in addition to a plan; and it is a matter for regret that the Government has not seen its way to accepting the strong recommendation of the Uthwatt Committee. The expedient of a Council of three Ministers, with Lord Reith as chairman in the strange position of Minister with and without portfolio at the same time, is a sign of

compromise and indecision. It is admittedly an attempt to meet the argument that the administration of town and country planning must proceed in conformity with long-term planning policy; and it may well be the embryo of a Planning Ministry. But it is hard to see how Lord Reith, without an office or personnel for planning, will be able to impose upon the Ministry of Health and the Scottish Office a more positive attitude than has characterised their planning activities in the past. It would be churlish to underestimate the advance which the new attitude represents. The rubicon has been crossed. In the Government's own words, the new compromise arrangement is only "pending the more complete formulation of long-term policy and the establishment of the central planning authority in its final form." But it must remain doubtful whether Lord Reith will in fact be able, in his proposed ambiguous position, to seize the great opportunities of the moment.

The financial problem remains. It is not enough to formulate a plan. It is not enough even to set up a planning authority. The instrument and the means are also needed. The instrument is the building industry; and, as Minister of Works and Buildings, Lord Reith has powers to achieve that reorganisation of building efficiency without which planned development now or in the future would be impossible. The means are financial. The Uthwatt Committee have decided that the public acquisition of land or of development rights in land will be indispensable in the working out of a national plan. It was one of their tasks to provide against war-time speculation in land values; and they recommend that in no case should public compensation be paid at a higher price than the value on March 31st, 1939. They further express themselves favourably inclined towards the suggestion that the development rights of all undeveloped land should be acquired by or on behalf of the nation; and they also recommend that damaged and other areas which are plainly in need of redevelopment should be scheduled as reconstruction areas in which all development will be stringently controlled immediately and in which the public acquisition of land for development purposes must be regarded as probable.

The principle of limiting compensation to pre-war values can be accepted, in so far as its intention is to rule out any special and unearned war-time increment. It would not, however, be just or reasonable if landed property were to be treated differently from other properties. It may at least be necessary in the case of land to add on to the 1939 value whatever increase may be due to a fall in the value of money between then and the date of compensation.

Nevertheless, this criticism in no way invalidates the general soundness of the Committee's project. Implicit in their interim and tentative proposals is the conviction that whoever plans land-use must own the land over the field of the plan. This must be so, if only because, when the use of land is being altered by order, fair financial adjustments are not calculable as between one piece of land and another. In theory, the values which are reduced by planning should be compensated from those which are bettered by planning. The stopping or restriction of building in one place does not mean that there is less building. Building may be stimulated elsewhere. Land values are redistributed, but how precisely they are redistributed is almost impossible to ascertain. The problem of finding out to what place and to what owners the advantage goes is for the most part insoluble and it is in fact impracticable to make betterment pay for compensation.

Thus, every argument seems to lead to public planning, public guidance and the public acquisition of land values; and, indeed, there may be some reaction from this unanimity when its implications are more generally realised. Meanwhile, the Uthwatt Report is important because, diffidently and tentatively, it has faced these facts. What is needed now is action—the establishment of an authority with power to act; the making of a plan; and the devising of the means, financial and administrative, to execute the plan.

No Policy for Wages

THIS week the Government has at last spoken on wages policy; and the Trade Union Congress has at once joined battle. A memorandum issued by the general secretary of the TUC restates the view, which was expressed eighteen months ago, that "any attempt to control movements for increases of wages is impracticable and undesirable"; and there is the prospect of a serious political controversy. Actually, it is hard to see why this White Paper on Price Stabilisation and Industrial Policy should have aroused such instant indignation. It contains nothing that has not already been stated as official policy and proposes no new means of restraining increases in wages. It is a footnote to Sir Kingsley Wood's Budget statement of April, a gentle reminder to employers, workpeople and arbitrators of the dangers of inflation.

The Trade Union view is that the effect will be to induce employers to refuse advances and arbitrators to support their refusal. The TUC memorandum makes it evident that the White Paper's timid exhortation to workpeople to assist in maintaining wages at a reasonable level and in preventing costs of production from rising will go unheard; and, by inference, it is now plain why this Government statement has been so long delayed, why it is framed as the most careful of compromises and why the name of no individual Minister of the Crown appears upon it. It has been found impossible to persuade the leaders of labour to agree upon any policy for wages except the maintenance of voluntary, collective bargaining—in which the White Paper entirely concurs.

It is probable that this opposition rules out any prospect of a positive policy for wages. The White Paper presumably represents the limit and the last word. In principle, its general argument is sound, and the issue is stated tersely. In wartime it is not enough "to cut out luxuries." There must also be "a reduction in the consumption of goods which in peace-time had almost come to be regarded as necessities." The goods are not there to buy, and increases in wages or other incomes "would not raise the general standard of living; they would merely tend to send up prices and to denude shops, making it difficult to secure a fair distribution of the limited supply of goods." And it might have been added that, with the exception of a few commodities, such as bread and potatoes, consumers cannot expect to be able to offset the reduction in the supply of staple commodities by increased purchases of substitutes. The demand of the war effort for labour, plant, factory space, shipping and land makes this impossible; and a large proportion of civilian demand must inevitably go unsatisfied, whatever the size and distribution of incomes.

There are two ways, in theory, of meeting this situation in such a way as to prevent a scramble for goods, a general and continuous inflationary increase in costs and prices, and an unfair and indiscriminate fall in real incomes. One is to curtail spending power by taxation and saving. The other is to curtail spending by rationing and price control. In practice, both methods must, and have been, adopted together. "Severe additional direct taxes have been imposed which should have the effect of restricting the expenditure of those most able to bear the burden." Savings have been screwed up to the limit of exhortation. There is widespread control of the prices of articles in common use. And the rationing of foodstuffs and clothing has done a great deal to ensure a more equitable distribution of available supplies. Moreover, the degree of actual inflation that is so far discernible in the movement of prices is still comparatively small.

Nevertheless, the problem of inflation and, fundamentally, of the fair distribution of the strictly limited supply of goods—which cannot possibly be increased by any financial device or by merely nominal increases in money incomes—remains acute. Measured by the rise in bank deposits since the war started, by the expansion in

the volume of bank credit and by the steady advance in earnings, spendable incomes have increased markedly in spite of taxation and savings. It is only because the propensity to spend has fallen and remained low for a variety of reasons (see *The Economist*, June 21, 1941, p. 817, "Bank Credit and Inflation") that this latent or potential inflation has not become actual. The danger remains, and has been seen in action in the run on tobacco, in scrambles for unrationed foodstuffs and in perpetual queues. It is not because the Government's controls on consumption and expenditure, by rationing and other means, have been made complete that the menace has remained in the background.

The chief increase of spending power has been in wages and salaries. The rate has been quickest in wages; and, in sum, wages make up much the biggest fraction of the incomes commonly spent on the consumption of goods that are in short supply. An article on page 109 shows how successfully spendable industrial profits have been held down by contrast; and it is only because inflation has not in fact broken into a trot that the need for measures to prevent any further increase in spendable incomes, including the bulk of wages, has not become inescapable. It would be nonsense to suggest the "freezing" of all wages—or of any other incomes—at their present level. The principles of up-grading and promotion to higher categories of earnings must be preserved. The present differentials between the wage or salary for one job and the wage or salary for another are often wholly out of line with the necessities of the war effort—those differentials being, in fact, dependent on the past power and success of individual unions, associations or individuals in peacetime bargaining. In many cases of low-paid grades and categories of workers, there are good and immediate grounds, as the White Paper admits, for higher wages. In wartime, more than at any other time, it is important to ensure, by family allowances and other means, that there is an infrangible minimum standard of living below which no man, woman or child will be allowed to fall. There are reasons, too, for adjustments when the method or volume of production alters.

But the peril and the inequity of indiscriminate increases in spending power cannot be argued away. The stock of civilian goods is restricted and shrinking. If any group or individual does gain in the competition to buy them, it must be at someone else's expense. The Government is nevertheless still not prepared to put a stop upon wages and salaries. The White Paper states that "it will . . . be necessary to bear in mind, particularly when dealing with general wage applications, that the policy of price stabilisation will be made impossible and increases of wage rates will defeat their own object unless such increases are regulated in a manner that makes it possible to keep prices and inflationary tendencies under control." This is unexceptionable doctrine; and it is because it is a clear direction to employers and trade unions that the TUC is in revolt. Actually, the efficacy of this appeal in restraining the increases in wages and salaries is not likely to be greater than the efficacy of former exhortations. And without labour's co-operation it will remain a dead letter.

Thus the financial stability, the economic efficiency and the social justice of the war economy will continue to depend upon the physical control of spending rather than on the restriction of spending power. The political obstacles to checking incomes make all the more urgent the need for complete rationing and control of distribution. The system of price control is still incomplete and imperfect, and it could only be really successful if the increase in spendable incomes on the one hand, and in labour costs, on the other, could be arrested. Rationing has gone a long way. But distribution is far from fair and efficient, and the White Paper is devoid of any refer-

ence to further measures for securing a fair distribution of essential commodities. The extension of rationing is not dealt with.

The White Paper is an honest expression of anxiety, but it is a barren compromise. It does not try to call a halt to the increase in spendable incomes but merely seeks to restrain the tendency; and it leaves out of account the only alternative, which is to make the increase in incomes of whatever kind valueless by placing the entire community on a rationing basis. It is of no use to cry "a plague on both your houses." This is no time for political controversy. Whatever the Government or the TUC may decide, the facts will not alter. The supply of civilian goods is set and short. The problem is

purely one of distribution. The trade unions, and, it must be admitted, most other people, wish to retain competition for goods by means of catch-as-catch can sectional bargaining. They put the pay packet before the shopping basket. The Government has encouraged this attitude by its indifference to the entire problem. And, though the cost of living has now been steadied, which is a powerful answer to many of the trade unions' familiar and understandable arguments, other increases in prices no less important in the national economy than the price of labour have actually been fostered—in fuel, and transport. There has been drift and muddle; and the task now is simply to render the actual size of money incomes as unimportant as possible by devising the same basic ration, no more and no less, for everyone.

NOTES OF THE WEEK

Japan Before Action

The composition of the new Japanese Cabinet belies the expectation that the extremists had gained complete control. Prince Konoye remains Prime Minister; four business men, among them Mr. Ogura, head of the Sumitomo interests, are included; and the disappearance of Mr. Matsuoka to make way for Vice-Admiral Toyoda, the new Foreign Minister, can be variously interpreted. Mr. Matsuoka was both the close friend of the Axis and the negotiator of the Russo-Japanese Treaty of Neutrality. Vice-Admiral Toyoda has the reputation of being a friend of the United States and Britain; at the same time, he is a naval man and, as such, must be presumed to resent Anglo-American naval power in the Pacific. On balance, the change of Government appears as a clearing of the decks for action, but not necessarily for novel or extreme action. The times for this are unpropitious in that the "China incident" is always with the High Command. The outcome of the Russian war is not yet so certain that a descent on Vladivostok can be considered immediately—although preparations have doubtless been undertaken against the day of a Russian collapse. Only in one direction can it be said that Japan's potential profits seem to outrun her risks, and here, in Indo-China, the next step in the creation of "East Asia" has been taken. The Vichy regime which "defends" its colonies only against Britain has consented to a further cession of military bases and strategic points to the Japanese; and presumably political and economic control will now pass even more decisively to Tokyo. The immediate tactic is that of German penetration in the Balkans, just as the larger strategy is the Japanese version of the "new order." The new move, which will bring the Japanese forces to within 600 miles of Singapore and the Philippines, cannot be glossed over as the affair of Japan and Vichy. Britain and the United States are in consultation and, at the least, the new aggression—for Vichy's rubber stamp does not alter the fact of aggression—should call forth stringent economic counter-measures. It is not as though the two democracies had any surplus supplies to spare for the furthering of Japan's conquests.

The Western Front

It is in no way belittling to the skill and force of the RAF's bombing of German Europe by day and by night to say that the most important lesson of Germany's war in Russia is the inability of Britain to bring the enemy to battle on a second front in the west. Long range raids on towns, industries and communications in the Reich itself are serving German centres as parts of this country have been served in past months—with a maximum of striking power per plane employed; the weight of bombs being dropped reaches new high records monthly. Continuous harassing attacks on docks and shipping on the Western seaboard fit in shrewdly and effectively with the master-plan to disorganise the strained transport system of blockaded Europe; and it is no longer a safe option for the Germans to manufacture and distribute war supplies in the conquered territories. The British bombing programme has proceeded from the first according to a methodical and expert assessment of the strength and weakness of the enemy's war

economy; and it has shown none of the fitful changes in policy and direction which have characterised the German air offensive. The blows that are being delivered now are simply the latest phase of an orderly and scientific process which grows in scope and effectiveness as the number of machines available increases; and, indeed, it was to be hoped that, even if there had been no war in Russia, counter-attacks like those would have been possible. It may be that Germany's preoccupation in the east has thinned resistance to the RAF. It is at any rate certain that, if there had been no war with Russia, the German High Command would have been constrained by the present rate of damage to output and transport to take extraordinary defensive measures. But the risk must have been foreseen by the Germans; and it does not seem likely to be disastrous—unless the Russians can succeed in doing what the rest of the world is still unable to do.

The Long Road

The advantage gained by Britain because of Germany's gigantic effort on the other side of Europe is only one of degree. It cannot be said that the Germans are, in any crucial military sense, fighting on two fronts; and it is a measure of the tremendous endeavour that is still required of the entire free world that there is plainly no possibility of winning the war against Germany in the west while the great bulk of German might is engaged in Russia. To argue in this way is not to carp or criticise. It was not to be expected, after so many delays and disappointments and with the world-wide commitments that Britain has to sustain throughout the continents, that the power of the democracies could reach the strength to strike a *coup de grâce* for a very long time to come, and the present shipping position is no aid to accelerated progress. The RAF is playing a vital part. The Allied strategy is still to defend, to delay, to disturb and to disorganise; and British bombing now will earn a dividend in the future. The reasons for stating these facts, which may seem needlessly sobering, are two. In the first place, it would be foolish and dangerous if the false optimism of some people who, in spite of their own unrivalled experience of the effects of bombing, are inclined to take too literally such official statements as the one which declared that a single night's raiding had "wrecked" hundreds of miles of German communications, were to prevail. In the second place, it would be a waste of time and earnestness if every speaker, Minister or back-bencher, in next week's renewed debate on production did not bear constantly in mind the fact that there is only one aim worth talking about—to make and to ship in sufficient quantities weapons and supplies of war to make decisive action on every front a possibility as soon as human effort, ingenuity and sacrifice can conceivably achieve it. The nation's "finest hour" did not end with the first Battle of Britain.

The Russian Campaign

A decisive stage in the campaign in Russia has now been reached. According to German claims, the break through at Smolensk resembles that of Sedan. The German

divisions are pouring through the gap, spreading out behind the Stalin Line, and encircling the Red Army in a "ring of steel." The claim to have opened the road to Leningrad, Moscow and Kiev of last week-end has been modified to the annihilation of Russia's military power—the avowed objective of the original German attack. What can be said of this German claim? On the whole, the facts do not bear it out. Germany is attacking along a tremendous front and, with the exception of the Smolensk sector, the line is holding and the Russians are delivering constant harassing counter-attacks. It is extremely unlikely that the Germans have the reserves to pour through the Smolensk "gap"—if indeed there is a gap—and fold up the Stalin Line. The pause in their advance suggests that they are reorganising for a new drive to Moscow and the gap which they thought to have opened a week ago has since been unaccountably filled by fiercely fighting Russian troops. If this interpretation is correct, the war is not going according to plan. At this stage in the French campaign, Paris was about to fall, and there is fairly general agreement that the German armies which reached and overshot Paris were exhausted—both men and machines. At this point, however, the French political system collapsed and, in part, as a consequence, the army disintegrated. The campaign in Russia has been no less fierce than the onslaught on the West. It is not fantastic to argue a comparable degree of exhaustion and wastage. If the Germans are to secure a sudden smashing victory, the conditions on the Russian side must to some extent resemble those in France. Clearly they do not. There is not a trace of political disintegration, upon which the Nazis may well have counted. On the contrary, Stalin has consolidated his position by taking over, in Churchillian manner, the supreme direction of defence. Nor is there any sign of a disintegration of the Red Army. Unlike the French and British forces of May, 1940, the Russian army was not fully mobilised when the blow fell. Four to six weeks were needed for total mobilisation. The gigantic resistance beyond and on the Stalin Line has given the Russians four weeks at least, and there is reason to suppose that much of the mobilisation has been going on behind the Leningrad—Moscow—Kiev line, out of the reach of the German bombers. It follows that the Russians have fresh reserves and can bring up new units to meet Germany's battered hordes. Whether the Germans can force a pitched battle between Smolensk and Moscow depends upon a calculation only the Russians have the knowledge to make. Does the political and industrial risk involved in an ordered retreat from Moscow and Kiev towards the Urals offset the risk of losing the Red Army in a pitched battle?

Loan for Britain

The Reconstruction Finance Corporation's loan of \$425 millions to the British Government is very welcome news. The operation kills two birds with one stone. In the first place it will help materially in paying the sums owing by this country to the United States for deliveries of war materials ordered before the enactment of the Lease-and-Lend Act. Reserves of gold and readily marketable securities are scanty, and the bills falling due for these deliveries were a matter of some concern. The help which is now coming from the Reconstruction Finance Corporation will be accepted with a sigh of considerable relief on this side. Secondly, the technique of this operation satisfactorily solves the problem of mobilising direct British investments in the United States. Such investments, including the considerable earning power of British insurance companies operating in the United States, provide the major part of the collateral of \$500,000,000 against which the loan of \$425,000,000 is being made by the RFC. The full market value of these investments is made immediately available for meeting the dollar requirements of the British Treasury, but the control and management of the concerns in question remain in British hands. The valuable equity represented by these direct investments is thus retained, and after the precedent set by this operation there should be no excuse for forced sales, such as the unfortunate disposal of Courtaulds' American Viscose assets. The RFC loan belongs to the pre-Lease-and-Lend era of Anglo-American finance. It is a business deal, and it is dominated by the dollar sign. The British Government is paying a fair market price for accommodation which it urgently requires, but for which it is offering ample security.

Lease-and-Lend

The American loan to Britain bridges the gap between Lease-and-Lend and Cash-and-Carry. Lease-and-Lend is now the means by which the common stock of supplies is drawn upon by the free nations, and the claimants to drafts upon America's power to produce the goods of war are growing in number. There is Britain, and there is China. There is Russia, and there is the United States itself. The American decision to maintain and expand a war army will be a concrete sign that the people of the United States are prepared to fight for American security; but it will mean a new drain upon American resources. Russian resistance has been remarkable; but, however effectively the invader may be militarily checked, that resistance will only last if supplies of the things that Russian soldiers and citizens immediately need for the coming winter are forthcoming from Britain and America. The United States has welcomed the Anglo-Russian alliance; but aid to Russia, which in many ways might prove to be the best aid to Britain, is not a first principle of American policy. There is urgent need for a high control of priorities among the free nations, for co-ordination between the Governments and supply departments of Britain, the United States, China and Soviet Russia, and the need for increasing war output to the limit in every free country is imperative. The measure of the defence of freedom is the sum of their joint resources, and the success of that defence will depend upon the strategic wisdom with which those resources are deployed on the battlefields and in the back areas of the world. The needs of the American army and those of the belligerents cannot be satisfied in compartments from the same stock. The needs of Britain and Russia cannot be dealt with separately. The war against Hitler is indivisible.

American Aid

There should be no room in the pattern of world economic warfare for the absurd use of Lease-and-Lend to import vitamin powder into this country as a civilian necessity only for it to be manufactured for re-export. This has been reported. It has been complained about. But it must surely be untrue; and, if true, the amounts must have been minute. Consternation has also been caused in American oil circles by the request that an additional 100 American tankers should be placed at the disposal of Britain. Fifty American flag tankers have already been transferred in recent months, and are now being employed to transport oil from Caribbean ports to the Atlantic seaboard of the United States for trans-shipment to British vessels. The withdrawal of these 50 tank ships from the American service has doubtless been of great value to this country; but it has seriously disturbed the oil position in the highly industrialised eastern states, which are responsible for 40 per cent of all American consumption and are supplied almost exclusively by sea. Not unnaturally, therefore, some of the interests affected have been asking why Britain needs these tankers. The accession of Norway and Holland to the Allied cause raised the tanker tonnage at Britain's disposal from approximately 3,000,000 to 6,000,000 tons gross—a

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tonnage which, it is argued, should be sufficient for all Britain's requirements, even if the most ample allowance is made for sinkings and for delays due to the convoy system. The request for more tankers must, therefore, be expected to arouse vigorous protests across the Atlantic. If, as has been suggested, the vessels are to be used to carry oil from the ports of the Dutch West Indies or the Gulf of Mexico as far east as Iceland, the question immediately arises why British or Norwegian bottoms cannot be used for the purpose. The handing over of another 100 tankers would certainly cause the most acute crisis on the eastern seaboard; for it would mean that the tonnage engaged in supplying these states had been reduced by 60 per cent since the beginning of this year. Mr Ickes, the Petroleum Co-ordinator, is reported this week to have asked the governors of 16 Atlantic states for a "voluntary" reduction of one-third in fuel consumption in those states. But even this cut would be inadequate to solve the immediate problem if the industry was deprived of the services of another 100 tankers. Meanwhile, the rising demand in the House of Commons for further stringent restrictions on the use of petrol in this country has been described by Mr Geoffrey Lloyd as "heresy hunting"—which will not comfort these American states, who have their own part to play in the democratic war effort.

Congress and the Draft

The sudden evidence from Bolivia of German activities much nearer to the United States than Paris or Smolensk may help to give the whole question of extending the period of service of the draft an easier passage through the American Congress. The President's Message was a straightforward appeal not to weaken the American fighting forces disastrously at a time when, with "each elimination of a victim . . . Nazi domination" has come "closer to this hemisphere, while month by month their intrigues of propaganda and conspiracy" seek to "weaken every link in the community of interests that should bind the Americas into one great western family." The psychological problem before the President is to get the American people, or rather Congress, which on this issue does not fully represent the people's mind, to see that they are already involved in a struggle for the preservation of their own security. The fact that they are not fighting now is no more relevant to their ultimate commitment than the fact that Britain is not engaged in land fighting in Europe while the Germans are attacking Russia. It seems nearly certain that Congress will see the issue in this light, but not before the Isolationists have mobilised to the full the emotional campaign against risking American lives.

Revolt in Bolivia

The trouble which flared up in Bolivia on July 19th with the proclamation of a state of siege and the dismissal of the German Minister, Wendler, has been brewing for some time. It is one more consequence of the current of unrest caused by Axis propagandists which runs right through Latin America. It comes within a week or so of the discovery of a network of Nazi activity in Argentina. Uruguay has already had occasion to ban a fully articulated local Nazi movement; more recently Venezuela was constrained to abolish German control of its civil airlines. There is hardly a state in which Nazi influence is not at work to undermine the Government and to create centres of anti-British and anti-American activity. The United States' interest in the matter was shown by Mr Sumner Welles's assurance to President Peñaranda of Bolivia that he could count on the United States' loyal co-operation in getting rid of *persona non grata* in the German diplomatic corps. Wendler has appealed for proof of his subversive activities, presumably to gain time, but it seems likely that the Bolivian Government will evict him without ceremony. From the reports, it is hard to judge how much support Wendler and his pro-Nazi puppets in the Bolivian army could count on. A puppet President in the person of the Bolivian Military Attaché in Berlin, one Belmonte, was designed to replace General Peñaranda, and presumably the state would have been reorganised under German control on the totalitarian lines attempted in 1938 and 1939 by the ill-starred dictator, General Busch. The present regime, which re-introduced republican institutions in the winter of 1939, after General Busch's suicide, is strongly pro-Ally, and there is no reason to suppose that the anti-totalitarian

revulsion which followed the Busch experiment is completely spent. Nevertheless, it was found necessary to ban four Bolivian newspapers—one significantly called the *Busch*—and an interesting feature of the revolt was the co-operation of Socialists with the Nazi-minded officers. The Nazis are still prepared to make use of any form of extremism or discontent. They are not allowing the "holy war" against Bolshevism to interfere with the flexibility of their approach in other continents.

Move in India

The decision of the Viceroy to enlarge his Executive Council and to set up a new National Defence Council does not mean that the constitutional deadlock in India has been brought to an end. The ostensible reason for the Viceroy's decision is the increased pressure of work which has fallen upon Ministers because of the war; and the enlargement of the Executive Council is made necessary by the creation of five portfolios which will be held by Indians. On the other hand, in spite of these reasons which serve to rebut any suggestion that the Viceroy or the British Government have revised their earlier view that there was nothing further they could do towards satisfying Indian opinion about Indian government, it is plain that these developments represent a second attempt to do what the Viceroy attempted last August. Then, he suggested an enlargement of the Executive Council and a separate advisory War Council—precisely in fact what has been done now. The difference is that last winter the Viceroy refused to proceed with his scheme because he was unable to secure the support of Congress, the Moslem League and the other principal parties in Indian politics. This time, he has not waited for their acceptance of these innovations. The Executive Council is now a dominantly Indian body and the National Defence Council is deliberately designed to associate Indian non-official opinion as fully as possible with the prosecution of the war. It is a welcome sign that the Viceroy and the British Government have thought again. It is perhaps, unfortunate, however, that they have thought again on such precisely similar lines. It is not that the authorities could be expected to accept the impossible and intransigent demands of either Congress or the Moslem League. The one asks for complete independence at once, the other for partition, and neither can be regarded as more than a slogan of party politics. The real issue, if the Viceroy is to attempt to obtain the participation of Indians in Indian government, is the authority and the status of the Executive Council. As it is, the Executive Council is a decorative piece of administrative furniture. The Indians who hold portfolios do not necessarily exercise any more authority than the purely advisory functions of the new Defence Council. These moves are an attempt to associate Indian opinion with Indian Government and India's war effort, and it is necessary that this association should be brought about. There is a large body of moderate opinion, and even of opinion within the extreme parties, which would welcome genuine participation in the conduct of Indian affairs, but these reforms may not, on the face of it, give any assured and responsible participation. On the other hand, able and representative Indians have been found to occupy these posts and it may be that the intention of the Viceroy is to make the Executive Council something more like the real administrative body it was intended to be, and to use the new Defence Council, not as an ornament, but as a vital part of the free organisation of India for the war—on the course of which, especially at this present moment, the destiny of India directly depends.

An Undignified Outburst

Hitler is putting the screw on Spain once more. It appears that, once again, the garrisons of German troops on the Spanish frontiers are being increased and the general relaxation of tension which followed on the attack on Russia has come to an abrupt end. Mr Sumner Welles' solemn warning that the defeat of Russia would immediately be followed by a new offensive on the few remaining "free" countries in Europe is a reminder, not only for the Darlans and Francos of the west, but also for the puerile optimists in this country and America, who believe that the Atlantic world will, in some miraculous way, be spared further Nazi attention, now that Hitler has turned east. This renewed state of tension is the background of the Caudillo's unseemly attack upon Britain and the United

States in a recent speech celebrating the fifth anniversary of his successful *pronunciamento*. That the lesser and wilder men of Spain should long have acted as mouth-pieces of the Power without whose help they would not be enjoying their present position is understandable, even if there is no shadow of reason for condoning their servility. Foreign Governments have, however, the right to expect dignified and measured language from the responsible Head of a State. It is obvious that in blackguarding Britain and America, and blaming them for the economic distress prevailing inside Spain, General Franco was trying to "give all aid short of war" to Hitler, and there is still no reason to doubt his own preference for neutrality. But the Spaniards can hardly expect to gain either sympathy or practical help for their desperate economic straits by taunting with their "wealth and decadence" those States which have shown their willingness to assist. It is poor diplomacy, deplorable logic and very bad manners.

Trade in Wartime

Lord Woolton has announced that the number of shop-keepers registered as entitled to receive supplies of rationed foods is far in excess of the estimated number of food traders in existence before the war. He stated that traders in other goods register as food retailers in order to buy food for their families on wholesale terms; and the local food committees are to investigate the position with a view to confining licences to legitimate food retailers. This move, which is naturally welcomed by the food traders' organisations, put into actual practice the suggestion made by the London and Liverpool Chambers of Commerce that, to hold down the price of foodstuffs to the public, the number of traders should be restricted. The object of the suggestion of the Chambers was to eliminate speculators; the Government's is, in addition, to slim the body distributive. The danger is that existing wholesalers and retailers will be given a vested and exclusive right to trade. It is no accident that representative bodies of traders are anxious to crystallise the present structure of distribution. Without doubt, the desire to stop speculation and inflated prices is genuine, but the choice of method plainly springs from the established traders' very natural outlook. Actually what is needed in the distribution of food and other necessities is not simply the limitation of trading to existing traders, but rather the actual curtailment of the present distributive facilities. A leading fault in the policy of the Ministry of Food has been the wasteful and expensive attempt to keep in being the entire pre-war apparatus of distribution. Indeed, too much attention is being paid to traders who speculate or "profiteer" and to consumers who persistently queue—to the indignation of Chief Constables—and too little to the official policies of which this misconduct is, to a considerable extent at any rate, merely the symptom.

Absenteeism and Discipline

The Select Committee on National Expenditure has adopted the report of the sub-committee on Supply Services dealing with labour in filling factories. As many of the operations in these factories are conducted by hand in small shops, absenteeism causes even more dislocation than in large works. The sub-committee takes the view that the bulk of the absenteeism is not culpable, but is the product of factors which could be eliminated. The chief of these factors seem to be—the long distances which workers have to travel, with very inadequate transport facilities; the absence of adequate accommodation near the factories; the conditions of work, especially the canteen arrangements; and the seven-day week. The sub-committee recommends that it should be a primary duty of the Ministry of Supply to arrange for transport facilities; that the provision of hostels as near as possible to the factories should be speeded up, and the scale of charges revised; that canteens, in which at present both cooking and serving arrangements are unsatisfactory, should be the subject of special and urgent consideration, and their charges be revised; and that Sunday work should be abolished except for maintenance of plant and in real emergencies. The sub-committee suggests that time rates would have to be adjusted to keep earnings up to the present level in a six-day week. If, as is generally considered likely, output were maintained, or even increased, this would present no difficulty; otherwise it involves a most dangerous concession of principle. The sub-committee further calls for the removal of legitimate

grievances and of causes of industrial fatigue, and for all possible steps, including the introduction of piecework, where appropriate, to increase incentive. When these steps have been taken, and they must be taken quickly, any residue of culpable absenteeism can be remedied by appropriate action. Meanwhile a step in the direction of tightening up discipline has been taken by the revision of the Essential Work (General Provisions) Order. The original order, by requiring the uninterrupted payment of wages to employees suspended from work, meant that this form of punishment became a holiday on full pay. The Joint Consultative Committee of employers and trade union leaders has approved a revision of the Order allowing wages to be withheld during a period of suspension not exceeding three days. The worker has the right of appeal to a local appeal board. A similar amendment of the Essential Work orders governing particular industries is now to be discussed.

Lull in the Levant

The Levant is full of the legacy of old problems and the premonitions of others still to come. The position in Syria is satisfactory as far as it goes. Probably both the Free French and the British can agree on an ultimate solution of the problems of the Mandate—Syrian and Lebanese independence coupled with a treaty relationship with France on the lines of the Anglo-Iraqi Treaty. In the meantime, it is important not only for the prestige of General de Gaulle, but for the rehabilitation of France in general, that the Free French leader, General Catroux, should have the substance as well as the outward seeming of authority in Syria. Obviously the last word must remain at Cairo for the duration of the war, but responsibility can perhaps be exercised from Cairo, rather than through British intermediaries or a British Commander on the spot. This is an immediate issue for Mr Lyttelton. In the east, it is important to know whether the military situation in Iraq is entirely satisfactory. If the German advance into Russia is to be followed by a swing to the south, Syria and Iraq together become one of Britain's most vulnerable battle fronts. The idea that, with the end of the Abyssinian campaign, armies and material would be released in quantity for other fronts is dispelled by the news that General Cunningham had at no time more than 20,000 men and 68 field guns with which to conduct his campaign—a fact which reflects extremely creditably indeed on his performance, but not so encouragingly on the British supply position in the Middle East. The attitude of Turkey is, of course, crucial to the maintenance of an effective front in Syria or Iraq. There are reports that, if Russian resistance continues to prove stubborn, then Germany may seek an easier route through Turkey, designed to turn the Russian flank and capture the oil of the Caucasus. Troops have been mobilised in Bulgaria, and it is not certain whether they are to keep order against the Russophiles at home, to reinforce the Bulgarian claim to Macedonia against Italy, or to serve as a prelude to German pressure on Turkey. The Turks are unanimous in their resolution to defend themselves, and their resistance to Vichy's demands in recent weeks is at least a good augury of further firmness.

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Colonial War Gifts

A very welcome passage of Lord Moyne's recent statement on colonial policy dealt with the Government's attitude towards colonial war gifts. From the outbreak of war, gifts, both in cash and kind, and loans have been made to the United Kingdom, and the total sum of money received by the Imperial Exchequer now amounts to over £20 millions. Obviously, a direct contribution to the war effort is only provided by the gifts in kind. The fifty live turtles sent by a Jamaican firm to the Royal Navy and the bags of beans, cocoa, maize and rice from other territories are of more immediate value than the surplus balances of Nyasaland or the hundred thousand Straits dollars given by the Sultan of Brunei. The colonies' money gifts and loans are, in fact, in precisely the same position as Spitfire funds in this country. By themselves they contribute nothing; they cannot purchase the materials or weapons of war, and since colonial currencies are tied to sterling, they do not even rectify a possible favourable balance of payments with the United Kingdom. But the gifts from individuals do supplement taxation and divert money which would otherwise have been spent on consumption goods, which are doubly wasteful in that they need shipping to bring them; and there is to be no change of policy about accepting these. Gifts from the colonies' reserve funds and the renunciation of Imperial grants, on the other hand, are a different matter. In this case, it has frequently meant that the colonies in question have forgone, not personal expenditure on unnecessary consumption goods, but development and welfare schemes which are necessary if the standard of the vast majority of colonial peoples is to be brought up to the minimum. British Guiana, which, in spite of a big deficit, renounced an Imperial grant for drainage, is a case in point. And even if such schemes had to be postponed for the duration in any case, owing to a lack of men and materials, the depletion of its reserves would mean that a colony could not undertake them when peace returns. In future, therefore, such gifts will be regarded as interest-free loans to the British Government for the duration of the war, after which they will be repaid, when desired by the colony concerned, for post-war development. Colonies with adequate reserves will still be able to make outright gifts. It would clearly be ungracious to reject completely colonial offerings, and this solution is a happy compromise.

* * *

Undesirable Modesty

It is to be hoped that the latest appointment to the Board of Education will be the last—at least, until after the war. It has always been exasperating to all concerned with education, but particularly now when education is in the melting-pot, to see the post of President of the Board treated as a sort of musical chair to be grabbed by any Minister who happens to be displaced in a Cabinet shuffle. To the public at any rate, Mr Ramsbotham was not an inspiring President. His ideas on educational reform seemed limited to raising the school-leaving age to 15 or—when he was in a daring mood—to 16, though in his last public utterance as President, to the Conference of Head Teachers, he did appear to go so far as to accept the recommendations of the Spens Report as a basis for the reform of secondary schools. Yet it seems that Mr Ramsbotham has been sponsoring educational reconstruction on the quiet. A document has been published by the Board, which is not intended to set out official views on post-war education, but which is the considered views of some officials in the Board, and is intended to serve as a basis for discussion. Owing to the distinction between official views and the views of some officials, this document is not to be made public. Copies have, however, been sent to certain outside bodies and individuals—presumably for their views to be added to the views of the officials, so that an official view can be formed. This coyness is very regrettable. If the President disclaims responsibility for the proposals contained in the document, it ought not to be circulated under the auspices of the Board at all. If, on the other hand, they have his blessing—which seems most likely—the whole country has a right to pronounce upon them, not only a few favoured bodies. It looks, in fact, as though the Board wished to try out their effect on the teaching profession before daring to launch them on a startled world. Or perhaps they are so innocuous that the world would not be startled at all. Mr Butler should give the world the chance to find out.

Straining at a Gnat?

The incidentals of the Russian alliance are proving more awkward for the Government than the alliance itself. A considerable controversy has arisen, first, through the decision not to add the *Internationale* to the list of the Allied national anthems played by the BBC on Sunday evenings, and, secondly, by the refusal to lift the ban on the *Daily Worker*. In the first case, the Government was possibly guided by the desire to cause the least offence to the greatest number. Probably, most people in this country are quite indifferent to whether the *Internationale* is played or not, but regard the hasty dropping of all national anthems—presumably for good, for whenever one is played it will be an invidious distinction *vis-à-vis* Russia—as a timid and rather ridiculous solution. Those who feel strongly about it, one way or the other, are perhaps of equal strength—though those to whom the tune is a clarion call to workers all over the world to fight against tyranny appear to forget that to just as many people it is a symbol of sabotage and subversion. More of a case might be made that the omission is a mistake in that it offends Russia, but it can hardly be contended seriously that the shrewd Stalin, who has secured the substantial prize of the British alliance, is likely at this stage to worry about incidentals. And against Russia must be set the United States, which has swallowed the Russo-British alliance as a necessary expedient but still clings to the Ciceronian principle that expediency should not be divorced from right. It is important to convince the American people that Britain's attitude to Communism is still completely unchanged. The case of the *Daily Worker*, on the other hand, is purely domestic. The paper was suppressed, not because of its Communist views, but because it had consistently pursued an anti-war policy. On the face of it, therefore, the Russian alliance makes no difference. But the changed circumstances have caused the sponsors of the paper to change their attitude, and there is no doubt that, so long as these circumstances continue, its guarantees of support for the war will be kept. Thus there are some grounds for letting the *Daily Worker* out on probation. It could not be regarded as a sign of weakness on the part of the Government—it is Mr William Rust who has changed his front, not Mr Morrison. It would, on the other hand, be a friendly gesture to the small minority which accepted the paper's views before, and like it are now prepared to say "I will be good."

* * *

Shorter Notes

The Pharmacy and Medicines Bill has passed its third reading in the House of Commons. The most important amendment, so far as the public is concerned, deals with the declaration of the composition of patent medicines. The Bill now provides that the constituents must be given their "appropriate designation," which is strictly defined, in order that the public should not be misled by pseudo-scientific terms. It also provides, as an additional precaution against fraud, that the "quantitative particulars" of the constituents must be given. Thus, the two chief drawbacks to the original clause have been removed.

*

Since the prices of practically all important foodstuffs are now controlled, it has been decided that the Food Price Investigation Committees should cease to function. The local food office will now receive complaints in regard to food prices, whether controlled or not. The committees were set up in August, 1940, and were responsible for investigating complaints of high prices charged for food commodities. The chairmen and members are the same as those of the Price Regulation Committees, set up under the Prices of Goods Act, whose work will be continued under the amending Bill now before Parliament.

*

The discussion in Parliament on the motion to extend the Emergency Powers (Defence) Act by another year centred very significantly on the Home Secretary's power over the liberty and opinions of individuals, not on the Minister of Labour's powers to conscript their services. Thus criticism was expressed on Regulation 18B, under which people can be detained without trial, and Regulation 2D, under which the *Daily Worker* was suppressed, but Regulation 54C, 55 and 58A, which authorise the use of compulsion on employers and employees, were not called in question.

THE WORLD OVERSEAS

The Fall of Hungary

The End of an Epoch

[BY A CORRESPONDENT LATELY IN HUNGARY]

July 21st

COUNT PAUL TELEKI poisoned himself in the early hours of April 3rd. For more than two years, following the fall of Imrédy, early in 1939, Teleki had danced along the tightrope of non-intervention and non-belligerency, the abyss of a German alliance yawning beneath him. Until the fall of France he was successful; Hungary was committed to nothing more than tacit non-military support of Germany; the pengő had not been devalued against the Reichsmark—thanks to the skill and courage of the president of the National Bank, M. Baranyay, it was never really devalued up to the last; certain trade arrangements—no matter how formal the British blockade might have made them—still existed with the United Kingdom; British official news was still widely circulated in the Press; and the majority of the ruling class still believed that Britain's chance of victory was greater than Germany's.

After the fall of France, this attitude had to change. And, because in Hungary there was only one possible set of rulers, the only men to whom political initiative and experience had not been denied, it was automatic that the Government of Teleki should remain in its place, changing its policy and trimming its course according to the prevailing wind. The wind began to prevail from the German quarter, and soon was blowing at gale strength. It was clear that Hungary's fate would be decided at Berchtesgaden. Roumania collapsed almost at once; early in September, the Hungarian army was marching into Transylvania; and the link with Germany had become unbreakable.

The shadow of the coming struggle with the Soviet Union appeared upon the political scene. Teleki had secured not the "vertical" partition of Transylvania which most Hungarians had expected—that is, a strip of territory running all the way from north to south of Transylvania—but a "horizontal" share instead, a piece of territory running only halfway south but extending to the crests of the Carpathians. In exchange, the Government of Teleki and Csáky made two further steps into the German orbit. They signed a treaty whereby Hungary would fight on the side of Germany if Germany were to become engaged in war with Soviet Russia; and they signed a minorities agreement which gave the German minority in Hungary rights amounting almost to extra-territoriality. It did not need the news of furious road-building in Slovakia to convince those who knew the terms of these agreements—and the terms were hushed up as far as possible—that war between Germany and Russia was sooner or later certain.

The Army's Part

If it is possible for a small Central European nation badly harassed by Hitler and divided within itself to refer to its "honour," then it was certainly the Hungarian army which was responsible for losing Hungary's honour. The army was on the side of Germany because it believed that the Germans would win the war—at least to the extent of remaining in command of Central Europe; because the Germans had smashed the Treaty of Trianon; because the army's guns and ammunition had come from Germany; because the younger officers were all Nazis and the older ones decrepit and fearful; in short, because for a multitude of reasons they were in no condition to be anything else but pro-German.

What actually happened in those last few days before Hungary threw away her two months' old treaty of "eternal friendship and non-aggression" with Yugoslavia is still not clear. Immediately upon receiving the news of the *coup d'état* in Belgrade, the German High Command began to move troops from Roumania and Austria into Hungary

in order to man the vulnerable Banat frontier. These movements were made with the cognisance of the Hungarian Government, under arrangements concluded long before with the Hungarian General Staff and the directors of the Hungarian railways (at the head of whom was the younger son of Admiral Horthy). A few days before the blow was planned to fall, the Hungarian Government, already at odds with its army command over the question of general mobilisation, was asked by the German Government for full military co-operation against Yugoslavia in return for territorial concessions in the Banat. Faced with the insubordination of its army command—Generals Bartha and Werth, the Minister of War and Chief of Staff respectively, have much to answer for here—the Government gave in.

It is a miserable story of perfidy and fear. The country which had stabbed Czechoslovakia, Poland and Roumania in the back now stabbed Yugoslavia. There are about ten thousand men in Hungary who affect aristocratic descent. They rule, or try to rule, the remaining thirteen millions. A majority of them regarded Hitler and his methods with acute and perfectly genuine distaste. Quite a number of them went to gaol for the outspokenness of their views. The minority who favoured Hitler, eccentrics like Festetics who formed the first pseudo-Nazi party in Hungary, never carried much weight. Why was it, then, that their collapse came so easily? Certainly not because the peasants and the workers (except in the areas inhabited by Germans to the west of the Danube) were pro-German or pro-Nazi.

Political Suicide

The explanation is simple. For a dozen years after the last war the aristocracy to which the Horthy restoration had given full power lost no opportunity of stifling every attempt to interest the common people in politics. By the early 'thirties Communism had been murdered, tortured, or exiled out of existence; the trade unions had lost practically everything but their membership; the Social-Democratic party had learnt in fear and trembling to place a very careful interpretation upon its activities. To this lamentable state of affairs the flamboyant pro-Hitlerism of General Gömbös put the finishing touches; during the régime they might have cried: "The people are dead. Long live Hungary!"

But what the aristocracy dared to do against the opponents of Socialism and popular government they had no courage to carry out against the pro-Nazi parties, groups and propaganda bodies financed by Berlin or by blackmail on Jewish industrialists and bankers in Hungary. By 1939 there were something like seventeen Arrow-Cross factions, each striving to get the leadership of all the others and out-doing the next in virulence and violence. The country stood by and laughed at them. But in spite of their contemptible antics, the Arrow-Cross movement made headway. Arrow-Cross adherents were arrested from time to time, but they were never treated as the "Reds" had been treated. Inconsequent half-wits like Hubay, rogues like Kovárcz, German agents like Milotay and Raynis, little men who could have made no mark in normal times, were allowed to swagger and swindle their way about the country unimpeded.

The conclusion is clear. The aristocratic oligarchy had destroyed every outlet for democratic or anti-Nazi or even honestly patriotic sentiment. They were now faced, alone, by an exceedingly strong complex of pro-Nazi and anti-democratic organisations. They saw this for themselves when it was far too late. The non-political organisations which Teleki tried to mobilise "in defence of the State and Constitution" late in 1940 turned out to include so many Arrow-Cross members that they had to be abandoned hastily. Sporadic efforts of this kind had been made before. Late in 1938, Imrédy formed his "front of National Regeneration," a perfectly respectable body of middle-aged gentlemen who paraded every now and then in green felt

helmets, carried staves and wore buttonholes and achieved precisely nothing. Teleki was the Chief Scout of Hungary.

But the real counter-move, the formation of a popular political party, was never made. Instead of banding together the many thousands of men of goodwill who might have been ready to oppose to the last any German demands which trenched still further upon Hungarian independence, the oligarchy evolved a wonderful piece of nonsense called "the Government Party." This ridiculous body was neither the Government nor a party. It consisted of all those Parliamentary Deputies, a substantial majority of the Lower House, who wanted nothing better than to go on representing themselves in Parliament, appealing periodically to the patriotic support of the country, which they certainly did not represent. The frantic desire of the oligarchy was to prevent anyone else from getting a finger into the pie; and, when the test came, the Government and the anti-German aristocracy found themselves with nothing better to support them than this band of capering loons. Against them were ranged the numerically strong Arrow-Cross groups, the army commanders, the whole course of events and the minatory tones of the German Minister in Budapest. The Government collapsed.

The future cannot be forecast. Too much remains unknown. A new Government, headed by a colourless diplomat in László Bárdossy, duly declared war upon Russia in July, and it is to be presumed that the Hungarian army is once more hallooing along in the rear of the *Reichswehr*, this time in Galicia. In whatever way Germany is defeated the Hungarians will suffer correspondingly. They were disillusioned before they began; and before the end they will be desperate. Whatever comes out of this confusion, it is plain that the epoch of oligarchy and Hungarian Chauvinism is dead.

War Economy

[BY A CORRESPONDENT]

July 23

FROM the Vienna Award in 1938 to the partition of Yugoslavia by the Axis Powers in April, 1941, Hungary increased her territory by 83 per cent and her population by 60 per cent to 14½ millions. Apart from small mining areas in Slovakia and Transylvania the new districts are mainly agricultural. The percentage of industrial population in Hungary has thus fallen from 50 to 35 per cent; but a corresponding increase in the exportable agricultural surplus is hardly to be expected. Last year Hungary experienced a bad harvest of cereals. Widespread flooding in the autumn of 1940 and the spring of 1941 have not helped this year's harvest. In 1940 a bad cereal crop and the poor quality of the maize crop were compensated by a good root crop.

HUNGARY (WITHOUT TRANSYLVANIA)			
CROPS (thousands of metric tons)			
	1939	1940	
Wheat	3,050	2,070	
Rye	890	720	
Maize	2,330	3,030	
Potatoes	2,221	3,440	
Sugar beet	1,160	1,760	

The acreage under oilseeds which was considerably extended in 1940 yielded no appreciable increase, and the fruit and wine harvest was also very poor. In spite of the bad wheat harvest, Hungary was forced to export some wheat to Germany and Italy. Total exports were roughly one quarter of those of 1939. The requisitioning of wheat and oilseeds and the adulteration of bread by potato and maize flour were unavoidable. An acute shortage of feeding-stuffs resulted in a decrease in the pig population. Exports of live pigs decreased from 355,000 in 1939 to 154,400 in 1940, and of lard from 12,780 tons to 4,350 tons respectively. Between September, 1940, and March, 1941, Germany received no lard at all from Hungary.

The planned agriculture that Germany wants is very difficult to achieve. The big Hungarian landowners are trying to oppose the scheme for reducing the acreage under wheat in order to increase the cultivation of oilseeds. Complaints have been made about Germany's depletion of Hungary's stocks of food. The cultivation of wheat is heavily subsidised by the Government. The wheat price

was raised from P7 in 1933 to P20 in 1939 and P23 in 1940; and, generally speaking, landowners seem to be willing to carry out the plans for German-Hungarian agricultural collaboration so long as prices for all leading agricultural products are guaranteed at a higher level, like the wheat price.

Meanwhile, there has been widespread hoarding of food-stuffs, until stocks laid in by individual consumers were limited to 25 kilogrammes of flour, 2 kilos of pulse and 3 kilos of fats. The newly incorporated Yugoslav province normally exported considerable quantities of wheat, maize and pigs; but Transylvania is deficient in bread grain. In spite of considerable price increases, receipts from agricultural sales fell during 1940 by roughly 6 per cent, and the Government prolonged the moratorium on agricultural debts until December 31, 1941.

The German Connection

Industrial production under the so-called Five-Year Plan adopted in 1938 reached its peak during the last quarter of 1939. At the end of 1940, the index of industrial production (1929 = 100) had fallen from the record figure of 172 to 169.5. Since Italy's entry into the war, Hungary has been cut off from supplies of overseas raw materials; and increased supplies of artificial textile fibres from Italy and Germany have not been sufficient for the normal activities of the textile industry.

The coal, iron and steel industries, on the other hand, have reported increasing output; and there is no doubt that the production of oil, bauxite and aluminium has been energetically increased. Germany's interest in these industries is obvious. The German concern *Wintershall* acquired oil-prospecting interests in February, 1941, by forming the "German-Hungarian" Oil Company. The actual output of oil in Hungary is estimated to cover peacetime demand. The capacity of two leading aluminium plants has been extended and a new plant with a final capacity of 10,000 tons is in building. Expansion must be slow because of the lack of electricity, which has been rationed for civilian consumers since the autumn of last year.

In 1940 the total capital expenditure under the Five-Year Plan was increased from P1,000 millions to P2,800 millions, of which P1,650 millions has already been spent. The plan has been financed by additional taxation, which yielded P570 millions. A Government loan was subscribed with P400 millions, and the Government advanced P200 millions. The gap will be covered by a special capital levy, by more taxation, and by a new loan amounting to P500 millions.

The organisation of Hungary's war economy grew without any plan. Rationing was extended, for example, when commodities were in short supply; and a central supply department for industrial raw materials was set up in January, 1941.

FOREIGN TRADE (HUNGARY WITHOUT TRANSYLVANIA) (millions of pengoes)

	Imports	Exports
1938	410.6	522.4
1939	489.9	603.7
1940	597.7	503.6

The bad harvest was largely responsible for the adverse trade balance in 1940. At the same time, the normally considerable export of machines and manufactures fell because of increased orders for the home market; and it can safely be assumed that armament orders were responsible. Because of the bad harvest, imports of maize and sugar were considerable, and the prolonged spell of cold weather caused larger imports of coal. Lastly, import prices increased, but the price of agricultural exports fell. The share of leading countries in Hungary's foreign trade moved as follows:

PERCENTAGES OF HUNGARY'S TRADE

	Imports		Exports	
	1939	1940	1939	1940
Germany & Czechoslovakia	52.4	60.3	52.8	55.2
Italy	7.1	9.3	15.5	15.2
Switzerland	2.8	3.1	3.6	6.4
Roumania	5.9	4.0	2.8	2.1
Jugoslavia	4.8	5.5	2.3	4.4
United Kingdom	4.9	1.0	5.0	2.3
U.S.A.	4.6	5.9	2.5	1.0

In 1940 Germany and Italy accounted for 70 per cent. of Hungary's total foreign trade. Trade with the United Kingdom and the U.S.A. is now at a standstill, and the control of foreign trade relations has virtually passed into German hands.

Conscription Issues in Canada

(From Our Ottawa Correspondent)

June 25th

THE King Government is considerably embarrassed by the growing agitation in the English-speaking provinces for the removal of the restrictions on full conscription. In Alberta, Mr. Mackenzie King felt it necessary to deal with the issue in some of his speeches, and he reiterated emphatically his opposition to conscription for overseas service; he argued that such a measure would split the country and that Canada's adherence to voluntary enlistment for overseas service gave her contribution to the common effort additional moral strength. He even hinted in one of his addresses that, if the advocates of conscription continued to press their case, it might be necessary to hold a general election on the issue; and the *Winnipeg Free Press*, one of his most influential supporters, takes the line that, in view of the pledges given by all the political leaders, full conscription cannot be imposed without a fresh popular mandate. But additional momentum has been given to the demand for full conscription by two recent developments. It has been disclosed in the Canadian press that isolationists in the United States are now making extensive use of the argument that Canada, a partner nation of the British Commonwealth, has not yet imposed full conscription to fortify their case against active American participation in the war. Then there has been published this week, in all the leading Canadian papers, an interview given by General Wavell to the Cairo correspondent of the *New York Times*, in which he is reported to have declared that there was a limit to Britain's manpower and that the manpower of the United States would be needed to win an effective and permanent victory. The Canadian advocates of full conscription are therefore now provided with the very forcible argument that, as long as Canada shrinks from a measure which will make her youth liable for overseas service, it will be hard to induce the American people to consent to the despatch of an expeditionary force to Europe and that the war may be prolonged indefinitely.

The industrial side of Canada's war effort is making satisfactory progress, but in certain cases it has been hampered by strikes for higher wages, which have not had much public support; and the Federal Government, whose tenderness towards strikers brought protests from the Canadian Manufacturers' Associations at their recent annual convention, now shows signs of adopting a firmer attitude. It has passed an order-in-council establishing an Industrial Disputes Inquiry Commission; its function will be to determine whether disputes or threatened disputes justify the appointment of a conciliation board. When it advises against a board, the result will be to bar any strike in such a case except at the risk of heavy penalties for the strikers and heavier ones for their leaders. The miners of the Cape Breton area, who have been causing much trouble, have also been brought under the Defence of Canada regulations, which makes them liable to penalties for interfering with war production, and legal action has been taken against promoters of a strike among the workers of the Canadian General Electric Co., which was called without any award by a conciliation board.

Owing to the frequency of strikes for higher wages, the Government has decided to try to prevent them by a generous wage policy. It had evolved a scheme for anchoring wages to the cost of living through a cost-of-living bonus which workers could apply for, and some time ago it made this bonus mandatory in all industries classified as war industries. An amending order states that "a wartime cost-of-living bonus, separate from and in addition to basic wage rates, shall be paid except for good cause shown to the contrary." Next the Government set aside the decision of a conciliation board, which dealt with an application by the railwaymen's unions for a cost-of-living bonus. The board awarded a bonus of \$1.93 per week to all railway workers earning under \$25 per week, but refused to concede it to those earning higher wages. The Government, however, decreed that the bonus should be available to all railway workers. Obviously, in view of this decision, it will be difficult to resist demands from workers in other non-war industries for the cost-of-living bonus, and Ministers are understood to be considering seriously its compulsory extension to all industries in the belief that it would

accomplish the dual purpose of stabilising wages and banishing industrial disputes for the duration of the war.

The demand of the war industries for steel is almost insatiable. As a result, steel production in May at 197,114 tons, compared with 190,179 tons in April and 168,703 tons in May, 1940, reached the highest figure for any month in Canadian history. The mining industry remains very active, and gold production has been rising, the receipts of gold at the Mint in May being 448,436 ounces, compared with 385,488 ounces in April and 401,431 ounces in May, 1940.

The Russian Home Front

[BY A CORRESPONDENT]

July 21st

THE Soviet Union is adapting its administration to the requirements of war. Neither the suddenness and swiftness of the attack nor the occupation of nearly all the territories which had been seized since September, 1939, as well as parts of Russia proper, has caused any breakdown. The Soviet authorities realised at the outbreak of hostilities the great importance of the home front; and everything is being done to secure the co-operation of all civilians in the war effort.

The greatest attention is now being given to the harvest. The attack started when the crops were still standing and harvesting just begun. While peasants in the battle zones are being urged to destroy anything and not to leave any grain or livestock for the enemy, an enormous campaign is being carried on all over the rest of the Soviet Union to rush through the harvest with all speed.

The walls of Moscow, Leningrad and the other cities are plastered with enormous posters calling upon women and young persons to take over men's jobs on the farms. Women are enlisting as tractor-drivers. The hot weather caused an early ripening of the crops, and in the Kuban, Ukraine, Volga and Siberia harvesting started in the first week of July. Reports show that the crop is good. Farmers are urged to deliver the grain as soon as possible to national warehouses, where it will be under complete Government supervision, to be used where it is most required. Farmers are paying taxes (including the special war taxes) in kind, so that the Government is assured of control over the crops.

The wartime increase in taxation has been followed by a campaign for increased savings and propaganda for increased production. There is no shortage so far of any staple commodity, and no large-scale rationing has yet been introduced. The people are, however, being given to understand that, as the war goes on, the civil population will have to give up a large part of their share in the national income, as priority is given to supplies for the forces.

Reports from all over the country show that an intensification of production is already taking place, though it is difficult to estimate what this amounts to, because the reports only quote percentage increases without giving actual figures. Workers all over the country have pledged



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themselves to increase the quantity and the quality of their products, and everybody is being told that, in no circumstances, must they sacrifice the standard of workmanship for greater output.

The civil population is being gradually prepared for a long war and for participating in civil defence as well as in guerilla warfare. The *Osoviachim*, an ARP organisation, is fully mobilised; London and the other English cities are given as examples. The evacuation of children is gradually carried out, mainly through the schools, and the children are in most cases being billeted in summer schools and camps. This evacuation, for the time, is linked with the usual peace-time scheme for giving the children of large industrial cities a chance of staying in the country for two months a year during the summer holidays.

The black-out in Moscow and the other Russian cities is blacker than in London, because cars are not allowed to have any lights at all, and no light signals are to be seen anywhere. Air raid shelters are prepared in the basements of the huge tenement buildings, and the Moscow underground stations have been turned into shelters. In the large Russian cities many buildings are built of steel and concrete; and the comparatively large number of stout basements and cellars will minimise the need to build outside shelters.

Moscow and Leningrad are preparing for defence. New defences are being erected in the streets, and factories are barricaded. No mass evacuation is taking place, and the civil population has been ordered to stay put.

The Anglo-Soviet Alliance was praised by the whole Press and by enthusiastic mass meetings, where resolutions were passed calling for close collaboration between the two peoples. The Government has given the widest publicity to a pact of alliance with a Power which until lately was denounced as imperialist and capitalist. Everything is being done to keep the people awake to the great dangers of the military situation. Posters displayed in the city squares give a graphic description of the position on the front.

The people are contemptuous of the Nazi "Socialistic" broadcasts from Berlin, and Hitler's expectation of political unrest has so far failed completely. No quislings have appeared, and the German hope of gaining Ukrainian support by the promise of "independence" and a Ukrainian State has been in vain.

Argentina's Budget Deficit

[FROM OUR BUENOS AIRES CORRESPONDENT]

June 16th

THE majority report of the Budget and Finance Committee of the Chamber of Deputies recommends the application of the 1940 estimates up to July 31st next; by then Congress is expected to have sanctioned the 1941 Budget. The minority report advocates that the extension be operative until such time as the 1941 estimates are voted.

In presenting the majority report, Sr. López Merino stressed the urgent need for Congressional sanction of a Budget adequate to the country's present grave economic situation and outlook. The report contains an interesting analysis of the national finances, summarised below:—

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Pesos	
Estimated Revenue for 1941 (against 921,200,000 pesos received in 1940).....	719,700,000
Deductions for Public Debt service, Pensions and Army and Navy estimates	536,290,000
Surplus	183,410,000
Remaining Administrative Expenses totalling (on the basis of Government estimates presented last December).....	545,710,000
Deficit	362,300,000
Expenditure which although falling to be paid out of revenue is to be met by bond issues.....	26,000,000
Total deficit.....	388,300,000

Government outlay on crops purchased under minimum price legislation is estimated to result in the following losses:—

	Present Deficit Pesos	Estimated Deficit Pesos
Wheat and Linseed 1938-39	129,482,135	129,000,000
Maize 1939-40	151,082,014	151,000,000
Wheat and Linseed 1940-41	332,253,506	132,000,000
Maize 1940-41 (to be purchased)....	...	100,000,000
Barley 1940-41.....	21,971,335	20,000,000

Loss without taking into account the next fine harvest

532,000,000

Adding the estimated losses on crop purchases to Budget deficits gives the following statement of actual obligations to be met by the country:—

	Pesos	Pesos
Deficit for 1940	164,400,000	526,700,000
Estimated Deficit for 1941	362,300,000	532,000,000
Loss on Crop Purchases	...	1,058,700,000

and concludes by showing the following position:—

1940 and 1941 Budget Deficits	526,700,000
Estimated losses on crop purchases	532,000,000
Purchase of next fine crop	150,000,000
Expenditure on armaments (Bill before Congress) ..	300,000,000
Public Works Bills.....	226,000,000
	1,734,700,000
Add net increase in consolidated debt during 1940 ..	111,600,000
Increase in debt during 24 months (40-92%)....	1,846,300,000

In referring to this analysis, the speaker indicated that the Government will require to invest 500,000,000 pesos in the purchase of the next fine harvest within a few months, and that the estimated loss of 150,000,000 pesos on this account is optimistic.

The Minister of Finance, Dr. Carlos Alberto Acevedo, disagreed with the estimate of crop losses given in the majority report, but stated that, should they reach this amount, the Government still had at their disposal 370 million pesos in the shape of Exchange Control profits with which to finance the purchases, also that they were authorised to issue a further 263 million pesos in bonds. He added that this figure of 370 million pesos had been increased since December 31st last to 381 millions.

Books Received

- The Conduct of Meetings.* By Cecil A. Newport. (Bickley, Kent) The English Universities Press, Ltd. 120 pages. 3s. 6d. net.
- Economic Warfare, 1939-1940.* By P. Einzig. (London) Macmillan. 15 pages. 7s. 6d. net.
- Putting Our House in Order.* A Sequel to Men, Money and the Ministry. (London) Longmans, Green and Co. 133 pages. 3s. 6d. net.
- PENGUIN SPECIALS.
- The Catholic Church and International Order.* By A. C. F. Beales. 192 pages.
- Planning the War.* By C. Garsia. 151 pages.
- PELICAN BOOKS.
- The Scientific Attitude.* By C. H. Waddington. 128 pages.
- English Justice.* By "Solicitor." 224 pages.
- THE PENGUIN POETS.
- Tennyson.* Selected by W. E. Williams. 188 pages. (Harmondsworth, Middlesex). Allen Lane: Penguin Books. 6d. net each volume.

THE BUSINESS WORLD

Profits Under Control

IT would not be far from the truth to say that the only change in the realm of industrial profits during the past quarter is the destruction by enemy action of much of the past records on which *The Economist's* quarterly articles are founded. The successive quarters of the past year have told substantially the same story. Total profits have been increasing, though their rate of increase has slowed down perceptibly; net profits have been falling, largely as a result of increasing taxation; and equity shareholders as a whole—the supposed beneficiaries of peak wartime production and lavish finance—have, in fact, experienced a continuing decline in rates of earnings and dividends ever since the war became a serious reality eighteen months ago.

These trends are evident in the normal tables which accompany this article. The first shows that the total profits of 497 companies whose reports were received last quarter

TABLE I.—PROFITS OF SECOND QUARTER COMPANIES—1941

497 Companies	Previous Financial Year	Latest Financial Year	Adjusted Net Figures before Taxation
Total Profits*	£104,198,463	£105,306,160	...
Depreciation	8,242,941	8,242,941	5,194,464
Debt interest	4,502,215	4,502,215	...
Other charges†	41,024,302	41,024,302	...
Net Profits	£58,928,691	£51,536,702	£66,547,908
Preference dividends	11,955,144	11,955,144	15,550,876
Ordinary dividends	...	32,424,900	43,840,374
Added to free reserves....	...	7,156,658	7,156,658

* After depreciation where not separately stated. † Incl. taxation.

increased by little more than 1 per cent, from £104,198,000 to £105,306,000. Second quarter companies are predominantly home industrial companies, and for that reason their results are a true reflection of the trend of profits of British industry. "Profit," of course, has always been rather an equivocal term, and the total profit disclosed to shareholders is commonly reduced by undisclosed provisions to depreciation and other reserves, and by EPT and taxation. Nevertheless, these qualifications do not gainsay the evidence that, in the second year of total war, no inflationary break-away of business profits has occurred.

Net profits, after deduction of depreciation, debenture interest and other charges, including taxation, fell by no less than 12½ per cent from £58,929,000 to £51,537,000.

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.
1940							
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
1941							
1st Quarter	17.7	73.1	9.2	4.0	4.7	11.4	9.6
2nd Quarter	23.4	65.9	10.7	4.0	5.2	8.2	6.7

What that net figure means in terms of reward for shareholders is better understood from Table II, in which the net figure of £51,537,000 is replaced by an equivalent figure, before deduction of income-tax, of £66,548,000. This latter

figure—precisely the same as the net profits figure, but struck at a different accounting stage—is used for the calculation of the distribution of net profits among share capital reserves and for rates of payment and earnings. No very obvious trend is visible in the distribution percentages—the second quarter companies this year followed much the same policy as in the previous year of distributing slightly less than two-thirds of their available earnings. The significant change is evident in the second part of the table. Throughout the past 15 months the gross percentage rate of ordinary share earnings has been falling. In the first quarter of 1940 it was 15.1 per cent; then the rate steadied to slightly over 12 per cent, to fall in the first quarter of this year to 11.4 per cent, and now to 8.2 per cent. The cut in the average rate of ordinary dividend from 13.1 per cent in the first quarter of 1940 to 6.7 per cent in the latest quarter is a necessary consequence. The lot of the equity investor has been harder, not easier, in the war to date. These figures, moreover, are on a gross basis, before deducting standard income tax. This other prong of the Chancellor's fork digs deeply into the eventual return to equity capital.

These figures suggest clearly that in the realm of company finance, with its corporate saving and corporate taxation, wartime control has been made very effective indeed. If the essence of policy is to allow the equity shareholder

TABLE III.—A YEAR'S PROFITS—1940-1

	No. of Cos.	Total Profits		Net Profits		Latest Net Profit figure re-calculated before Charging Taxation
		Previous Year	Latest Year	Previous Year	Latest Year	
1940						
Third Quarter ..	428	74,758,540	78,723,575	45,326,480	37,704,376	48,610,103
Fourth Quarter ..	558	65,267,000	74,685,000	30,155,000	29,027,000	36,345,000
1941						
First Quarter ...	439	94,300,714	98,954,489	55,682,007	60,628,042	70,936,000
Second Quarter ..	497	104,198,463	105,306,160	58,918,691	51,536,702	66,547,908
Total Year to June 30, 1941.	1,922	338,524,717	357,669,224	190,082,178	168,896,120	222,439,011

less and less, as the results indicate, it is probably better to achieve that end by the familiar way of tightening the screws of control and taxation rather than by limiting dividends to a flat 6 per cent, German fashion. The semblance of reward may be almost as effective as reward itself in evoking output, even though the Exchequer gets the eventual benefit in increased tax-receipts.

Meanwhile, *The Economist's* profit index (whose statistical basis was described on January 14, 1939, and March 1, 1941) shows a further fall in the June quarter. This index employs certain statistical expedients which may well distort its movements to some extent. But the steady fall in the index from 120.5 for the second quarter of 1941 (July, 1935-June, 1936 = 100) to 114.2 for the December quarter, thence to 112.3 for the March quarter of this year, and now to 108.3, is not due to statistical bias. Net profits are falling, and recently they have been falling fairly rapidly.

It is usual, when reviewing June quarter companies' results, to regard them as completing a calendar year of production and earnings. Calendar years have little place in the wartime record, but the third table gives some indication of the diminishing gain in total profits as the year progressed and of the increasing inroads into net profits

caused by taxation and other charges. It would be interesting to compare the increase of £19 millions in total profits and the fall of £27 millions in net profits with previous movements in the profits of the same companies. That piece of research—which is far more complicated than it sounds—must, however, wait until the war is won. But the totals (backed by the industrial analysis of profits on page 122)

will not give great cheer to the equity shareholders. Shipping, rubber and newspapers are conspicuous beneficiaries. The rest is a story of lower profits and lower dividends. It is also a story of the Exchequer's paramount desire to keep money off the consumers' goods market, in which success is partly measured by the dwindling rewards for equity investors.

Finance and Banking

Treasury Bill Issue Cut

The flow of funds to Government accounts is running in full spate at the present moment. In the normal course this would be a heavy revenue collection period; but in addition the flow of subscriptions to Government loans appears to have been stepped up to a permanently higher level than that maintained in the last financial year. Moreover, heavy payments are being made in respect of premiums on the Government's war damage insurance scheme on buildings and chattels. The Treasury have therefore found it possible to effect some net repayment of floating debt this week. Last Friday, they under-allotted the Treasury bill issue by £5 millions, and as £75 millions of bills matured this week and only £70 millions had to be taken up, the amount of these bills issued through the tender will have fallen from £965 millions to £960 millions over this period. The Treasury has, moreover, abstained from calling on the banks for any Treasury deposits this week. There are no maturities of Treasury deposits this week and there will be none for the next five weeks. The scaling down in floating debt borrowing, plus the persistently heavy Government disbursements, has had a substantial deflationary effect on bank cash and bankers' deposits rose over the week to last Wednesday by £16,237,000 to the comfortable level of £124,345,000. The counterpart of this movement is in the main provided by a fall of £14,754,000 in public deposits, while a smaller element in the expansion of bank cash has been an increase of £4,089,000 in the Bank's holding of Government securities. The note circulation continues its monotonous upward movement, and rose by £1,734,000 during the past week to the new high record of £652,654,000.

Clearing Banks' June Statements

The clearing banks' returns for June show the position of each institution at the end of the month and thus provide a composite picture of the banking situation at that date. Comparison with the figures for May is vitiated by the fact that the half-year ends in June, but they can be compared with the December 31 and June 30, 1940, returns. The main feature of the June returns is

In £ millions						
	June 1940	Feb. 1941	Mar. 1941	Apr. 1941	May 1941	June 1941
Capital and reserves	130.7	140.1	140.1	140.2	140.2	140.2
Acceptances, etc.	123.2	101.1	100.5	104.9	107.8	106.2
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current deposit and other accounts	2,469.4	2,708.8	2,764.3	2,828.6	2,824.0	2,945.9
Total liabilities	2,733.7	2,951.5	3,006.3	3,075.1	3,073.4	3,193.7
Cash	269.6	283.6	287.9	298.4	293.1	310.8
Cheques, balance, and items in transit	123.3	117.3	120.6	113.9	112.7	151.6
Money at call	186.1	127.9	131.8	137.4	128.4	142.9
Deposits	106.1	209.9	194.2	187.8	172.8	193.0
Treasury deposit receipts	384.1	329.5	374.0	461.0	469.0	482.0
Investments	636.2	814.4	821.0	819.7	848.3	880.2
Loans and advances	982.5	899.6	908.1	883.7	873.0	859.2
Investments in affiliated banks	23.6	23.8	23.7	23.8	23.8	23.8
Cover for acceptances, premiums, etc.	168.3	145.5	145.0	149.4	152.3	150.2
Total assets	2,733.7	2,951.5	3,006.4	3,075.1	3,073.4	3,193.7

their revelation of considerable contrary movements in investments and advances. At £880,249,000, investments exceed advances by over £21,000,000 and, for the first time, take pride of place over any other asset item. Many individual clearing banks have had this position forced upon them for some time past, but the passing of this milestone for the clearing banks as a whole deserves a special mention. Over the twelve months, the increase in the banks' investments amounts to £244,040,000, while advances have fallen

over the same period by £103,275,000. Allowing an average rate of 4 per cent on the advances repaid over this period, and 2½ per cent as the average return on the additional securities acquired, these offsetting changes in assets should leave the earning power of the banks slightly improved. Another set of balancing changes over the past twelve months has been the reduction in short loans and bills (both the reflection of the smaller total of Treasury bills issued to the discount market) and the countervailing expansion in the banks' Treasury deposit receipts. This last item, which had not begun to figure in the June 30, 1940, statements, had risen to £482 millions by June 30 last and at that date occupied third place among banking assets. The combined fall in bills and short loans over the same period amounted to £205,692,000. Again, the gross earning power of the banks should have improved by these changes in the more liquid assets. Deposits over the year have risen by £476,495,000, of which the comparatively small amount of £28,309,000 may be attributed to the spuriously inflationary effect of a net expansion in the items in transit and cheques in course of collection over the period. The cash position on June 30 was somewhat tauter than a year previously, the ratio to deposits having fallen from 10.92 to 10.55 per cent. But this was more than offset by the strengthening of the ratio of total quick assets which has risen from 38 to 43 per cent.

American Banks and Government Securities

The recent increase in the British banks' holdings of Government securities and the accompanying reduction in their loans and advances stands in interesting contrast to the experience of banks in the United States. In that country the supremacy of investments among bank assets was gained in the early 1930's following the enormous liquidation of loans in the depression years, a movement which about halved the loans of American banks in the four years 1930 to the end of 1933. But over the past year there has been a remarkable recovery in bank advances whose expansion has about kept pace with the rise in investments. The weekly reporting member banks of the Federal Reserve System, which in April, 1940, had outstanding loans of \$8,646,000,000 and investments of \$14,843,000,000, had by the end of last May increased their loans to \$10,046,000,000, while their investments had undergone an approximately similar relative increase—to \$17,752,000,000. Conscious official pressure is now being exerted to retard the growth of the banks' investment holdings. For example, the sale of the current issue of Defence Savings Bonds in the United States is limited to investors other than commercial banks. In the Federal Reserve Bulletin for June, 1941, this restriction is justified at some length as one of several steps being taken by the Government "to reduce the stimulative effect of large defence expenditures on private spending and investment." The commercial banks in the United States with their huge excess reserves could readily absorb further substantial amounts of Government paper. But the authorities regard the existing supply of bank deposits as sufficient to finance a considerably increased volume of business and deem it better for the Treasury to borrow funds out of current income or accumulated savings than to sell securities to the commercial banks, thereby further increasing the supply of money. This is a line of reasoning to which due heed might be given in this country before making further demands on the banks to swell the totals of subscriptions in future War Weapons Weeks.

Pre-Lease-and-Lend Finance

The \$425,000,000 loan which the Reconstruction Finance Corporation is making to the British Government will ease appreciably, though it will not entirely solve, the

urgent problem of financing pre-Lease-and-Lend commitments to the United States. According to the account of the United Kingdom's dollar obligations officially published in Washington earlier this year, the 1941 commitments in respect of Government orders in the United States were placed at \$1,274,000,000, whereas at the beginning of the year, remaining available gold and cash assets were put at \$295,000,000. The picture has changed considerably since then as a result of further liquidation of marketable investments in the United States and of the transfer to the American Treasury of capital invested by the British Government in the American armament industry since the outbreak of the war. But it can be safely assumed that even with this help and that of our increased exports to dollar countries, to say nothing of Lease-and-Lend assistance, the dollar position remains extremely taut. It will be greatly eased by the RFC Loan. This is to be secured by collateral valued at \$500,000,000, of which \$205,000,000 consists of listed investments which though marketable have not been marketed yet; \$115,000,000 represents unlisted direct investments of British firms in American undertakings; and the balance of \$180,000,000 represents the share capital of British owned insurance companies registered in the United States and operating in that country. The collateral is to be further strengthened by pledging, in favour of the RFC, the earnings of American branches of British insurance companies. These branches have assets of \$200,000,000 over and above the reserve required to be set against their liabilities on policies in the United States. The dividends and earnings represented by the collateral should total \$36,000,000 a year which will suffice to meet the 3 per cent interest on the RFC loan and to amortise it over a period of 15 years. As such earnings accrue, they will accumulate in three dollar accounts providing respectively for current interest, minimum sinking fund and reserve. The operations to which the loan agreement will give rise, that is, the servicing of the loan, the receipt of the dollar income on the pledged assets and the payment of the sterling equivalent of that income to the British owners of these, will be made through the Exchange Equalisation Account. The Financial Powers (U.S.A. Securities) Bill makes it quite clear that it is the intention of the authorities to borrow from the existing owners the American assets to be pledged with

the RFC, other than the listed securities which have already or may in future be vested, for which outright payment has been or will be made. The borrowed securities will be released to the owners when they are no longer required by the Treasury for the purpose of the loan agreement. The British Treasury has the right to retain such assets (they may be sold by the RFC in the event of default on the loan) and to compensate the owners by paying the market value, or if that cannot be agreed upon, a sum to be determined by arbitration.

Banking in West Africa

The report of the Bank of British West Africa for the year to March 31st last gives little indication of the difficult conditions under which the bank has had to operate in this period. These difficulties need no stressing. As a result of the collapse of France, the three branches in French Morocco have been forced to close. The office at Tangiers continues to function, but under handicaps arising from the drastic amendment of the international status in that territory. In the bank's main field of activity, West Africa, the boundaries of the various French possessions are contiguous with those of the British Colonies, and the experience of the bank is that "the administration of those territories, though by no means friendly, is not actively hostile." The bank has played a useful part in devising the machinery for financial collaboration between the British Government and the Free French territories of Equatorial Africa. The scheme of financial collaboration is working smoothly, and the bank is already helping to finance both the export and import trade of the Free French territories. The principal crops of West Africa are being bought by the Ministry of Food at prices which are fairly remunerative to the native producers. There has, therefore, been a background of reasonable economic prosperity behind the bank's activities. An increased turnover is reflected in the accounts, which show loans and advances over £1,000,000 higher at £3,410,000 and a bill portfolio which has risen from £681,000 to £1,002,000. The restoration of the dividend to 4 per cent is another solid indication of recovery.

INSURANCE NOTES

and foreign taxes, which are debited to profit and loss:—

	Premiums	Rise or Fall	Underwriting Profits	Rise or Fall
Fire	833,520	— 8,182	46,375	— 14,487
Accident	78,945	— 9,787	18,164	— 1,077
Employers' Liability	256,332	+ 16,686	— 154	+ 1,416
Motor	1,075,757	— 497,826	32,919	+ 13,037
General	454,433	— 57,076	78,760	— 21,474
Marine	691,882	+ 264,982	50,000	+ 25,000
	3,389,869	— 291,181	227,054	+ 1,767

Chiefly noteworthy is the heavy drop in motor premiums, resulting from the laying-up of private cars and the requisitioning of commercial vehicles by the Government. The profit margin in this account is very slender, notwithstanding that some benefit is derived from a release of premium reserve.

Net interest earnings in profit and loss disclose a severe fall of £87,013, from £335,552 to £248,539; the reduction in gross earnings is £74,157, the balance of £12,856 being accounted for by higher income-tax. Total credits to profit and loss come to £521,987. Of this, miscellaneous expense items—including £92,705 for management expenses not charged to other accounts, £46,945 for colonial and foreign taxes, and £41,524 for A.R.P. expenses—take £191,646; this sum is only £35,408 short of the year's underwriting profit from the non-life branches. British taxation requires £11,500, and reserve for war damage contributions £18,500. After providing for dividends at the same rates as before, costing £270,432, the balance carried forward at £523,273 is higher by £29,908. In the balance-sheet the directors' certificate testifies, in regard to the shareholders' funds, that the assets are in the aggregate fully of the value stated, taking into account the balance of the

profit and loss account; the investment reserve of £650,000 appearing as at December 31, 1939, no longer figures in the balance-sheet. Concerning the life funds, the assets of the "Eagle" and "English and Scottish" are certified to be fully of the value at which they stand, following the provision made for depreciation mentioned above when discussing the life revenue account. Stock Exchange securities in other funds are taken at market values at the dates of the last valuations, or at cost if since acquired, and the chairman indicated that there are ample surpluses to cover any depreciation which has so far arisen. There is a general reserve of £2,500,000, as well as an additional reserve of £100,000 in the fire fund.

Guardian Assurance.—Net new life, business completed by the "Guardian" in 1940 was £824,015, a reduction of 39.5 per cent on the previous year, and premium income fell by £38,740 (5.5 per cent) to £666,399. The net rate of interest earned on the funds was lower by 3s. 9d. per cent at £3 6s. 10d. per cent. Death claims at £290,720 were only about £6,000 higher, notwithstanding that war deaths cost £32,000; even allowing for these war deaths, the mortality experience was within expectation. Commission and expenses fell slightly from 13.4 per cent to 13.3 per cent of premiums. The company has charged £12,500 in the life account as provision for war damage contributions and has also, out of revenue, increased the investment reserve fund from £80,000 to £222,500; as an undistributed balance of £121,529 was carried forward from the last quinquennial valuation at December 31, 1939, there is doubtless an adequate margin of

(Continued on page 112)

balance sheet total of the fund at £908,350, after the transfer of £500,000 from general reserve, the appropriation of £250,000 to subsidiary companies and of £46,650 to write off war damage to retail premises. The freehold property reserve, after the inclusion of the latest provision, stands at £324,812. Total depreciation reserves amount to £1,425,657 and general reserve to £1,500,000 against total fixed assets of £5,618,703. Stock is up by £357,301 at £1,931,906. Cash holdings at rather over £45,000 show a rise of some £2,000 on the previous year, but a bank overdraft has been incurred amounting to £502,298. The 5s. ordinary shares at 36s. offer the conservative yield of £3 6s. 8d. per cent.

Guest Keen Report

Allowing for the rise in tax liability during the year to March 31 last, profits after tax of Guest, Keen & Nettlefold reached the satisfactory total of £1,165,507, against £1,302,134. The stability is no doubt partly due to the abandonment of the practice of valuing stock on a conservative basis—presumably involving writing down stock out of profits—for valuation at cost or market price, whichever is lower. Charges against profits, except for the allocation of £40,000 for war damage insurance, are at the customary level, depreciation receiving £200,000 as before. Consequently, the sum earned for ordinary stock is reduced from £675,290 to £500,489, representing a tax-free ordinary rate of 7.8 against 10.5 per cent. The following table indicates the trend of profits and allocations over the past three years:—

	Years to March 31,		
	1939	1940	1941
Profits after Tax	1,286,311	1,302,134	1,165,507
War Damage	...	...	40,000
Depreciation	200,000	200,000	200,000
Debiture Service	100,525	98,964	97,139
Preference Dividends	326,732	327,880	327,880
Ordinary Stock (Tax Free):—			
Earned	659,054	675,290	500,489
Paid	386,068	418,240	321,723
Earned %	10.2	10.5	7.8
Paid %	6	6½	5
General Reserve	300,000	150,000	100,000
Contingencies	...	100,000	60,000
Carry forward	456,621	463,671	482,437

THE STOCK EXCHANGES

London

Note: All dealings are for cash

CONTINUED uncertainty as to the true progress of the Russo-German campaign and of the direction of Japanese policy, coupled with the fact that the technical position indicated a pause, has prevented an upward movement of prices. The undertone remained firm in all sections and price changes were few, although certain industrial groups moved irregularly. Interest was centred on the market for foreign bonds, where some important gains were realised. In the gilt edged market, price changes were reduced to a minimum, while in the commodity share markets turnover was also at a very low level, with price changes unimportant except where results announced have been unexpectedly good or bad.

The gilt edged market displayed considerable firmness, both before and after the week-end, and most issues were somewhat higher on balance, business being concentrated on undated stocks. The announcement of the United States loan to Britain had little effect on prices, although it served to encourage sentiment. At the beginning of the week, 3½ per cent. Conversion put on ½, 3½ per cent. War Loan ½, and there was also some demand for Indian Government issues. In mid-week, trading was again quiet and a number of leading issues eased ½. Dominion and colonial stocks were strong on Monday. In the foreign bond market, the previous Friday's falls in Chinese

issues were corrected by gains of 1½ points for the 4 per cent. loan of 1898 on the first two days of the current week, while the 5 per cent. issues of 1912 and 1913 also attracted attention. Japanese stocks generally reacted after the pre-week-end rise, but S. Manchurian 5 per cent. and City of Tokyo bonds continued to improve. Other features were the strength of the San Paulo Coffee loan, a jump of 3½ points for both Belgium 4 per cent. issues, and a rise in French rails on Tuesday. There was some demand for 6½ and 7 per cent German Potash issues and Brazilian stocks returned to favour after general falls of ¼ at the beginning of the week.

The home rail market was quiet pending dividend announcements. Ordinary stocks moved irregularly. Great Western ordinary fell ½ point after the week-end when Southern deferred dropped ½. On Tuesday, the 4 per cent debenture issues of LMS and Great Western also lost ½ point but later in the week some revival took place; "Berwick" 5 per cent preference, 1955, jumping 2 points on Wednesday. There was very little business among foreign rails. Prices mainly held firm and Canadian Pacific ordinary improved ½ on Tuesday.

The strength of brewery shares continued to be a striking feature of the industrial market. Gains of the order of 1s were common, being realised on Tuesday by Courage, Meux and Mitchell and Butler, while Guinness and Ind Coop:

Total allocations to reserves, including war contingencies, amount to £160,000, against £250,000, and the carry forward is raised from £463,671 to £482,437. The company's plant has presumably been fully employed during the past year, and advances to subsidiaries are increased by some £464,000, while other debtors are up by almost as much. The balance-sheet shows a rise in stock from £624,026 to £903,246, due in part to the change in the method of valuation. The adoption of the new practice does not mean a draft on past accumulations, which built up an adequate reserve during the years in which the more conservative basis was employed. General reserve stands at £2,930,339, including the allocation of £100,000 provided in the current accounts, and after the transfer of £500,000 to investment reserve. The assets side of the statement shows a fall of some £480,000 in the value of investments at or under cost, including associated companies, to £2,786,008. Net additions to fixed assets have risen from £126,803 to £195,181, bringing the total after depreciation to £2,445,751. Other items show movements which are now common. The £1 ordinary stock at 23s. 7½d., ex dividend, offers a tax-free yield of £4 4s. 8d. per cent.

"Johnnies" Recovery

The improvement in net income of Johannesburg Consolidated Investment from £269,945 to some £531,000 for the year to June 30th last is highly encouraging. Equity earnings are up from 6.8 to some 15.9 per cent, and the dividend, which is maintained at the reduced rate of 10 per cent, absorbs £395,000 gross. Thus, in the absence of allocations to reserve, the directors are able to restore the carry forward from £95,205, to which it was reduced from £220,262 in 1938-39, to a level of approximately £231,000. Last year's improvement must be attributed largely to the possibility of undertaking profitable share transactions and to the upward movement in the market valuation of investments which has presumably obviated the necessity of making further costly depreciation provisions. Prospects for the current year are intimately related to the course of market prices, but in any case it is satisfactory that progress of the companies in which "Johnnies" is substantially interested has been generally satisfactory, despite the increasing weight of Union taxation. Further analysis must wait on the publication of the full accounts. The £1 shares, at 34s. 4½d. ex dividend, offer a yield of £5 16s. 4d. per cent.

were also strongly supported. In the motors and aircraft group, Raleigh Cycle Holdings, Leyland and Rolls-Royce, on the preliminary figures, were conspicuously good. GEC, among industrial equipment issues, slumped 4s. 6d. before the week-end on the announcement of the cut in bonus but later ruled steady. Heavy industrials moved irregularly, price changes in either direction amounting only to a few pence. Boots, ICI and Lever and Unilever were fractionally lower among miscellaneous industrials. In the textile group, Courtaulds eased 7½d. on Tuesday and Coats was also offered during the week. There was some demand for shipping shares, notably for Cunard, P. and O. defd. and Union Castle, while, among the tobacco leaders, BAT and Gallaher fluctuated uncertainly.

Dealings in the kaffir market were on a small scale. Before the week-end, a strong demand for Sub Nigel raised the price by ½ while in the current week Durban Deep, Rand Mines and, among developing concerns, West Wit Areas all improved. Crown Mines and Springs suffered moderate losses. Business in rubber shares was at a minimum, but prices remained steady at the previous Friday's levels and, at the beginning of the week, Straits Rubber put on ½. The oil market enjoyed a number of small gains, but, here, too, turnover was small. Anglo-Iranian ordinary, Shell Transport and Burmah put on ½ at the beginning of the week, followed by gains of ½ for

(Continued on page 118.)

Industry and Trade

Tightening Steel Control

The control of Iron and Steel (No. 15) Order, 1941, which came into force on July 17th, is designed to tighten still further the control over the use of iron and steel. It provides for the incorporation in the distribution of steel supplies scheme of all iron products (except pig iron) from September 1st; the prohibition of the treatment, use and consumption of articles not controlled by the Order or for maintenance of articles not controlled by the Order or for the construction, alteration or repair of any building, without authority to treat, use and consume; and the limitation, by quantity and value, of purchases which may be made without authority by any one person from the supplies of a stock-holding merchant in any one quarter. The new schedule of maximum prices appended to the Order shows little change. In so far as the Order establishes still closer control over the utilisation of iron and steel it is to be welcomed, as are the steps taken to economise steel by the standardisation of specifications. True, the iron and steel industry has had a measure of success in overcoming the difficulties caused by the loss of some of its pre-war sources of raw material supplies. In fact, the output of steel compares favourably with the sorry experience of the coal-mining industry. But steel, and especially alloy steels, remains one of the scarcest commodities, and its use for unessential purposes cannot be tolerated. Indeed, the measures designed to tighten the control over the distribution of steel do not remove the need for a vigorous effort to increase domestic production still further and to make the most of home supplies of raw materials, such as iron ore and scrap.

Rayon Prices

For a very long time after the outbreak of war the price of rayon did not increase in the same proportion as that of other textiles. The increase in the price of the basic raw material was not large, and the proportion of the cost of raw material to the finished yarn is much lower in the case of rayon than it is with either cotton or wool. Gradually, however, the increased costs of shipping and insurance and the large increase in the cost of chemicals, together with the rise in wages and overhead charges, brought about a steady rise in the cost of production. It has now been announced that the price of yarn will be increased by 2d. per lb. on September 1st; this means that the price of a standard 150 denier rayon will be 55.7 per cent above the pre-war level. The increase in cotton yarn, however, is about 80 per cent, and of wool yarn 75 per cent since the war, so that rayon still enjoys a relative advantage. The price increase will have no effect upon the market, as demand is out of all proportion to available supplies. The price of staple fibre, which was raised a short time ago, is apparently to remain unchanged.

Farm Wage Decision Postponed

The Agricultural Wages Board has succeeded in deferring the question of farm workers' wages until after the harvest. So far, so good, since an increase just at harvest time would have had a particularly marked and immediate effect on the cost of living. None the less, the question will have to be faced squarely, and the fact that the farm workers' demand for a 60s. minimum has been under discussion for several weeks will not make it easier for the Government (whose business it is) to take the firm line about which it seems so hesitant. As was pointed out in *The Economist* of June 14th, the increase in farm wages since the war has been greater than that in almost any other category of wages. This relative improvement in the agricultural labourer's standard of living was certainly desirable, but it is very doubtful whether there is any justification at the present juncture for a further attempt at improvement. Such an improvement would prove largely illusory, since it would raise the cost of living; it would be obtained, for the same reason, partly at the expense of other poorly paid workers;

and, worst of all, it would directly conflict with the avowed policy of the Government to stabilise wages and prices as nearly as possible at their present level. This policy is being pursued far more by exhortation than by action, but agriculture, with its national machinery of wage regulation, offers an opportunity for more decisive measures by the Government.

Co-operative Trade

The trade of the Co-operative Wholesale Society for the quarter ended April 12th reflects the limitation of supplies. Sales, at £32,882,983, fell 1½ per cent below the level of a year ago, but supplies from the society's own works were 8 per cent higher at £11,624,940. The directors claim that the experience of the societies has been a great help in the general introduction of further rationing, and in the controlled distribution of limited supplies. One of them has been appointed by the Ministry of Food to deal with the problem of unrationed food supplies. Sales to the Ministry of Food for the quarter were £1,122,556, and the turnover of the export and contracts department rose by £476,855 to £849,005. Among the distributive departments there were decreases in grocery, drapery, men's wear, and furnishing, and increases of 13 and 18 per cent respectively in coal and boots and shoes. The largest increase among the productive works was in the output of the flour and provender mills, but this was only a money increase, and by weight the output was 2 per cent lower. The margarine output was £1,181,634, and showed an increase in both weight and value. At the quarterly meeting donations were recommended of £300 to the International Co-operative Alliance, and £900 to the Co-operative Union. Annual donations of 3,941 guineas to various charities were also made.

American Trade Pact

Geography and the investment of American capital in Mexican enterprises, have made for a close commercial relationship between the two countries. In 1939, for example, over 75 per cent of the exports of Mexico went to the United States, and 65 per cent of the country's imports came from its northern neighbour. The new trade pact, which Mexico signed with the United States on July 16th, brings the two nations even closer together. It provides for the purchase by America of all Mexico's surplus products, and for the control over the destination of shipments from Mexico of raw materials required for making munitions. Re-exports of United States materials are specially prohibited by the pact, which is valid for a period of eighteen months. An American representative of the Federal Loan Agency is now in Mexico working out details. Mexico is an important producer and exporter of petroleum, base metals, ferro-alloy minerals, mercury, antimony, arsenic, graphite and silver. The output of the principal minerals in recent years is shown in the accompanying table:—

MEXICAN MINERAL PRODUCTION †

	1937	1938	1939	1940
Lead, metric tons	218,133	282,368	219,506	196,253
Zinc " "	154,624	172,217	134,166	108,955
Copper " "	46,077	41,851	44,389	37,602
Gold (Kg.)	26,326	28,734	26,178	27,468
Silver (1,000 fine ounces) ..	84,679	81,017	75,869	82,638
Petroleum (1,000 barrels) ..	46,907	34,794	40,778	40,000
Tin (metric tons)	380	253	293	...
Mercury " "	170	294	254	...
Molybdenite " "	1,049	806	871	...
Tungsten " "	31	70	108	...
Antimony " "	10,639	8,034	7,873	...
Arsenic " "	10,762	8,894	7,062	...

† Lead, zinc, copper and gold figures represent recoverable metals in ores.

Source: *Engineering and Mining Journal*, June, 1941.

The agreement seals yet another loophole in the Allied blockade, and it enables the United States to secure additional strategic materials from her neighbour.

Diamonds in War

Since May last year the diamond cutting and polishing industry working for the international market has been confined to a few small works in Great Britain, the United States and South Africa, which, owing to their limited facilities, can only treat the larger and better quality stones. The cutting and polishing of the smaller diamonds, formerly the mainstay of the industry, is largely in abeyance. Sales of industrial diamonds, true, have been stimulated by the war, but their prices have been kept at pre-war levels. The economic difficulties of the diamond mining industry, together with the calling-up of many miners for military service were responsible for the suspension of mining last autumn in South Africa and South-West Africa, although in the latter territory prospecting operations are continuing. Stocks, however, are sufficient to meet any likely demand. While the control of the British and international markets in rough diamonds has proved effective, it appears that between three-quarters and three-fifths of the stones cut in Great Britain are being purchased by residents in this country as a hedge against inflation, instead of being exported to the United States and that the equivalent in dollars of £650,000 to £700,000 per year are lost through these transactions. In reply to a Parliamentary question, Sir Andrew Duncan has stated in the House of Commons that he was already considering whether steps could not usefully be taken to achieve the object of securing the export of all diamonds cut in this country. In view of the comparatively small number of cutting establishments that there are, it should not be difficult to control their operations. Meanwhile, reports from neutral European countries indicate that the Nazis are aiming at the establishment of a diamond cutting and polishing monopoly on the Continent. The German Government is reported to have concluded agreements with the "Forminière" (the chief Belgian-Congo producers) and the Angola Diamond Syndicate for the supply of rough stones. These agreements, however, have at present little practical value, for the Belgian Congo is controlled by the Allies and shipments from Angola can easily be stopped on the way to Portugal.

COMMODITY AND INDUSTRY NEWS

TIN, standard cash, closed at £258 5s.-10s. a ton on Wednesday, compared with £256 15s.-£257 a week ago, and the three months' price was £261-£261 5s., compared with £260 5s.-10s. Pepper continues firm; on Tuesday white Muntok, spot, in bond, closed at 15½d. a lb., compared with 15d. on the previous Tuesday, while Lampung black was 10d. a lb., compared with 9½d. The new crop of maize, La Plata, is being quoted at 13s. 7½d. per 480 lb., f.o.b., compared with the former quotation of 10s. 6d. for old crop. This has resulted in a jump in the crop figure of *The Economist* Sensitive Price Index (1935 = 100) from 108.1 on July 18th to 114.4 on July 21st. The complete index figure rose from 135.7 to 139.5. From August 11th the maximum price for straw, baled on the farm, will be £5 a ton for oat straw and £4 for wheat, barley and rye straw.

Brazilian Coffee Shipments.—A message received by the Bank of London and South America gives figures of Brazilian shipments of coffee during January to April, 1941. A total of 5,114,765 bags (last year's total was 4,480,464) was exported, of which 4,528,214 bags (88.5 per cent) went to America compared with 2,492,968 bags (55.6 per cent.) in the corresponding period of 1940. The following shipments were made to other countries (last year's figures are given in parentheses):—Argentina, 117,791 bags (114,831); Canada, 36,893 bags (18,098); Egypt, 37,967 bags (50,554); Finland, 117,505 bags (20,269); other countries, 219,395 bags (1,783,744). Except for Finland, exports to Europe have been almost non-existent. The United States appear to be buying large quantities of coffee as an insurance against a possible future shortage of supplies.

Cotton Market.—Difficulties of trading in yarn and piece goods are still very pronounced and, owing to the limited supply of raw cotton and the concentration of production scheme, producers are not in

a position to meet the requirements of customers. Manufacturers of cloth are able to pick and choose their orders. The Controller is now allowing a larger use of raw cotton for the home trade, especially hosiery goods, but the deep engagements of most firms make it difficult to fit in special orders of this kind. Export cloth buying has run on much the same lines recently, most of the contracts being for South America, Java, the Dominions and the United States. Government buying has for several months been comparatively small but more inquiries are now reported. In the yarn market, it is almost impossible to buy certain counts and qualities, and many adjustments are having to be made to meet the abnormal conditions.

Import Licences.—From July 21st the Open General Licence permitting the importation without separate licences of cork, raw, granulated, shavings and waste, from all countries, and the one permitting imports of bones from the British Empire and other countries, were revoked. From then separate licences will be required, except for goods despatched before July 21st and imported into this country before September 21st. From August 11th separate licences will be required for the importation from Eire of honey, ice cream and similar preparations, jam and marmalade.

Willow Rod Prices.—Maximum prices for willow rods under an Order of the Ministry of Supply, came into force on July 23rd. Prices range from £18 a ton for ground willow rods, to £50 a ton for white or buff yearlings less than six feet long. Willows known as "Dicky Meadows" are not subject to the Order.

Miners' Clothes Ration Concession.—Miners returning to the collieries from other industries may now obtain their first new outfit of pit clothing and boots coupon free. Production of a certificate signed by the Mine Manager and one of H.M. Inspectors of Mines, stating that

Russia's Engineering Industry

While machine tools, plant, equipment and instruments have been the most important items in Russia's imports—chiefly from Germany, the United States and Great Britain—a determined attempt has been made during the successive Five-Year Plan periods to develop an adequate domestic engineering industry. Detailed figures of the growth of the industry are not available. But according to a report prepared for the Eighteenth All Union Congress of the Communist Party in February, 1941, the value of Russia's total industrial output increased by 44 per cent between 1938 and 1940, the first three years of the third Five-Year Plan. During the same period the value of the engineering industry's output increased by 76 per cent. The economic plan for 1941 emphasised the need for the production of specialised machinery and machine tools and demanded a further increase of 26 per cent in the industry's output in that year. The output of automatic and semi-automatic machine tools was to be increased by 76 per cent. Some indication of Russia's machine-tool equipment is given by a census taken in November, 1940. According to this census the total number of metal-cutting machines had increased by 200 per cent since 1932. The number of forging machines and presses had increased by 250 per cent during the same period. The census disclosed, moreover, that 30,000 machine tools were not installed and that another 38,000 were standing idle. Delayed delivery of parts, repairs and shortage of labour, it was stated, were the causes. There is no doubt that these machine tools could be a valuable reserve for Soviet Russia's war economy. The general plan published by the Commissar for the "machine-building" industry reveals the nature of the difficulties. Rationalisation of production, standardisation and improvements in the quality of output was the aim for the production plan for 1941. The actual programme was confined to 250 different types, mostly types important for the armament industry. The most interesting point in the 1941 plan for the "machine-building" industry is the construction of new factories in the Ural and Siberian industrial districts far away from the Moscow-Tula and the Donbas regions.

the clothing is essential, will take the place of coupons, and the retailer can use the certificate instead of coupons for his replacements.

Wholesale Tea Distributors.—Licences will be required after August 11th by wholesale tea distributors, and unless these are obtained from the Ministry of Food, distributors will not be permitted to sell. The sale of tea by wholesale for the purposes of the Tea (Licensing and Control) Order, includes a sale by wholesale to a catering establishment.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	July 5, 1941	July 12, 1941	July 13, 1941	July 20, 1941
N. America.....	889	824	25,500	27,174
Argentina, Uruguay.....	215	194	20,941	10,647
Australia.....	...	...	14,546	...
Russia.....	...	...	114	429
Danube and district.....	...	...	10,417	162
Other countries.....	...	...	345	...

(a) Revised. * Unobtainable. † Incomplete.
Source: *The Corn Trade News*.

"THE ECONOMIST" SENSITIVE PRICE INDEX (1935 = 100)

	July 17, 1941	July 18, 1941	July 21, 1941	July 22, 1941	July 23, 1941
Crops.....	108.1	108.1	114.4	114.3	114.1
Raw materials.....	170.1	170.3	170.1	170.3	170.1
Complete Index.....	135.6	135.7	139.5	139.5	139.3
	Mar. 31, 1937	Aug. 31, 1939	July 23, 1940	June 23, 1941	July 16, 1941
Crops.....	147.9	92.2	108.9	108.6	108.1
Raw materials.....	207.3	122.9	164.1	170.8	169.9
Complete Index.....	175.1	106.4	135.5	136.2	135.6

* Highest level reached during 1932-37 recovery.

COMPANY MEETINGS

UNION CORPORATION, LIMITED

The ordinary general meeting of shareholders of the Union Corporation, Limited, was held in Johannesburg on May 27th, Mr P. M. Anderson presiding.

The chairman, in the course of his remarks, said: You have already been advised that we made a profit last year of £611,512, which was slightly lower than that of the previous year, so that, after allowing for the dividend declared, the balance on profit and loss account is reduced by £4,487, leaving £122,150 to be carried forward.

The declaration of an interim dividend of 2s. 6d. last October and of a final dividend of 5s. 6d. in March brought the total to 8s. for the year and absorbed £616,000.

On the whole, there has been no important change in our accounts. The reserve account remains unchanged at £2,000,000. Exploration expenditure amounting to £36,325 has been charged to exploration reserve account, for which purpose that account was established in 1937. Our current liabilities, arising in the main from deposits made with us on short-term both here and in London, are adequately covered by immediately available cash assets.

TAXATION OF INDUSTRY

The price obtained by producers for their gold last year averaged 168s. per ounce fine, as compared with 149s. 2d. during 1939, in which year the average market price of gold was 155s. 4d. and the difference was appropriated by the Government. Working costs on the Rand increased, on an average, by 1s. 3d., to 20s. 8d. per ton milled, due chiefly to increased cost of stores and additional realisation charges. The working profit of the gold-mining industry, excluding miscellaneous producers, reached the record figure of £47,525,000, due to the higher price obtained for gold and the larger output. Of this amount, about £26,500,000, or 56 per cent., went to the Government by way of direct mining taxation and share of profits. Excluding the duplication of dividend declarations due to some companies holding shares in other companies, the total net dividends received by shareholders amounted to £20,360,000.

The Government decided to abandon, as from January 1st last year, the procedure of appropriating the proceeds from the sale of gold in excess of 150s. per ounce fine and allow the producers to retain the full market price. In place of this appropriation they substituted a tax of 11 per cent. on gross taxable income before making any deductions for redemption allowance. From this source and a levy in lieu of realisation charges the Government last year raised an additional amount of about £7,200,000 over and above the proceeds from normal taxation and share of profits, which together amounted to approximately £19,200,000. As from January 1st this year the special war tax has been increased by 5 per cent., to 16 per cent., thereby increasing the estimated amount of additional taxation imposed on producers since the outbreak of war to about £9,400,000 per annum, based on last year's results. Furthermore, a tax of 5 per cent. has been imposed on dividends accruing to shareholders not resident in the Union and to bearer shareholders wherever resident.

The adoption of a principle of differentiation against overseas shareholders is regrettable in that it is just another barrier to international trade and enterprise. The burden will fall mainly on United Kingdom shareholders, as overseas investment in South African enterprise is dominantly centred in that country.

The chairman then reviewed the main features of the operating results of the gold mining companies on the Witwatersrand under the administration of the corporation. He then proceeded:—

ORANGE FREE STATE

In regard to our activities in the Orange Free State, I have little to add to the information given in the directors' report. We have purchased the mineral rights over 4,024 morgen adjoining the property of Western Reefs Exploration and Development Company, Limited, and further exploration work in that area will be carried out when world conditions permit.

Western Holdings, Limited, with whom we are collaborating, has obtained the Government's approval to the grant of a prospect-

ing and mining lease in respect of certain farms in the area north of the Sand River, where drilling disclosed encouraging values. We participate with Western Holdings and other mining houses in this venture and will assume the technical management of all operations. Further exploratory work by means of underground prospecting will be commenced as soon as conditions are favourable.

OTHER INTERESTS

We have a dominating holding in Bay Hall Trust shares. It is, therefore, pleasing to be able to tell you that the trust repeated its dividend of 6½ per cent. for the year and placed £10,000 to the credit of realisation reserve account, leaving its unappropriated balance practically unchanged at £71,328.

British Enka continued to make excellent progress for the greater part of last year, but more recently profits have been slender.

San Francisco Mines of Mexico continue to open up excellently; but low lead and zinc metal prices, labour troubles, and taxation based largely on revenue rather than on profit, have deprived the shareholders of any reward for the year's work.

Our Rhodesian copper interests lie in Rhodesian Selection Trust and Roan Antelope. The former depends for its income upon the dividend it receives from the Mufulira Copper Mines. That company, in spite of earning a net profit last year of £1,608,000 as compared with £1,041,000 for the previous year, was obliged to reduce its dividend to 2s. 3d. per share as a consequence of two-thirds of the profits having to be set aside to meet taxation liability. The company suffers from a most unfair profit standard for excess profits tax, which, in common justice, must sooner or later be amended. The reduction of the Mufulira dividend resulted in Rhodesian Selection Trust's dividend being reduced from 10d. to 8d. per share. Roan Antelope also earned a much increased net profit but, contrary to the Mufulira experience, it was able to raise the dividend from 9d. to 1s. as it, fortunately, does not suffer so much from the peculiarities and incidence of excess profits tax.

The report and accounts were adopted.

HENDERSON'S TRANSVAAL ESTATES, LIMITED

DIVIDEND OF 10 PER CENT

The 29th ordinary general meeting of Henderson's Transvaal Estates, Limited, was held on July 23rd in London.

Mr. W. L. Castleden (chairman and managing director) after referring to the loss they had sustained by the death of their chairman, Sir Abe Bailey, Bt., said that in the balance-sheet sundry creditors showed an increase of £26,700 to cover prospective taxation and the increase of £2,800 in the next item on the balance-sheet represented a higher deposit with them by a subsidiary company. At the same time, cash, investments and sundry debtors were reduced by £22,900. Against that, however, temporary advances to subsidiary companies, £11,808, and dividends and interest outstanding, £35,228, were increased by £44,500, and with the exception of a few pounds those had all been received since the closing of the books. According to the above figures they had a drop in liquid assets amounting to £7,900, and that was due to the dividend last year exceeding the profit earned by £9,300.

They had called attention in the report to the fact that the market value of quoted securities as at March 31st was below book value, and with the severe depreciation in most markets that was inevitable. In the majority of cases where there was depreciation they could reasonably look for a substantial recovery in happier times. All the same, they were indeed in a fortunate position with a reserve gradually built up in past years which amply covered any writing off they might have to consider at some future date, and which was ample even if no recovery took place. Revenue showed no serious decline and it was a matter of satisfaction that their net profit was reduced by no more than £755 for the year. As a result they were able to recommend the payment of a dividend of 10 per cent. and to increase the carry forward to £49,212.

It would be most unwise to speak of the future, except to stress the fact that the increasing load of taxation and increasing costs both in this country and in South Africa must affect the incomes of individual and business concerns alike.

The report was unanimously adopted.

OHLSSON'S CAPE BREWERIES,
LIMITED

CONSIDERABLE EXPANSION

The ordinary general meeting of Ohlsson's Cape Breweries, Limited, was held, on the 24th instant, in London.

Mr Geoffrey Dent (the chairman) said that there had been an increase in the profit on trading and rentals of £100,525. That very considerable expansion reflected the great increase in the demand for their products. All their breweries had in fact been working to capacity throughout the year under review. The main factors contributing to that demand had been the development of war industries in the Union, the large numbers of men in training in camps throughout the country and the diversion of convoys and shipping round the Cape. They had had the benefit during the year of considerable stocks of brewing materials, purchased at favourable prices. Those materials would, of course, have to be replaced during the current year at higher cost. There was bound to be some difficulty in importing all their requirements. Fortunately they were able to obtain a large proportion of them

within the Union. The development of the hop-growing industry in South Africa, which had been jointly undertaken over a number of years by the South African Breweries and themselves, was now proving its value. It was proposed to pay a final dividend of 10 per cent. on the ordinary shares, making a total distribution of 15 per cent. for the year.

They would all be aware of the increases in taxation that had been imposed in this country. In addition the rate of Union income tax had been raised from 1s. 9d. in 1939 to 3s. 6d. and the excess profits duty in South Africa had gone up from 50 per cent. to 66½ per cent. It was still to be determined how the excess profits tax was to be adjusted as between the Governments of Great Britain and South Africa. In addition new taxes had been imposed in South Africa in respect of dividends paid to non-resident shareholders and a tax on undistributed profits if those exceeded a certain proportion. It seemed clear that the non-resident shareholders' tax could not be passed on to the shareholders who were outside the jurisdiction of the Government imposing it. The whole charge would, therefore, fall upon the accounts of the company.

The report was adopted.

(Continued from page 114)

the two latter on Tuesday, when Royal Dutch improved ½. Mexican Eagle ordinary was in demand and there was some improvement in VOC and Trinidad Leaseholds.

"FINANCIAL NEWS" INDICES

1941.	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.
			30 Ord. shares* 40 Fixed Int.†
July 17...	2,772	2,658	75.1 129.9
" 18...	2,574	2,822	74.7 129.9
" 21...	3,307	3,237	74.9 130.0
" 22...	2,729	2,310	74.7 129.9
" 23...	2,901	2,500	74.5 129.9

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1941 highest, 75.1 (July 17); lowest, 66.8 (Apr. 24). 40 Fixed Int., 1941; highest, 130 (July 21); lowest 126.1 (Jan. 2).

New York

BOTH before and after the week-end business on Wall Street was slow and listless. Price changes were extremely narrow and showed no definite trend, sentiment being dominated by the uncertainty of Japanese policy, the future of the Russo-German campaign and the possibility of new tax legislation. Later in the week, a strong improvement took place. Most leading issues improved in active trading, while steel and rail issues were dominant. Profit taking eliminated much of the improvement, but some net gains were retained. In midweek, news of the United States loan to Britain had little effect on prices and the market closed easy after profit taking.

The Iron Age estimates steel mill activity at 99.5 per cent of capacity against 97.0 per cent in the previous week.

New York Prices

Close	Close	Close	Close
July 15	July 22	July 15	July 22
1. Railroads.	1941 1941	1941 1941	1941 1941
Balt. & Ohio	4 41	Chrysler	56 56 1/2
Gen. Elec.	27 27 1/2	Curt. Wr. "A"	28 28
Ill. Cent.	13 13 1/2	Eastman Kod.	139 139 1/2
N.Y. Cent.	13 13 1/2	Gen. Elec.	33 33 1/2
Norfolk Pac.	24 24 1/2	Gen. Motors	38 38 1/2
Pennsylvania	24 24 1/2	Inland Steel	75 75 1/2
Southern	14 14 1/2	Int. Harvest	54 54 1/2
2. Utilities, etc.	14 14 1/2	Int. Nickel	26 26 1/2
Am. Tel. & Tel.	156 156 1/2	Liggett Myers	91 91 1/2
Am. W. Tel.	4 4 1/2	Nat. Dairy	14 14 1/2
Pub. Serv. N.Y.	37 37 1/2	Nat. Distillers	22 22 1/2
St. Cal. Ed.	23 23 1/2	Nat. Steel	55 55 1/2
3. Commercial and Industrial	23 23 1/2	Proct. Gamble	58 58 1/2
Am. Can.	18 18 1/2	Sears Roebuck	74 74 1/2
Am. Ed. & M.	19 19 1/2	Shell Union	15 15 1/2
Am. Smelting	14 14 1/2	Socony Vac.	9 9 1/2
Am. Steel	24 24 1/2	Std. Oil N.Y.	43 43 1/2
Am. Wire	24 24 1/2	20th Cen. Fox	6 6 1/2
Briggs	19 19 1/2	West. Union	58 58 1/2
Columbia of A.	25 25 1/2	Woolworth	28 28 1/2
		Yagut. Sheet	36 36 1/2

Total share dealings: July 17, 460,000; July 18, 420,000; July 19, 220,000*; July 21, 910,000; July 22, 1,350,000; July 23, 630,000.

* Two-hour session.

STANDARD STATISTICS INDICES
(1926 = 100)

WEEKLY AVERAGES	1941	July 2, 1941	July 9, 1941	July 16, 1941
	Low Apr. 30	High Jan. 15	Low Apr. 30	High Jan. 15
347 Industrials	83.6	89.6	89.7	93.3
32 Rails	82.5	82.8	26.7	27.8
40 Utilities	67.0	78.7	69.2	70.1
419 Stocks	71.9	82.1	76.2	78.9
Av. yield*	6.80%	6.13%	6.42%	6.17%

* 50 Common Stocks. (a) Jan. 22. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 28.

DAILY AVERAGE 50 COMMON STOCKS

July 10	July 11	July 13	July 14	July 15	July 16
102.1	101.8	101.8	101.8	102.3	101.6

1941 High: 105.80, January 10. Low: 90.70 April 30.

Capital Issues

Week ending July 26, 1941	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	400,000	400,000	400,000
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	168,500	168,500	168,500
Nat. Savings Certs.†	4,373,546	4,373,546	4,373,546
3% Defence Bonds† (s.)	2,886,660	2,886,660	2,886,660
2½% Nat. War Bds.† (w.)	17,077,998	17,077,998	17,077,998
3% Savings Bonds† (t.)	14,332,489	14,332,489	14,332,489

* Week to July 15, 1941. Total sales, Nov. 22, 1939 to July 15, 1941, £327,772,593. Total sales to July 15, 1941, £314,629,965. (†) Total sales to July 15, 1941, £248,421,668. (w) Total sales January 2, 1941, to July 15, 1941, £379,509,027.

Destination (Conversions Excluded)

Year	Including Conversions	Excluding Conversions
1941 (New Basis)	927,406,180	877,871,598
1940 (New Basis)	988,120,284	635,165,151
1941 (Old Basis)	923,421,404	876,617,260
1940 (Old Basis)	973,145,877	620,390,744

Nature of Borrowing (Conv. Excl.)

Year	Deb.	Pref.	Ord.
41 (New Basis)	874,098,416	304,460	3,636,222
40 (New Basis)	820,010,933	1,355,005	13,799,213
41 (Old Basis)	873,885,760	Nil	2,900,000
40 (Old Basis)	815,997,112	77,500	1,208,132

"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

Luton Water Company.—Sale by tender of Consolidated Ordinary Stock to realise £50,000 net. Maximum dividend rate 4 per cent per annum. Proceeds of issue to pay off bank overdraft. Tenders to be sent in by July 29th.

PRIVATE PLACING

Cawnpore Electric Supply.—This corporation has placed privately 118,500 £1 ordinary shares. Issue price 25s. 3d. Proceeds to repay temporary advances for providing plant and further extensions.

Shorter Comments

Celanese Corp. of America.—Earnings for April and May after all expenses except E.P.T. estimated at \$2,140,000 (\$1,587,754 for 1st quarter).

Chase National Bank.—Deposits, June 30, 1941, \$3,615 millions (\$3,190 millions). Total resources \$3,889 millions (\$3,472 millions). Cash \$1,311 millions (\$1,467 millions). Government securities \$1,437 millions (\$1,039 millions). Loans and discounts \$773 millions (\$607 millions). Undivided profits, less interim dividend, \$37 millions (\$33 millions).

Guaranty Trust Co.—Total resources June 30, 1941, \$2,743 millions (\$2,600 millions). Deposits \$2,447 millions (\$2,302 millions). Government obligations \$1,208 millions (\$959 millions). Loans \$485 millions (\$388 millions). Undivided profits \$17.6 millions (\$15.6 millions).

Brazilian Traction.—Total operating revenue, 1940, \$38.1 millions (\$37.5 millions). Operating expenses \$18.6 millions (\$17.8 millions). Total charges \$28.3 millions (\$27.8 millions). Net revenue \$9.2 millions (\$9.1 millions).

Mexican Light and Power.—Gross earnings for 1940 \$8,277,341 (\$7,453,671). Expenses, including depreciation and taxation, \$6,466,686 (\$5,939,957). Other charges \$2,696,485 (\$2,879,064). Debit balance \$885,830 (\$1,365,349).

British Columbia Power Corporation, Ltd.—Gross earnings for June, 1940, \$1,452,160 (\$1,317,001); net earnings \$293,109 (\$322,533); surplus after deducting debenture interest and preference dividends \$106,443 (\$134,867). Total gross earnings January 1st-June 30th, \$8,986,396 (\$8,184,823); net earnings \$2,268,919 (\$2,292,020).

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended July 19, 1941, total ordinary revenue was £31,890,000, against ordinary expenditure of £76,074,000, and issues to sinking funds of £130,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £910,392,000 against £642,450,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	April 1 to July 20, 1940	April 1 to July 19, 1941	Week ended July 20, 1940	Week ended July 19, 1941
ORDINARY REVENUE					
Income Tax	756,000	47,185	107,043	6,362	8,964
Sur-tax	80,000	7,710	9,919	550	300
Estate, etc.	82,000	28,770	30,504	1,810	1,890
Duties	14,000	4,030	2,731	250	370
Stamps	6,510	5,260	1,090	250	370
N.D.C.	210,000	11,570	52,500	2,010	5,161
E.P.T.	1,000	150	145	20	20
Other Inland Rev.	114,300	10,925	207,202	12,092	16,685
Total Inland Rev.	114,300	10,925	207,202	12,092	16,685
Customs	310,700	85,894	102,653	4,581	7,815
Excise	266,660	50,300	64,100	12,200	3,600
Total Customs & Excise	577,360	136,194	166,753	16,781	11,415
Motor Duties	39,000	6,698	6,262	...	...
P.O. (Net Receipts)	3,300	4,350	3,350	500	700
Crown Lands	1,100	280	280	...	...
Receipts from Sundry Loans	2,600	476	1,003	...	150
Miscell. Receipts	20,000	5,143	17,751	2	2,940
Total Ord. Rev.	1786360	259066	402,581	29,375	31,890
SELF-BALANCING P.O. & Broadcasting	99,346	23,550	27,400	1,300	950
Total	1885706	282616	429,981	30,675	32,840

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

Expenditure	Estimate, 1941-42	April 1 to July 20, 1940	April 1 to July 19, 1941	Week ended July 20, 1940	Week ended July 19, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	92,628	102,138	1,736	3,832
Payments to N. Ireland	9,200	1,928	2,038	...	...
Other Cons. Fund Serv.	7,800	3,195	3,073	...	242
Total	272,000	97,751	107,249	1,736	4,074
Supply Services	393,495	80,666	120,357	64,600	72,000
Total Ord. Exp.	420,695	89,947	131,086	66,336	76,074
SELF-BALANCING P.O. & Broadcasting	99,346	23,550	27,400	1,300	950
Total	430,041	113,497	158,486	67,636	77,024

After increasing Exchequer balances by £291,894 to £2,920,075, the other operations for the week (no longer shown separately) raised the gross National Debt by £44,440,592 to about £12,248 millions.

NET ISSUES

Overseas Trade Guarantees	200
P.O. and Telegraph	215

NET RECEIPTS

Under War Damage Act	389
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AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1941, to July 19, 1941, are:—

Ordinary Exp.	1,310,806	Ord. Revenue	402,581
Inc. in balances	294	Gross bor.	904,297
		Less—	
		Sinking fds.	2,167
		Net borrowing	902,130
		Misc. Receipts (net)	6,389
	1,311,100		1,311,100

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1940				
July 20	815.0	Not available		
1941				
April 12	850.0	Not available		
" 19	855.0	Not available		
" 26	865.0	1370.4	163.5	2909.4
May 3	875.0	"	"	
" 10	885.0	"	"	
" 17	895.0	"	"	
" 24	905.0	"	"	
" 31	915.0	1410.4	136.0	2949.9
June 7	925.0	"	"	
" 14	935.0	"	"	
" 21	945.0	"	"	
" 28	955.0	158.7	519.0	3063.0
July 5	965.0	Not available		
" 12	975.0	"	"	
" 19	985.0	"	"	

TREASURY BILLS

Date of Tender	Offered	Applied	Allocated	Average Rate	Per Cent. Allotted at Min. Rate
1940					
July 19	65.0	118.8	61.0	2.4	37
1941					
April 4	70.0	164.7	70.0	2.4	26
" 11	70.0	156.6	70.0	2.2	30
" 18	75.0	161.8	75.0	2.6	30
" 25	75.0	168.9	75.0	2.2	22
May 2	75.0	170.4	75.0	3.16	11
" 9	75.0	160.5	75.0	0.17	40
" 16	75.0	154.7	75.0	0.59	44
" 23	75.0	141.6	75.0	0.18	47
" 30	75.0	145.1	75.0	0.22	34
June 6	75.0	156.1	75.0	11.88	26
" 13	75.0	158.5	75.0	0.15	31
" 20	75.0	163.1	75.0	11.83	27
" 27	75.0	153.0	75.0	0.69	38
July 4	75.0	155.7	75.0	0.33	34
" 11	75.0	146.8	70.0	0.33	34

On July 18th 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 34 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 July 25th. For the week ending July 26th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS
CERTIFICATES AND 3% AND 2½%
BONDS SUBSCRIPTIONS

BONDS				
(£ thousands)				
Week ended	N.S.C.	3% Defence Bonds	New 2½% Bonds	3% Savings Bonds
June 10.....	5,602	3,423	7,352	11,060
" 17.....	4,051	3,359	9,812	7,867
" 24.....	4,087	3,306	27,050	5,127
July 1.....	3,414	2,784	17,494	18,028
" 8.....	3,416	3,490	8,611	7,770
" 15.....	4,374	2,887	10,778	14,332
" 22.....	...	...	6,367	7,517
Totals to date	327,773*	314,630*	385,876†	259,939†
* 86 weeks. † 29 weeks.				

* Free of commission and stamp duty.

BRITISH WHOLESALE PRICES

			July 15, 1941	July 22, 1941				July 15, 1941	July 22, 1941				July 15, 1941	July 22, 1941
CEREALS AND MEAT														
TRAIN, etc.														
Wheat	s. d.	s. d.												
No. 1 N.Mt. 496 lb. f.o.b. Mont...	31 7	32 4												
Eng. Gaz. av. per cwt. (e)	14 7	14 11												
Flour per 280 lb.—														
Straights d/d London	25 6	25 6												
Barley Eng. Gaz., av. per cwt. (e)	23 3	22 0												
Oats (e)	15 0	15 5												
Maize, La Plata, 480 lb., f.o.b.	10 6	13 7												
MEAT—Beef, per 8 lb.—														
English long sides	4 8	4 8												
Imported hind	6 0	6 0												
Mutton, per 8 lb.—English	5 4	5 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												
Granula	Nom.	Nom.												
COFFEE (per cwt.)—														
Santos supr. c. & f.	Nom.	Nom.												
Costa Rica, medium to good	160 0	170 0												
EGGS (per 120)—English	185 0	190 0												
LARD (per cwt.)—Imported	25 0	25 0												
POTATOES (per cwt.)—														
English	60 4	60 4												
SUGAR (per cwt.)—														
Centrifugals, 96, prpt. shipm.	5 0	5 0												
c.f. U.K./Cont.	7 0	7 0												
REFINED LONDON—														
Granulated, 2 cwt. bags	49 10	49 10												
Granulated, 2 cwt. bags, domestic consumption	31 2	31 2												
West India Crystallised	47 4	47 4												
TOBACCO (per lb.)—														
Indian stemmed and unstemmed	0 8	0 8												
Rhodesian, stemmed and unstemmed	2 0	2 0												
stemmed	0 10	0 4												
TEXTILES														
COTTON (per lb.)	d.	d.												
Raw, Mid-American	9.24	9.24												
Giza, P.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. Yarns, 116 yards,	s. d.	s. d.												
16 x 16, 32's & 50's	27 9	27 9												
36 in. Shirtings, 75 yards														
19 x 19, 32's & 40's	39 9	39 9												
TEXTILES—continued														
COTTON—continued														
Cloth, 38 in. ditto, 38 yards,	s. d.	s. d.												
18 x 16, 10 lb.	14 8	14 8												
39 in. ditto, 37½ yards,														
16 x 15, 8½ lb.	13 7	13 7												
FLAX (per ton)—	£ s.	£ s.												
Livonian ZK	Nom.	Nom.												
Peru HD	Nom.	Nom.												
HEMI (per ton)—Manilla, spot	30/0/0	30/0/0												
JUTE (per ton)—														
Daisee 2/3 c.i.f. Dundee, July-Aug. (new)	37/5/0	38/0/0												
Common 8 lb. cops. (per spindle)	4 4	4 4												
10½/40 Hessians, per yd.	0 6	0 6												
8/40 Hessians, per yd.	0 4½	0 4½												
10/40 Calcutta Hessians, Oct.-Dec. 100 yds.	38 6	40 4												
7½/40	30 1	31 1												
SISAL (per "ton")—African, July, September—No. 1	£ s.	£ s.												
WOOL (per lb.)—	d.	d.												
Lincoln wethers, washed	19½	19½												
Selected blackfaced, greasy	14	14												
Australian scrd. fleece 70's	37	37												
Cape scrd. average snow white	39½	39½												
N.Z. scrd. 2nd pieces, 50-56's	24	24												
64's warp	45	45												
56's super carded	39	39												
48's average carded	31	31												
44's prepared	29½	29½												
MINERALS														
COAL (per ton)—	s. d.	s. d.												
Welsh, best Admiralty	31 7	31 7												
Durham, best gas, f.o.b. Tyne	32 4	32 4												
IRON AND STEEL (per ton)—														
Pig, Cleveland No. 3, d/d	128 0	128 0												
Pigs, Middleshrough	312 6	312 6												
Steel, rails, heavy	290 6	290 6												
Timplates (home, i.e. 14 x 20)	29 9	29 9												
NON-FERROUS METALS (per ton)—														
Copper (e) Electrolytic	62/0/0	62/0/0												
Tin—Standard cash	257/15/0	259/5/0												
Three months	261/5/0	262/0/0												
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, home delivery	190/0/0	190/0/0												
Antimony, Chinese	2/10/0	2/10/0												
Wolfram, Empire	9/0/0	9/0/0												
Platinum, refined	48/0/0	48/0/0												
Quicksilver	48/15/0	48/15/0												
GOLD (per fine ounce)	s. d.	s. d.												
SILVER (per ounce)—	168 0	168 0												
Cash	1 11½	1 11½												
MISCELLANEOUS														
CEMENT, Best Eng. Portland, d/d site, London area in paper bags or jute sacks 20 to ton—(a)	s. d.	s. d.												
4-ton loads and upwards per ton	49 6	49 6												
CHEMICALS—														
Acid, Oxalic, net	60/0/0	60/0/0												
Tartaric, English, less 5% lb.	10/2/0	10/2/0												
Ammonia, Sulphate	13/10/0	13/10/0												
Nitrate of Soda	11/0/0	11/0/0												
Potash, Sulphate	5/0/0	5/0/0												
Soda Bicarb.	5/5/0	5/5/0												
Soda Crystals	12/10/0	12/10/0												
COPRA (per ton)—S.D. Straits c.i.f.	s. d.	s. d.												
HIDES (per lb.)	0 6½	0 6½												
Wet salted Australian	0 7	0 7												
Queensland	0 7½	0 7½												
Cape, T'burg Ord.	0 6	0 6												
Dry Capes, 18/20 lb.	0 8½	0 8½												
English & Welsh Market Hides—														
Best heavy ox and heifer	2 0	2 0												
SOLE BENDS, 8/14 lb.	2 0	2 0												
Shoulders	1 0	1 0												
Insole Belles	2 0	2 0												
Dressing Hides	1 2	1 2												
PETROLEUM PRODUCTS (per gal.)														
Motor Spirit, England & Wales	1 9	1 9												
(b) Kerosene, Burning Oil	0 11½	0 11½												
Vaporising Oil	1 0	1 0												
(b) Automotive gas oil, in bulk, ex road tank waggons	1 6½	1 6½												
Fuel oil, in bulk, England and Wales—														
Furnace	0 8½	0 8½												
Diesel	0 9½	0 9½												
ROBIN (per ton)—American	Nom.	Nom.												
RUBBER (per lb.)—	s. d.	s. d.												
St. ribbed smoked sheet	1 1½	1 1½												
SHELLAC (per ton)—TN Orange	185/0/0	135/0/0												
TALLOW (per cwt.)—London Town	22/10/0	22/10/0												
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—	12/10/0	12/10/0												
La Plata (new)	18/18/0	18/18/0												
Calcutta														

GLYN, MILLS AND CO.

LIABILITIES		ASSETS	
	June 30, 1940		June 30, 1941
Capital	1,060	Coin, etc., at Bank of England	5,290
Reserve Fund	850	With Other Banks	3,675
Current, Deposit and Other Accounts	38,863	Money at Call, etc.	6,986
Acceptances, etc.	4,097	Bills Discounted	1,342
		Treasury Deposit Receipts	Nil
		Investments	12,239
		Advances	10,501
		Acceptances	4,097
		Premises	740
Total	44,870	Total	52,730

QUARTER ENDED JUNE 30, 1941
(See article on page 109)

(See article on page 109)

Group	No. of Cos.	Total Profits		Net Profits	
		Previous Year	Latest Year	Previous Year	Latest Year
Breweries and Distilleries	14	£ 3,497,932	2,935,104	£ 2,796,990	2,168,687
Electric Lighting & Power	1	1,035,587	1,135,843	340,029	396,168
Financial Land & Investm't.	39	5,055,062	5,559,995	3,336,287	3,007,058
Gas	3	1,058,194	744,467	281,258	891,545
Hotels and Restaurants	3	1,162,202	1,013,392	932,638	800,545
Iron, Coal and Steel	43	15,814,293	15,152,193	8,657,619	6,898,800
Motor Cycle and Aviation	9	1,723,094	1,522,076	884,097	682,641
Oil	3	6,219,040	5,736,990	3,763,299	3,436,349
Rubber	84	1,771,827	2,968,175	929,895	1,062,990
Shipping	7	847,129	1,372,992	377,564	542,990
Shops and Stores	21	6,736,934	6,507,123	2,434,610	1,845,004
Tea	8	470,108	505,010	226,588	190,540
Telegraphs, etc.	5	7,114,043	9,063,587	2,048,040	2,821,096
Textiles	19	4,527,403	4,696,315	3,262,490	2,800,077
Tramway and Omnibus	6	4,094,624	4,454,345	1,222,097	1,185,738
Trusts	47	£ 6,111,214	4,373,649	2,377,479	2,046,136
Waterworks	2	289,805	331,717	127,368	138,111
Building Materials	18	4,287,653	3,981,561	2,280,441	1,797,111
Food, Confection, and Drink	19	2,142,828	1,968,480	1,165,240	990,111
Electrical Equipment	8	2,162,400	2,324,418	1,722,524	1,603,111
Newspapers, Printing, etc.	16	3,552,778	4,114,700	2,056,149	1,836,111
Tobacco	4	2,100,999	2,274,823	1,572,290	1,565,111
Warehouse and Trading	5	136,166	192,835	10,203	81,111
Other Companies	113	22,991,348	22,348,370	16,123,496	13,582,111
Total	497	104,198,463	105,306,160	58,928,691	51,536,111

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS			
000's omitted			
	National	West-	Williams

	Barclays Bank Ltd.	Coutts & 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.	Aggregate
Date:	30th	30th	30th	30th	30th	30th	30th	30th	30th	30th	30th	£
	£	£	£	£	£	£	£	£	£	£	£	£
ASSETS												
Coin, Bank Notes and Balances with the Bank of England	58,575	3,269	12,048	5,316	53,276	15,235	66,888	4,953	42,193	43,145	5,852	310,750
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland	25,407	1,314	4,789	2,455	25,249	4,946	27,794	215	18,168	22,150	4,170	136,657
Items in Transit	23,305	2,607	7,168	4,169	11,944	3,005	21,293	3,203	20,955	24,034	8,608	142,934
Money at Call and Short Notice	37,598	1,897	8,251	836	21,353	6,240	21,293	1,145	33,815	18,525	1,550	132,983
Bills Discounted	100,000	2,000	16,000	5,500	34,767	9,256	45,543	500	69,500	72,500	8,500	482,000
Treasury Deposit Receipts	151,194	11,633	43,476	18,972	90,500	14,000	103,000	15,263	117,525	129,407	16,523	880,249
Investments	185,639	8,775	27,217	11,827	145,710	52,304	178,487	15,954	115,235	120,187	11,284	859,179
Advances to Customers and other A/c's.												
Liabilities of Customers for Acceptances, Endorsements, etc.	13,200	906	3,250	3,715	18,986	9,321	13,285	202	10,106	31,318	1,872	106,161
Bank Premises Account	7,954	412	1,533	740	7,143	2,853	9,397	556	7,219	5,219	991	44,017
Investments in Affiliated Banks and Subsidiary Companies	6,280	...	...	...	3,775	...	8,200	...	2,514	2,992	...	23,761
	609,153	32,813	123,732	52,730	559,493	154,092	653,981	41,991	437,230	469,477	58,948	3,193,640
Ratio of Cash to Current, Deposit and other Accounts.	10.30	10.93	10.52	11.29	10.35	11.12	10.91	13.12	10.31	10.28	10.78	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	2,900	2,976	850	10,000	3,600	12,411	1,160	8,500	9,320	900	61,967
Current Deposit and other Accounts	568,845	19,907	114,529	47,105	514,687	136,990	613,126	37,740	409,145	419,502	54,301	2,945,817
Acceptances, Endorsements, etc.	13,200	906	3,250	3,715	18,986	9,321	13,285	202	10,106	31,318	1,872	106,161
Notes in Circulation	...	...	...	...	10	21	...	1,389	...	17	...	1,437
	609,153	32,813	123,732	52,730	559,493	154,092	653,981	41,991	437,230	469,477	58,948	3,193,640

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Work in Progress

IN his statement on production to the Commons on Tuesday, the Prime Minister denounced complacency and captious criticism with equal vehemence. He told the numerous "V for a vicarious victory" enthusiasts that "it would be madness to suppose that Russia or the United States is going to win the war for us." Categorically, with no mention of the likely fortunes of the Russian armies by that date, he mentioned September 1st for the *qui vive* against invasion. His refusal to appoint a Controller of Production he justified by explaining that one existed already in himself—and later he told the House that the watch for bottlenecks was kept on his behalf by Lord Cherwell, his personal statistical assistant.

It is impossible not to agree with the Member who said in Tuesday's debate that, if a speech of the calibre made by Mr Churchill had been made in the original debate a fortnight before, this further discussion would not have been necessary. It was an impressive and revealing story that he told. On the actual process of planning, the Prime Minister informed the House that in the first quarter of the year he himself, as Minister of Defence, prepared a composite programme of production and imports based upon the revised strategic needs of the three Services. This "war supply budget for 1941," which "comprised a perfectly clear apportionment of reserves and tasks," was approved by the War Cabinet on March 31st, and it was then left to the three supply departments, the Admiralty and the Ministries of Supply and Aircraft Production, to execute the scheme, with the Production and Import Executives of Ministers to allocate resources. "In the last four months (Mr. Churchill declared) no question of departmental rivalry has been brought to me or to the War Cabinet from the Production

Executive." Most important of all, "we have no more of those arrogant, absolute priorities in virtue of which one department claimed all there was of a particular commodity and left nothing to the lesser but indispensable needs of another. The method of allocation of labour, materials and facilities has to a large extent replaced the scale of priorities. Allocation is the Government principle."

Here was the answer to many of the earlier questionings; here were the man and the method so widely asked for. But the doubt will remain whether it is humanly possible for Mr Churchill to serve as Captain-General and Controller of Production, as well as Prime Minister, at one and the same time. Moreover, it was not as an end in itself that this kind of Cabinet and departmental organisation was called for, but as a means of translating resources into the maximum war output. Production for the Ministry of Supply in the last three months was one-third greater than in the three hectic months of "the Dunkirk period"; and output in the seventh quarter of the war was equal to production in the fourteenth and final quarter of the last war. This is notable progress. But the real question is whether more even than these very formidable achievements can be accomplished. Every proposal that has been made by the vast majority of the Government's critics has been designed to secure a still higher yield of weapons and equipment.

Mr Bevin startled the sceptics—and many responsible business men—by saying that, in spite of the Battle of the Atlantic, there was no raw materials problem. But in the earlier debate, Mr Macmillan had stated "by the Minister of Labour had satisfied every need and air Ministry of Supply for workpeople. It is and is greatest. ask whether, in these conditions, the me of the country's capacity, and it is h

conclusion that the utmost effort is being put forth when, in spite of the fact that the labour working for the Ministry of Supply has risen by a third since the "Dunkirk period," there are still so many men and women engaged on non-essential tasks, and when the life of the nation is still so far from a full war footing. Among the limits which Mr Churchill listed to the power to produce were the workers' need for rest and relaxation, and it is difficult to see why this plain need has not been met more generally by training and taking on new recruits instead of by slowing factories down. Actually, Mr Macmillan speaks with two voices. Also in the earlier debate, he said that double shifts were impossible to contemplate because of the large additional employment that they would imply, and it is probable that, in fact, both manpower and materials are actual or potential restraints to output. It is certain that quite the most important task at the moment is to make the utmost use of materials by stringent allocation, efficient methods of manufacture and successful salvage; and it was precisely because of this problem of making the most of limited resources that the soberer critics asked for a Controller of Production. They did not want a super-Ministry or some Napoleon. They wanted the tightest possible means to be devised of running, day-to-day control over the progress of production in the factories so that no energy should be lost at any point in the war machine through slipping of the cogs because of inefficient management or local frictions.

Naturally, Mr Churchill had not the time to go into all the detailed cases that critics had advanced of production shortcomings, though these details (which will shortly be discussed at some length in an industrial article in *The Economist*) are in fact the nub of the matter. They may not represent the main corpus of production—which was the Prime Minister's point when he described them as merely the "fringe." But these ragged edges—and Mr Churchill did not deny their existence—do represent wastage of resources and lags in achievement; and it is to spot and apply the scissors to them that this whole-time controller with a roving staff of expert technicians and power to act has been called for.

Actually, the real issue probably goes deeper than either forms of administrative organisation or industrial symptoms. It is not that a plan for wartime production is lacking but rather that the plan for wartime society is incomplete. It is still the policy to rely upon "normal processes" to man the war factories and to run them, while at the same time, as Mr Churchill pointed out, almost all firms are working under Government control. The result is neither flesh, fowl nor good red herring.

Sanctions Against Japan

AGGRESSION marches by familiar ways. In 1931 the Japanese invaded Manchuria, and since 1937 Japan has been waging a war of aggrandisement against China—and against every foreign interest in Chinese territory—with only a sequence of formal protests from Britain and the United States. It is only now, when the aggressive activities of Japan, an Axis partner, have become part of the pattern of world conflict which has its centres in Europe and on the Atlantic, that protests have hardened into threats and threats into the promise of action. By "agreement" with the dishonourable Vichy Government of unfree France, Japanese forces have taken up their station in the ports and on the landing grounds of Indo-China—to "protect" the country from the imaginary designs of Mr Churchill and Generals de Gaulle and Chiang Kai-shek. Pressure is being put upon neighbouring Thailand for concessions. Free China is directly threatened; still at a distance, the Netherlands are menaced; and the decision to apply sanctions against the aggressor has apparently been taken. In neither Britain and the British

Where a worker will sign on and how hard he will work is, of course, still decided by the relative wages he can secure; rightly, and the motive of an employer is still the incentive of profit. And, in fact, it often happens that both workers and employers are neither forced by the State nor induced by the promise of reward to make their maximum contribution to the war effort. They do not move quickly into place for the battle; they may even be reluctant to participate at all—because wages are higher elsewhere, because war measures mean personal loss which is not compensated or because they cannot give up their peace work on account of the monetary obligations which they cannot escape. There can be no real pooling of managerial skill or technical ability while it is the responsibility of individual firms to bear the risks of policies over which they have no control; there is no principle of compensation for necessary losses. In the distribution of food as well as in output the same anomaly appears. It has been left, in many directions, to "normal trading" to eke out supplies on an equitable wartime basis; and the interest of the individual and that of the community have not always coincided. There is a no-man's-land where there are neither incentives nor commands.

It can be argued that, within the limits set by these social drawbacks, something which will approach a maximum effort is being developed. The Prime Minister did argue thus. But few engineers or economists would wholly agree. Yet there is no disagreement about what the objective is. Mr Churchill phrased it straightly enough—"a superb, intense and prolonged effort . . . the utmost endeavours of our strength and virtue and, if need be, the last drop of our heart's blood." Simply, it is victory—at any cost.

Mr Churchill spoke of the "flouts and jeers" and "vulgar abuse" that had cried "stinking fish" on the British war effort; and there are tiny knots of splenetic and jaundiced people here and there, often "experts" and usually ambitious politicians, journalists, engineers and economists, who have made criticism their business and cavilling their creed. They are the professional "knockers," the Woe Woe men who never have a good word to say of any act of public policy. But they are negligible in numbers and a thousand times less influential and subversive here where they can shout than in Germany where they can only whisper. The overwhelming majority of the critics are not like these. They are Mr Churchill's best friends; and, in his own words, it is their duty and their mission to be "a prompt and vigilant alarm bell, ringing when things are not going right."

Dominions nor the United States can orders be carried out affecting Japanese balances, gold or securities without official licence. In Britain the three existing trade agreements with Japan have been denounced. In the Netherlands Indies, after some days of delay, monetary dealings with Japan have been arrested; exports to Japan, Manchukuo, China and Indo-China have been made subject to special licence. But the report that the Dutch agreement to supply Japan with 1,800,000 tons of oil this year had been suspended has since been denied—"it all depends."

Until now, the policy of the Powers towards Japan has been one of unmodified appeasement. The ways of the democracies on the defensive have been no less familiar than the course of aggression; and last week Mr Roosevelt frankly stated the long-standing attitude of the American, British and Dutch authorities towards Japan when he declared that American oil had been shipped to Japan in the hope that the Japanese Government would not attack in the Pacific. The sop has been to little purpose. The Japanese war machine has been supplied and stocked—until the democracies' own defence and

war needs reduced the flow of metals and materials.

It will perhaps be argued by the supporters of soft words in the Far East that, until now, with the United States still on a peace-time footing, with Britain at close grips with the German enemy and with Holland captured, discretion was the better part of valour until action became inescapable; that action was impossible until Singapore and Manila, Malaya and the Philippines were fully manned and reinforced. It will perhaps be argued that, even now, Japan has not finally cast the die. Indo-China is the property of demoralised France; and between Saigon and the rich East Indies lie the naval and air forces of Britain and the United States. Japan, it may be said, is still too cautious and too insecure economically to invite a conflict with Hitler's enemies and the chief suppliers of Japanese industrial imports. But these are old delusions. They contradict each other, for they depict a



Japan that is too strong to be provoked at one moment and too weak to be dangerous at another. In fact, only Japan has benefited. Aggression has not been checked but fortified, economically and strategically. Thailand and Indo-China have been brought within the military sphere of Japan without loss of men or materials; and the strategic disadvantage to Free China and the democracies is plain enough. Very likely it was physically impossible for Britain and America to forestall or prevent this manoeuvre—even though it has been conducted at a distance of some two thousand miles from Japan's home bases. For a decade, it has been weakness, and not the statesmanship of free choice, that has been disinclined to "provoke" Japan, that has watched bastion after bastion in the East fall into hostile hands, that has seen properties and prestige trampled upon along the China coast, that has left Hong Kong encircled, that was even tempted momentarily to barter Chinese resistance for a few more comfortable months and that now finds a foe on the very threshold of the Indies.

Whether this past weakness was mostly moral or material perhaps hardly matters. The question now is whether Britain, Australia, New Zealand, the United States and the Netherlands Indies are willing and able, severally and jointly, to stand firm at last. It is obvious that a complete blockade of Japan would be a grievous blow, for Japan is one of the only two really blockadeable

Powers in the world—the other, another island, is Britain. In peacetime, over half of all the imports of Japan came from the United States and the British Empire. The Japanese textile industry is dependent upon raw cotton from India and America. It is upon the British Empire, the United States and the Netherlands Indies that Japan has to rely to make up grave deficiencies of iron and steel, scrap, nickel, ferro-alloys, aluminium, rubber, oil, lead, copper and tin. Something like nine-tenths of Japan's war supplies are said to have come from the United States and the British Empire; the war against China has been nourished by China's "friends"; Japan's war reserve is British and American built. Japan has been an importer of British and American capital and a dependant for the means of payment, as well as for goods. The freezing of British and American assets in Japan is, in itself, a heavier blow than the freezing of Japan's assets in Britain and the United States, for Japan is a large debtor on balance. Over a third of Japanese exports in 1938 went to the United States and the British Empire, and the British Colonies depend largely on imports of cheap Japanese goods. Almost all Japan's important export trade in silk, which has been used to subsidise rice-growing, is directed to America.

The first steps towards blockade have been taken; and the freezing of Japanese assets is intended to make it possible to stop trade at the source. The full implications of the blockade are discussed on pages 131, 136, 143 and 148. It is obvious that, without the means of payment, Japan cannot buy. Every shipment of goods from Britain, the United States and the Netherlands Indies will now need Governmental authorisation, so that it has become possible to sever every trade link between those countries and Japan at once; and, outside the ring, Mexico and Venezuela would find it hard to do business with Japan without American dollars. But trade relations have not, in fact, been cut off. Britain's denounced commercial treaties do not expire for six months or a year; and the decision whether some American trade with Japan will go on is to depend, like the similar decision of the Netherlands Indies, on the "international situation." Apparently, there are still loopholes, and bargaining is not ruled out. The Eastern aggressor is threatened, but still not uncompromisingly resisted, and it has been threatened before.

It is not a sign of strength in the democracies that Indo-China has been occupied by the Japanese without any military or naval steps to counter it. It will be a sign of positive weakness if more time elapses without a joint statement by the Governments concerned that a total blockade is intended—without parley—so long as Thailand is threatened and Indo-China is held as a dagger towards Burma, China, Malaya, the Dutch islands and the Philippines. Mr Menzies has spoken about his country's desire for peace in the Far East, when it is security, and not any illusory peace, that the countries of the Pacific, the Netherlands Indies as well as Australia, need and will not get from Japan. It is said that certain Far Eastern oil interests are alarmed about the loss of markets. But Japan will not grow weaker by concessions. To be effective, sanctions must be backed by force, economic sanctions by military ones. It has been the American thesis that, the more effectively Japan was blockaded, the more ready Japan would be to fight. The need now, therefore, is not to search for some way out, some formula or patch-work bargain. What is wanted is, not only an uncompromising statement of blockade while these Japanese threats are maintained, but also a straight pronouncement by the Powers that they, too, are ready to fight.

The threats offered by Japan should be neither over nor under-stated. Danger to the Burma Road and to the democracies' Chinese ally there undoubtedly is. It is not impossible that some plan to circle round Singapore to Borneo and Celebes in the south-east and Sumatra in the south-west is being held in readiness by the Japanese commanders. But the peril of land and air penetration from Indo-China and Thailand is greatest.

Distances on small maps are deceptive; Manila is athwart the route from Saigon to Nagasaki; and Singapore, which is surely no less strong than Malta and Gibraltar, which still stand unconquered in the narrow Mediterranean, masks the Netherlands Indies. The "China incident" is still Japan's first concern. But it is not Japan's last. Soon, if not now, the whole South Seas are in danger from this aggressor; "the uniting of all these regions under a single sphere" is Japanese policy; and the occupation of Thailand and Indo-China by Japanese forces will advance the day when caution will be over-mastered by ambition.

It is not possible to rely on economic collapse, even under blockade, to bring Japanese aggression to a swift end. The drain of the war in China has indeed been very considerable. There is rationing and there are serious shortages, even of food. Japan, at peace and unaggressive, could perfectly well have spared the exchange and shipping to import rice and other foods to fill the gap. There would be sufficient supplies of fish oil and fish in Japan if heavy exports had not been sent to Germany in the last eighteen months. Much of the abnormal quantities of copra, coconut oil and castor seed imported by Japan in 1940-41 have gone on to Germany. It is true that large armies in China and Japan have required feeding, that Japanese labour has tended to move from farming to the war factories, and that crops have somewhat fallen. Fertilisers have been scarce because of the diversion of Japan's electric power from fertiliser to other production, and because of the use of nitrates for explosives; and the policy of keeping down food prices has discouraged producers. Japan, like Nazi Germany, has blockaded herself in peacetime. But Japan is normally nearly self-sufficient in foodstuffs; exports to Germany are now cut off by Russia; and heavy stocks of cereals and fats have been built up against the event of war in the Pacific.

There are war stocks of materials as well. Japan is

economically very vulnerable; and Japanese staying power must be measured in months rather than years. But Japan will not burst like a pricked bubble if a new war in the Far East does start; and the Japanese people are as used to privation as any eastern people, or as the helots of Nazidom. In Indo-China there is rice and fish, zinc, tin and wolfram. In the scattered region towards which the tentacles of Japanese ambition are feeling their cautious way—Burma, Thailand, Indo-China, Sumatra, Borneo and Celebes, Malaya and Java—there is all the world's rubber and three-quarters of its tin. There is oil, sugar, coffee, tea, rice and tobacco.

It may be that Japan will be content to snatch these fresh footholds and then to wait—for a new opening for further advances. It may be that a limited drive into the Russian sphere in the north of China is projected, though the Japanese Government clearly has no interest in fighting Hitler's war. Probably Japan has no desire to fight at all; and in spite of the freezing of British, American and Dutch assets in retaliation, by Manchukuo and puppet China as well as by Japan, there are signs of a Japanese desire to keep the doors of commerce and finance open. But the demonstration of any similar desire on the Allied side might well be fatal. It would only be taken to mean that the democracies were too weak to stand in league against the common danger.

It is not enough to voice regrets and warnings. The framework for an economic front has been made; and Britain and the United States have taken military and naval precautions. Singapore is strongly supplied and manned. The land, sea and air forces of the Philippines have been placed under American command. It is still true, as Bismarck said, that the most important factor in world history is the fact that Britain and the United States speak the same language; and what they say together in the Far East now must be strong, forceful and without reserve. It is not a question of wilfully electing Japan as a new foe. Japan has nominated herself.

Food and Farming

LAST week's Commons debate on food production and distribution was the first full-dress debate on the combined activities of the Ministries of Agriculture and of Food. The Minister of Agriculture stated categorically that in the third year of war as much food in sum should be available as in peace-time; and the discussion turned upon the production of food for direct human consumption instead of for feeding animals, upon the diversion of war-time diets to replace lost or lessened staples and upon the mechanics of distribution—upon the necessity for the fair and reasonable distribution of those unrationed foodstuffs that are at present scrambled for or forestalled, and upon the need for complete price control and for preferential treatment for special classes.

The task is one of adaptation and readjustment, in which the factors to be redisposed are land, labour and shipping space. And the war-time problems of dairy farming stand out. The direct consumption of liquid milk is rising while production falls; the margin obtained earlier in the war by diverting supplies from manufacture and the making of butter and cream has been exhausted; and working stocks are endangered. Despite the recent assurance that imports of tinned milk from New Zealand and the United States will prevent an absolute shortage of milk in the coming winter, it is more than likely that supplies of liquid milk may fail to meet demand from, say, November this year until next February. The Minister of Agriculture admitted in the Commons that "if conditions are very difficult this winter, the public may expect some slight shortage"; and the facts suggest that the position may in fact be worse.

Milk production in this country reached record levels in the two years before the war. Since then, the difficulty of obtaining feeding-stuffs, skilled labour and suitable transport has caused production in England and Wales

to be reduced only to within 10 per cent of this record output. But consumption has risen "from 760,000,000 gallons in the last pre-war year to 880,000,000 gallons in the current year"; and, owing to the highly seasonal nature of milk production, it will be in the winter months that the gap will become evident. Last winter there was a moderate shortage. Next winter the shortage of liquid milk, however much it may be alleviated by the use of tinned supplies, will probably be worse.

This prospect has serious implications for national nutrition, to which attention has been recently drawn by Lord Dawson of Penn in the House of Lords and in the Press. Liquid milk is of great value for both children and adults. In war-time, when many other sources of protective food are unobtainable or in short supply, it is an essential food for which there is no substitute; and there is no doubt that the maintenance of milk supplies so far has done much to bring about the excellent health record enjoyed by the public despite rationing, bombing and shelter life. Mr Hudson gave an assurance in the Commons debate that "the Government realises the importance of milk"; but it is still not absolutely sure that the Government has taken every possible step to give precedence to dairy farming.

It is clear that the whole output of home-produced milk should go into the liquid milk market rather than into the production of, say, butter. In fact, of course, very small quantities of home-produced milk, if any at all, are used for the production of butter, of which almost the entire supply is imported, though the domestic milk supply is still not exclusively reserved for liquid consumption. Home supplies of milk, which are limited most strictly by supplies of feeding-stuffs for dairy cattle, can only be increased at the expense of beef production. This is the immediate point. Admittedly no simple switch-over

from meat to milk is possible, because the accommodation and labour that are suitable for beef cattle are in many cases not suitable for dairy farming; and many farms that could make themselves self-supporting in fodder for beef cattle could only do so for considerably fewer dairy cattle. Supplies of imported oil cake are necessarily limited, and the change would mean a net reduction in the cattle population which would no doubt result in some loss of soil fertility through the deprivation of natural manure. But the maximum production of milk remains paramount for war-time needs; and it is by no means certain that, even in the more normal context of peace-time farming, cattle farming merits the deference that it receives.

The future of British agriculture is still undecided. It is probable that, in any case, the farming community must prepare to embark after the war upon dairy farming in a larger way in order to keep pace with the rising secular trend in milk consumption for which education, cheap milk schemes and the spread of medical advice have been responsible, despite the high cost of milk to the normal consumer. It is perhaps not widely realised that, even in peace-time, the Milk Marketing Board was only just able to meet demand and hold normal stocks in the winter months despite record production and that, without any war, there might well have been some shortage of liquid milk during the winter months in the course of the next few years. Now, in war-time, unless dairy farming capacity can be expanded, there is every reason to expect something like a permanent shortage of milk in the winter months. It seems plain that, while the war lasts, the Ministry of Agriculture will have to aim at higher milk production even if it must temporarily be at the expense of beef production; and, in the long run, the prosperity of British agriculture may well depend on its being able to give the public milk, rather than on any insistence on protection to keep out cheap meat from the Argentine or cheap grain from the United States and the Dominions.

Light is shed on the consumption of milk by the publication of a preliminary report on a survey carried out in 1938 and 1939 by the Oxford Agricultural Economics Research Institute. The survey covered 17 areas, two of which were the London electoral divisions of Poplar and Marylebone, the remainder being widely distributed throughout the country. The populations of the towns visited, according to the 1931 census, ranged from 239,000 in Leicester to 7,000 in Brynmawr. Considerable trouble was taken to ensure that in each district a random sample of householders should be visited. The total number of complete records obtained in the first survey taken in May-June, 1938, was 11,987. In the second survey, taken in January-February, 1939, 11,489 records were obtained. There is every reason to believe that these records are an unbiased sample and present a fairly accurate picture.

The survey endeavoured to obtain answers to five questions: the size and occupation of the household; the amount of milk used per week; the use to which the milk was put; the quantities of milk products bought each week; and the amount of the weekly food expenditure which was spent on milk. The results throw considerable light on the extent to which, in peace-time, England and Wales were dependent on the consumption of milk and convey some impression of the degree of hardship and the nutritional danger which would be involved in a decision to reduce still further the supply of milk for liquid consumption.

The survey brought to light the surprising fact that, while the average number of persons per household was between three and four, over 56 per cent of a total of 11,495 households contained no children at all. Households containing two adults accounted for 49.2 per cent, and households containing one child for 22.7 per cent of the total. Less than 10 per cent of the households contained more than two children. The average weekly consumption of liquid milk per head, including that drunk

* "Milk Consumption Habits." K. A. H. Murray and R. S. G. Rutherford. Oxford: Agricultural Economics Research Institute. 112 pages. 2s. 6d.

at school and at work, was found by the earlier survey, for 10,987 households, to amount to 3.71 pints. This figure is higher than the estimate provided in Sir John Orr's study, *Food, Health and Income*, which places the weekly average at 3.10 pints per head. Of the total of 3.71 pints, it is estimated that 92 per cent was consumed at home. The average cloaks a considerable disparity between the actual towns visited, ranging from an average weekly consumption per head of only 2.04 pints in South Shields to a high level of 4.38 pints in Oxford. The following table, which shows average weekly expenditure on food, average size of household, and average weekly consumption of milk per head, indicates that there is a rough correlation between food expenditure and milk consumption:—

ESTIMATED WEEKLY MILK CONSUMPTION 1938 AND 1939.

Town	Average weekly food expenditure per head	Average size of household	Average weekly consumption of milk in the home per head	Proportion of milk used raw	Proportion used for tea, coffee and cocoa
	s. d.		pints	%	%
Brighton	10 5	3.11	4.11	19	31
Leicester	10 4	3.41	3.96	19	35
Wallasey	9 11½	3.42	4.17	19	31
Newton Abbot	9 11	3.28	3.90	18	41
Oxford	9 10	3.65	4.38	16	45
Huddersfield	9 7	3.27	3.38	26	28
Salisbury	9 7	3.37	4.26	16	31
Poplar	9 5½	3.69	2.59	20	36
Crook	9 1	3.44	2.34	18	33
King's Lynn	9 0½	3.62	4.01	14	38
Penrith	9 0	3.43	3.75	20	41
Blackburn	8 11	3.51	3.47	17	45
Wrexham	8 8	3.87	2.48	14	37
Llanelli	7 11	3.47	2.10	19	49
Brynmawr	7 8	3.54	2.04	24	41
South Shields				20	27

The table also provides some indication of the proportion of milk used raw and in hot drinks not made mainly of milk. In the survey as a whole, 19 per cent was consumed raw; 36 per cent for drinks not mainly made with milk; 27 per cent for cooking; 11 per cent for drinks mainly made with milk; and 7 per cent in miscellaneous ways, including with breakfast foods and stewed fruits. Thus, approximately one-fifth is drunk raw and rather over two-thirds is used either for cooking or in tea, coffee or cocoa.

The Oxford survey appears to have established beyond doubt that any cut in average milk consumption would mean reducing average consumption to less than half a pint a head per day, an allowance which would impose considerable hardship on large numbers of consumers whose taste for milk is formed and whose health benefits thereby, but would still leave unaffected many millions of consumers in the lower income groups. If a cut had to be made, there is a good case for extending the preferential treatment, contained in the cheap milk scheme, to those households containing children under 15. There is also a good case for maintaining that where a taste for milk is formed, its satisfaction is the first and most important step towards adequate nutrition.

In so far as it will be necessary to eke out liquid milk supplies next winter with tinned milk, account should be taken of the preference for the latter commodity among certain sections of the population. If there is any liquid supply left over after meeting the needs of mothers and children, it would be wasteful to ration it with arithmetical accuracy among the entire population. A more satisfactory method would be to ration it jointly with condensed milk, thus allowing some play to individual preferences. The Oxford survey found that in certain geographical areas there was a well defined preference for tinned milk as being more convenient and actually more agreeable.

On the wider issue, it cannot be urged too strongly that the production of milk in the short run should be preferred to the production of beef, and that, in the long run, a chronic winter shortage of liquid milk can only be avoided if the capacity of dairy farming is increased. There is a good case for attempting to do this in war-time when the need is particularly urgent.

NOTES OF THE WEEK

Russia Fights Back

In the sixth week of the Russo-German campaign, the tempo of the German advance has been slowed almost to a halt. The battle still sways in ding-dong fashion along a line which stretches from some 50 miles west of Petrozavodsk in the north through the Porkhov-Novgorod and the Smolensk-Mohilev sectors to Zhitomir in the Ukraine; and no significant progress has been made in the sixth week in the attacks towards Leningrad, Moscow or Kiev. This rough line, which broadly indicates the directions in which the main German pushes and Soviet counter-thrusts are taking place, is, of course, no line in any exact sense, but a front of some 150 km. in depth, in which both armies have in many instances encircled each other and gained local successes. In the past week, the net German gain appears to be almost negligible, and it has probably been found necessary to refit material and reconstitute exhausted troops. It is important that the German Press last week-end endeavoured to bring home to the German public the impossibility of ending the war simply by mechanised advances. The German infantry is now to be engaged on a large scale. The next week may see a determined attempt to force the Russian defences, which are restraining the southern pincer of the advance on Leningrad between Porkhov and Novgorod, and also to reduce the oft-claimed Smolensk. The advance of Marshal Mannerheim's Finnish forces on Petrozavodsk is among the most serious threats to Russian cohesion, since success in this operation would cut the Murmansk-Leningrad railway. Good proof of the inconsiderable success which has attended the German advance so far is contained in the moderate claims of captures in the communiqués of the German High Command. *Blitzkrieg* tactics, successfully carried out, yield a by-product of large numbers of captives. An outstanding feature of the campaign has been the ability of the Russians to fight on when surrounded, or to withdraw intact; and this means that, inevitably, the German method of advance must be, not by the swift swoops and scoops of earlier campaigns in this war, but by the slow, methodical, punishing and exhausting process of finding, holding and reducing every considerable force of Russian troops within or behind the battle zone. The German claim that the objective is to destroy the Russian armies rather than to make large territorial gains quickly should not be scouted as merely an excuse for failure. Russian tactics make no other method militarily wise or even possible; and, in any case, it was surely to eliminate the eastern menace of Russia's military strength that Germany embarked upon this invasion.

On the March

It is a remarkable index of the new alignment which the German attack on Russia has brought about that, by the agreement between the Soviet Union and Poland which was signed on Wednesday in London, Russia and Poland; so inveterately hostile in recent years, have now become military allies. It is a tribute to Polish statesmanship, Russian common sense and Britain's steadfast concern for the rights of aggrieved nations. After the events of September, 1939, there was very little difference, from the Polish standpoint, between the German invader from the west and the Russian invader from the east; and no agreement would have been possible—or could have been urged by Britain, the ally of both Poland and Russia—until the Russian Government unreservedly foreswore the brutal and cynical partition they then carried through with the Nazis. This has been done—though, even now, there are a number of Poles who apparently find it hard to stomach this "unnatural" association, and there is uneasiness because the *status quo ante* has not been given a specific and unconditional post-war guarantee. Russia recognises that the Soviet-German treaties of 1939 as to territorial changes in Poland have lost their validity. Diplomatic relations are to be restored at once. The two Governments agree to give each other full aid against "Hitlerite" Germany—which is, of course, now in possession of the disputed territories. A Polish army will be formed in Russia under the Russian Supreme Command; and all Polish prisoners in Russia are to be released. This is more than a pact of expediency for, under British guidance, a principle has been established which is applicable to all Europe, including the Baltic States, as well as Poland.

The Common Effort

It is the Prime Minister's view that invasion may be expected from the beginning of September onwards. It is not clear whether this means that Mr Churchill doubts the ability of Russia to engage the strength of Germany for longer than the month of August. But it is not improbable that, even if Russian resistance continues to be successful, something like a stable front in the east may be arrived at, in which event it would be possible for the Germans to attempt invasion in the west without being simultaneously engaged at full stretch on both sides of Europe. Mr Churchill did not mention the scale and character of the democracies' aid to Russia. It has been stated that large supplies are moving from the British Empire to Russia; and Mr Harry Hopkins, Lease and Lend administrator, with two military observers, has gone to Moscow, at the request of President Roosevelt, to discuss the expediting of war materials from the United States. In a very real sense, it is probably true that one of the best defences against the menace of invasion will be the strengthening of Russian resistance at every point. The demand of Members of Parliament for news of aid to Russia and of more forceful action by land and by sea in Western Europe cannot be satisfied, of course, without conveying valuable information to the enemy. It is consequently the case that criticisms of British strategy on the basis of the absence of such news can be neither helpful nor convincing. But it is nevertheless neither unhelpful nor unconstructive to suggest that the difficulty of acting more offensively in the west is the measure, not necessarily of production failures, but of the extent to which the output of the democracies must be stepped up if victory is to be made possible; or to suggest that no amount of skill and heroism on the part of the Russians will avail to frustrate the Germans if the back areas of the Russian front are not furnished from now onwards with all available supplies from American and British sources. The cause of Russia, like the cause of China, is the cause of Britain and of the United States; and it will be the merest self-interest for the supplies and the forces of the democracies to be marshalled and dispersed in such a way over the world battlefield as to secure the maximum advantage for the common cause.

The Turn of the Tide

To the critics of war operations so far the Prime Minister might have pointed to the fact that, although Britain has been fighting alone for a year, no inch of British territory, apart from the Channel Islands, is in enemy hands. He might have pointed to the notable success with which convoys can still, in cases of need, be taken past the enemy's bases through the length of the Mediterranean. He might have pointed to the fact that, in spite of every threat and strategic advantage, the enemy has failed to reduce Malta or Gibraltar, and that the latest determined attack by air and by sea upon Valletta was wholly frustrated. He might have pointed to the dangers in which the Axis forces still stand in Libya, where Tobruk stands as solidly in British hands as Acre did against the assaults of Napoleon. If defence is still demanded of Britain, it is being carried through with striking success—which makes the anxious question of when the tide will turn to attack and then to victory the more important. Ministers do not make the easy promises that were usual not many months ago. It was with diffidence that Sir Archibald Sinclair again promised that the RAF would soon reach parity with the *Luftwaffe*. It is not easy for the directors of British strategy to make firm pledges when grave and growing commitments have stretched their front of operations from the Atlantic, through the Mediterranean to the Black Sea, the Caspian and the Pacific. In Western Europe, the systematic development of increasingly heavy attacks against vital industrial targets and communications proceeds unbroken. It remains the most consistent theme in British strategy. It is easy for amateur strategists to win the war in the west on small maps. It is impossible for the Government and the fighting forces to win it without the men, the machines, the equipment and the long time that it will take to bend, to fracture and, finally, to break the armed strength of Germany. There is a belief that the first

attack on the German territories, whether it comes from Russia or from the Allies in the west, will bring victory. Actually, the first attacks will only be the beginning of a new phase in which, for the first time, the Germans will not enjoy the initiative; and until the invasion of Britain has been abandoned or beaten off, it cannot be said for certain that the initiative does not still rest with them.

Japan in Indo-China

The disembarkation of some 40,000 Japanese troops in Indo-China, which is said to have begun last Monday, and to have been completed in the middle of the week, brings Japanese forces some 400 miles nearer to Singapore. No doubt the force is now in process of spreading out over the country, and of taking over the eight aerodromes which the Vichy authorities have agreed to hand over, one of which is close to the border of Thailand. The agreement for joint "defence," negotiated at Saigon on July 24th, was signed in Vichy by Admiral Darlan and the Japanese ambassador on July 29th. The Japanese occupation of Indo-China is now a *fait accompli*; and measures of economic retaliation have been undertaken by the British and United States Governments. It is believed that 20,000 of the force used for the occupation of Indo-China have been drawn from the Canton region, and the remaining 20,000 from Formosa, Shanghai and Japan. How far the venture is approved by Germany is uncertain, and a number of reports suggest that a move against Vladivostok and the Russian maritime provinces would have been more appreciated by the senior partner in the Axis. As usual, Japan has been moved solely by the dictates of self-interest, and it remains unlikely that there will be any Japanese attack in the north while "the China incident" continues to drain away Japan's military and economic resources.

The Next Three Million

It is at least some consolation that the Ministry of Labour realises that the effects of its measures for recruiting labour for war work are "wholly inadequate." Of the 1,233,000 women in the 1920 to 1917 classes who have registered, about half were not clearly shown to be doing work of national importance and are being interviewed. Up to the end of June 196,000 had been interviewed, but only 25 per cent were found available for transfer to war work. An even worse result has been shown by the registration of men in the 1898-1900 classes. Nearly 595,000 registered; about 100,000 were selected for interview; some 40,000 of these were found to be doing work of national importance; and by the end of June 11,500 had been placed on the national work register or transferred. This means that out of a total of 1,828,000 men and women, only some 200,000—if the 25 per cent holds good for the remaining 400,000 women to be interviewed—are being "called up"—and it is not even certain that being placed on the national work register means effective calling up. Owing to this poor result, another three million men and women are to register before the end of the year, men of the 1895 to 1897 class and women born in the years 1910 to 1916 inclusive; it is also probable that further age groups of women will eventually register. But there is no guarantee that the new registrations will yield a better crop; on the contrary, the higher age groups are likely to have a greater percentage of women with home ties or employed in responsible positions. If a quarter of a million are found available for war work, on the present system, the Ministry of Labour will be lucky. Yet the ATS alone will want nearly this number of recruits in the next eighteen months. It is quite certain, in fact, that this method of skimming a few from a great number of age groups is wasteful. That the older age groups are to be called up is welcome. But it would have been much better to have placed a more searching definition on essential work at the beginning in order to obtain the maximum harvest from each age group as it registered. As it is, the Ministry has given warning of "drastic action," which must mean that if the wanted numbers are to be found the age groups already registered will be rescrutinised. A more wasteful and unsettling procedure could hardly have been devised.

Tighter Price Control

The passage last week of the Goods and Services (Price Control) Act, 1941, which is to supplement the earlier Prices

of Goods Act, represents a serious attempt to control the upward trend of prices. Based on the experience of two years of war, it fills many gaps in the earlier legislation which have been successfully exploited by unscrupulous trading. Thus, inspectors are now to be appointed by the Board of Trade to report cases where maximum prices are exceeded. Under the Prices of Goods Act, the duty of reporting was left to the initiative of the private citizen with highly unsatisfactory results. The Board of Trade may now require that invoices be supplied and produced on request, and that the number of transactions between manufacturer and retailer be limited. Unlike the Prices of Goods Act, the new legislation applies to the prices of certain second-hand goods and to services. The Board of Trade now has power to fix prices of any commodity at any stage of trading by determining profit margins. Clearly, the new Act can be used as an effective instrument of price control, and evasion will be more dangerous in the case of goods and services for which the Board of Trade has fixed maxima. The shortcoming of the new Act is, of course, that it is still largely permissive. It places no obligation on the authorities to introduce complete price control promptly for all marketable goods and services at all stages from producer to consumer. Yet, nothing less will effectively control the danger of inflation. Partial price control must foster attempts to push up prices which are not yet controlled. Price-controlled goods will be offered for sale only when uncontrolled goods are also bought. If the cost of living is to be pegged and the black market eliminated, price control must be all-embracing. The new legislation provides an adequate technique if it is used promptly. It is to be hoped that the keen interest which Parliament displayed in the matter will encourage the Board of Trade to use its new weapon wholeheartedly in respect of the goods within its jurisdiction.

America's Contribution

Mr Harry Hopkins, charged by President Roosevelt with the operation of the Lease-and-Lend Act, and asked by him to find out personally whether the materials are

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actually arriving in this country, whether they are of the right kind and whether anything else was needed, gave a cheerful message to Britain in a broadcast last Sunday.

Your Prime Minister (he said) asked us for the tools. I promise you that they are coming; that an endless assembly belt stretches from our western coast to this Island and to the Middle East; that nothing will be allowed to interfere with the full efficiency of this supply line.

Mr Hopkins's picture of a "ceaseless tide of ships coming here daily" is reassuring. The United States has already sent thousands of aircraft and hundreds of tanks and the stream of supplies is mounting rapidly. The Americans are becoming alive to the fact that, in order to turn their country into the arsenal of democracy, they will have to cut down their consumption not only of motor cars and other industrial products, but also of food. "America" said Mr Hopkins, "has decided to reduce the consumption of food and to increase production." Plans have been made to send "huge quantities of cheese, pork, eggs, canned salmon, raisins, evaporated milk, and concentrated fruit juice." But while the promise of overwhelming American supplies in the future strengthens Great Britain's faith in ultimate victory, the onus of providing the weapons needed to hold the Nazis this year rests largely with this country.

Intrigue in Iran

The centre of diplomatic activity in the Middle East has shifted to Iran. The incursion of German troops into Russia has temporarily left Turkey behind the front line and, with the failure of the Iraqi *coup d'état*, Iran now provides the most promising field from which to organise pro-Axis sentiment in the Middle East and to foment, if possible, fifth column activity in the Ukraine. All the "customary symptoms" are being reported from Teheran and Tabriz. German "tourists" proceed through the country in a continuous stream, new pleasure-seekers replacing old as soon as the permits of the latter expire, and the number of Germans present at any one time is estimated at 4,000. This activity has an important bearing on the conduct of the Russian campaign. Although the Germans have so far made little progress in the use of quiescent agitators in Russia, the Georgian, Ukrainian and Armenian racial minorities in the provinces lying immediately north of the Caucasus are regarded as providing a more favourable ground for the gospel of treachery than the remaining Soviet and Socialist Republics. The creation of an independent Ukraine has long been an aim of local patriots who have maintained propaganda agents in Teheran and in many of the European capitals. It remains to be seen whether the dubious benefits which Germany can offer these members of the Russian family will be sufficient to offset their loyalty to the Soviet regime. No doubt memories and stories of the German occupation of the Ukraine in the Four Years' War will help to counter the work of the German agents in Iran. On the whole, it behoves Germany to proceed carefully, for to invite a repetition of the swift punishment which followed incautious action in Iraq would be bad for already dwindling Axis prestige in the Arab world.

The Co-ordination of Civil Defence

London's first bombs for nearly two months almost coincided with a statement by Mr Herbert Morrison on the central and local co-ordination of civil defence policy and administration. It is now recognised that civil defence has two sides: ARP and welfare—which includes, according to Mr Morrison, evacuation and rest centres; emergency feeding; relief of distress; repairs to houses; transport; restoration of shopping facilities; salvage of furniture; restoration of public utilities; and the clearance of sites which are a danger to public safety or health. Before air raids started attention had been concentrated almost entirely on ARP, and it has taken a winter of raiding to get the whole of the welfare side properly organised—in fact, it was feared that even now it is not properly organised that prompted the recent proposals for a single Ministry of Civil Defence which would take over all the duties enumerated above from the other Departments. Mr Morrison claims that they are particular aspects of the normal work of these Departments and could not be separated from the work which they do in ordinary con-

ditions. He also claims that co-ordination, both centrally and locally, has been successfully achieved. At the centre, he himself presides over the Civil Defence Committee of the War Cabinet and its Executive Sub-Committee, which meets at least twice a week and is also a planning body calling for reports upon particular problems. Locally, the policy decided upon at the centre is carried out through the regional representatives of the Departments and through local authorities, subject to co-ordination by the Regional Commissioners, who are responsible for ensuring that all the interests concerned make plans in advance and act quickly and effectively when an emergency arises. Taken at its face value, this statement suggests that a very efficient machinery has been devised. But it is justifiable to doubt whether in practice the machinery is as perfect as a description of it implies. The Select Committee on National Expenditure was not convinced that co-ordination either at the centre or regionally has been successfully achieved, although it is, of course, true that conditions may have improved since it reported. Its recommendation that all the civil defence functions, except evacuation and hospital services, of the Ministry of Health should be delegated to the Regional Commissioners has been adopted with regard to first-aid posts and ambulance services. And the Regional Commissioners themselves have been strengthened by the appointment of two Deputy Commissioners in each region, one of whom is to be concerned with the whole of the welfare side of civil defence. But complete reassurance will not be felt until the next tests have been passed.

Oil Tankers

In a statement at Ottawa last week, Mr E. E. Soubry, a member of the Petroleum Board, is reported to have made an appeal for economy in the use of petrol, in order to ensure an adequate flow of oil supplies to the British fighting Services. In justification of the appeal, Mr. Soubry stated that Britain had lost one-half of her ocean-going tanker tonnage. While it is not yet clear whether these include vessels temporarily put out of commission owing to damage or whether they cover Allied as well as British tanker tonnage, the statement came as a shock to this country. It explains the urgent request for the transfer of an additional 100 American tankers to assist in maintaining supplies to Great Britain—a transfer which must seriously reduce the supplies of oil in the Eastern States of America which, pending the construction of pipe lines, depend in a large measure on shipments from the Gulf ports. If the tanker position is as serious as is suggested by Mr. Soubry's statement, it calls for the most stringent economy in their use and in the consumption of petroleum products in this country. While it is not known whether British tankers are still being used to transport oil to this country from distant sources of supply, such as the Persian Gulf and the Dutch East Indies, it is to be hoped that sectional interests will not be allowed to obstruct their employment on the shortest routes. It may be possible, as a result of improvements in the protection of convoys, to resume shipments on a larger scale direct from the Gulf ports, for the arrangement whereby oil is brought in American vessels to New York, and thence transferred into British vessels, has proved to be costly in time. The withdrawal of the Norwegian and other non-Japanese tankers hitherto engaged in supplying Japan from the Dutch East Indies and California would also bring a measure of relief. The time has nevertheless come for the application of a severe needs test to all consumers of petroleum products. The need for a still greater economy in the consumption of petroleum products, moreover, is emphasised by the fact that tankers can carry edible as well as mineral oils and that for every gallon of petrol imported for pleasure driving it would be possible to transport the raw materials for 8 to 9 lb. of margarine.

The Small Shopkeeper

Whatever was really in the mind of the Ministry of Food when it originally announced that shopkeepers with less than 25 registrations would not receive supplies of rationed foods, it has now given way. In country districts, the Ministry never intended to enforce the rule if hardship to consumers would have resulted. Now it has decided that, both in town and country, food control committees can

suspend the operation of the order if, after consideration, they find that hardship would be caused to consumers or to the traders themselves. But Major Lloyd George still believes, rightly, that if the order were generally enforced—or, at least, in towns—considerable economy in distribution would be achieved. In a debate on the subject last week, he cited the example of a man with 24 registrations, to whom the largest parcel of a rationed commodity that could be delivered in a week was 12 lb. and the smallest 3 lb., while to his knowledge a 3 lb. packet of cheese was divided into two because a small trader dealt with two wholesalers. However, in view of the protests, the regulation will only apply to retailers who are not *bona fide* food traders. An investigation in several towns recently showed that out of 2,000 retailers 23 had less than five registrations and that 83 had less than ten, and Major Lloyd George is convinced that they only took out retail licences for food in order to supply themselves and their families with food on wholesale terms. It is these retailers who, by the less than 25 rule and the withdrawal of licences, will now be eliminated from the food trade. Thus, everybody—with the exception of these families—is satisfied: the small shopkeeper, the villager, and, of course, the whole body of grocers who were getting alarmed at poaching on their lands by other traders. But though this storm in a teacup has shown how not to do it, the curtailment of distribution facilities is still necessary if the maximum economy in civilian trade is to be effected. It is not a question of the small shopkeeper's rights or the chain store's. It is the need for restricting the numbers engaged in the whole of the retail trade—large traders, chain stores and small traders alike—to the minimum consistent with efficiency.

Japan's Oil

The Anglo-American decision to "freeze" Japan's assets gives Britain and her allies the power to deprive the Asiatic aggressor of some 70 per cent of his present-day oil supplies. In the absence of official import statistics for recent years, the details of the Japanese oil position are somewhat obscure; but the main outlines are clear enough. Japan normally covers only a small proportion of its oil requirements from domestic resources, its annual crude oil production of about 4,500,000 barrels being supplemented by an output of benzole, alcohol and related substitutes equivalent to about 500,000 barrels of motor fuel. Its principal overseas suppliers during the past few years have been the United States, the Dutch East Indies and Mexico, though the relative importance of the United States has shown a considerable decline. Last year's exports from the United States to Japan (apart from lubricating greases) totalled 22,750,000 barrels, including 11,500,000 barrels of crude oil for treatment in the local refineries, 3,151,000 barrels of petrol and smaller quantities of other refined products. The Dutch East Indies have lately been a source of growing importance, and appear to have consigned about 4,000,000 barrels to the Japanese Empire last year. After prolonged negotiations, a new agreement was reached between the Japanese and Dutch authorities last November, and this was reported to provide for total shipments of the order of 13,500,000 barrels of crude oil and finished products during the present year; whether consignments have been on this scale during the first seven months of 1941 is not known. Mexico sent approximately 2,400,000 barrels (mostly of crude oil) during the twelve months ended April, but whether the Mexican authorities will now come into line with Britain and the United States in the matter of supplies to Japan remains to be seen. It is evident, however, that the stoppage of American and Dutch supplies would be an extremely serious matter for Japan. It would force it back upon the emergency reserves which have been accumulated. These reserves are doubtless large. If due allowance is made for military consumption (which has probably been offset by rationing at home), it remains true that a substantial proportion of last year's imports—perhaps even one-half—must have gone to swell the country's stocks. Japan may therefore be able to eke out her supplies for a year or so. But the further outlook is bleak.

Route Through Afghanistan

But for political fears and jealousies in the past, progress might have been made in developing rail communications in Iran and Afghanistan, thus providing not only the essential means of developing the economies of those countries, but also that access to the sea routes, without which the riches of Central Asia can hardly be developed

to the full. Moreover (as was pointed out in a Note in *The Economist* of July 19th on page 72), a supply route for Russia on the Middle Eastern war front would have been ready to hand. The difficulties have been geographical—but in a political rather than a purely physical sense. It is not, perhaps, generally realised that the railway from Karachi to Quetta has already surmounted and turned the main obstacle on this route to Central Asia, the Bolan Pass, and is on the plateau, when it reaches Quetta, from where it drops gently to Chaman on the frontier. Kandahar is only some 80 miles farther, still slightly downhill, whence



a good and easy route leads to Herat, 350 miles away. A number of rivers draining into the Helmand Lake cross the route, but would present no great engineering difficulties. From Herat, as the crow flies, the Russian terminus at Kushk is only some 60 miles distant. If direct attack through a considerable range of mountains which bars the way proved impracticable, an alternative but considerably longer route is available. This bears north-west down the valley of the Hari Rud to near Zulfikar, and then turns north-east to Kushk. Throughout, the line would traverse country with a considerable population practising agriculture based partly on irrigation and partly on rainfall. With branch lines and feeder roads from Kandahar north-east to Ghazni and Kabul and west to the oases of Seistan, a very considerable local traffic could certainly be added to the transcontinental traffic. The possibilities are indicated by the trade of Quetta which, from a group of dilapidated mud buildings with a neglected orchard cultivation, has become the trade mart for Western Afghanistan and Eastern

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

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Persia with a great fruit trade in European fruits from Kandahar. There is, moreover, reason to believe that Afghanistan has considerable undeveloped mineral wealth. The route from Peshawar to Kabul and thence to Termez presents several considerable obstacles in the mountain ranges between Kabul and Termez. While the lowest passes rise above 10,000 feet, Kabul itself stands at over 6,000 feet, and the obstacles might not prove insuperable to railways—and good roads certainly could be built; routes alternative to the Bamian one also exist, for instance, via the Panjshir Valley. In Iran the terminus of the railway which connects the Caspian with the Persian Gulf is no more than 200 miles from the Krasnovodsk-Merv line in Russian territory, while Teheran needs rail connection with Tabriz. The considerable physical obstacles can be overcome. Is it possible to remove the military and political difficulties that have hindered the economic progress of Iran and Afghanistan, that prejudice the full fruition of the recent great developments in Kazakhstan and Siberia and that now perhaps deny Britain the means of reinforcing Russia.

* * *

Exhortation in America

President Roosevelt has sent a Message to Congress on price control. "We face inflation [he said] unless we act decisively, without delay." Authority is asked for to set up "flexible" machinery for stabilising prices, and the general issue is clearly stated. The plainer lessons of war economy are now being recognised in the United States. It is realised, for instance, that even in "God's own country" with its continental riches, the expansion of war output means the transfer of resources from civil manufacture and the corresponding curtailment of civilian consumption; that, in other words, the characteristic and inescapable feature of war economy is shortage. This involves, not only the allocation of priorities in the use of resources, which is already being administered in the United States, but also the need for measures to prevent inflation, for while the supply of goods is restricted, the supply of purchasing power in the hands of the public steadily grows as employment and earnings in war work rises, and there is increasing upward pressure on prices. In the past, it has been somewhat naively supposed by the Administration in the United States that it was possible to hold down the prices of key materials without restraining wages. Now the President has appealed for the voluntary co-operation of labour, citing the detrimental effects of inflation to the workers themselves—and it remains to be seen whether the Message will be any more successful in this than the British Government's recent White Paper.

* * *

The German High Command

The German war machine is now engaged in its greatest operations so far, and it is of interest to recollect its organisation and system of command—especially where these questions, as applied to the British armed forces, are being discussed with a new earnestness. Before 1935 Germany's fighting forces, the army and the navy, were called the *Reichswehr* and its administration was in the hands of the *Reichswehr-Ministry*. In March, 1935, Hitler announced conscription and added the *Luftwaffe* to the fighting forces, which were now renamed *Wehrmacht*; this is an untranslatable collective term for the three arms. The peace-time administration of the *Wehrmacht* was unified in the Ministry of War, which replaced the *Reichswehr-Ministry*; and, after Hindenburg's death in 1934, Hitler became Supreme Commander. In February, 1938, shortly before the march into Austria, the High Command (*Oberkommando*) of the German *Wehrmacht* was established; and, by special decree, the High Command was declared the legal successor of the Ministry of War. Actually, it carried unity of command and administration of the fighting forces a step further, for the High Command of the *Wehrmacht* is at once the supreme commanding body and the supreme administrative body for the army, navy and air force—*Heer, Kriegsmarine* and *Luftwaffe*. The Chief of the High Command is Field-Marshal Keitel, who is a member of the Defence Council of Ministers, that is, the War Cabinet. The German Press usually refers to Field-Marshal Keitel as Hitler's military adviser. The commanders in chief of the army, navy and air force—Field-Marshal Brauchitsch, Admiral Raeder and Reichs-Marshal Goring—are the subordinates of the Chief of the High Command. Field-Marshal Keitel; they also hold Cabinet rank. Their actual status is, in a rather

work which

remote way, comparable to the Secretary of State for War, the First Lord of the Admiralty and the Secretary for Air in this country, except that the three Germans are Service men and not the political heads of separate departments. According to Prussian tradition, the Commander and the Chief of the General Staff share in the leadership of the *Wehrmacht*. General Halder is Chief of the General Staff; and by historical precedent he should be credited with the actual as distinct from the formal leadership of the *Wehrmacht*. Actually, the real importance of Field-Marshal Keitel is somewhat obscure. It is possible that he only amounts to the personal military secretary to Hitler; and there is nothing on record to show that Keitel or any of his legal subordinates, Brauchitsch, Raeder or Goering, is an outstanding military leader. It is traditional that the Chief of the General Staff and the General Staff itself are not brought before the public eye; and Hitler's position as Supreme Commander effectively prevents the popularisation of the most outstanding soldiers in the way that Hindenburg and Ludendorff were popularised in 1914-18.

* * *

Disabled Workers

The Fabian Society has chosen an opportune moment to publish a study* of the problem of reinstating the victims of industrial illness and disease who are permanently but only partially disabled. The tendency has been to regard such cases as relatively unimportant, because they form only a small proportion of the total number of claimants under the Workmen's Compensation Acts. Actually, of course, owing to the duration of these disabilities, they represent an important total of man-hours lost. Medical and training services do much—and could be organised to do much more—to restore a degree of working power to these unfortunate people; but there is a distressing amount of evidence to show that they often meet with nearly insuperable difficulties in obtaining employment, even at work which they are in fact able to do. Dr. Levy suggests that the abolition of lump-sum payments would go a long way to give insurance companies a direct interest in the rehabilitation of workers. He also suggests the establishment of a special register of partially incapacitated unemployed workers with special employment committees to advise and place them.

* * *

Shorter Notes

It is with the greatest regret that people in this country have learned that, acting no doubt under German pressure, the Finnish Government has decided to break off diplomatic relations with Great Britain. It had been hoped that the fortunes of war, which have now ranged Finland on the side of Germany against Russia, need make no change in the official relations between Finland and Britain. Hitler has ruled otherwise; but it is certain that nothing that has happened since can alter the sympathy and respect which Finland's fight for independence aroused here—it is only doubtful whether the Finnish people realise that they have now made themselves the dependants of Germany.

*

Mr. Morrison is quite adamant about the *Daily Worker*. In announcing his decision not to raise the ban on publication, he implied that the Government draws a clear distinction between the British Communist Party and Russia. Thus, he said that "if the British Communist Party are now prepared to aid our Russian ally by giving to the war effort assistance which they previously were not willing to give to their own country" he welcomed the change so far as it went but that it would be premature to treat this latest conversion as proof of a lasting change of heart. Mr. Morrison is right in regarding the case of the *Daily Worker* as a purely domestic concern; but it might perhaps have been wiser if he had shown more tolerance.

*

The news of the end of the "war" between Peru and Ecuador is as indefinite as the news of the fighting itself. It was reported last week-end that the incident was to be closed following an agreement between the two parties, and that through the mediation of the United States, Argentina and Brazil the cease fire would shortly be ordered. But the terms of the agreement, no less than the causes of the original dispute, are still obscure.

* "Back to Work?" By Professor Hermann Levy. The Fabian Society, 11 Dartmouth Street, S.W. 1. Price 6d.

THE WORLD OVERSEAS

The St. Lawrence Waterway

(From Our Ottawa Correspondent)

June 27th

THE project known as the St. Lawrence Waterway has a long history, extending back more than eighty years, but it is only during the last decade that it has begun to approach consummation. The St. Lawrence, draining the Great Lakes in the heart of North America, is one of the mighty rivers of the world, and thanks to canals, which overcome the obstacles created by rapids in its course to tidewater, it has long been navigable for small vessels. A deep-water channel, which would permit ocean-going vessels to sail direct to the western end of the Great Lakes, offered obvious advantages for commerce, and when the scheme was first mooted chief stress was laid upon the navigation aspects. But, in recent years, the increased use of electrical power for industrial purposes has caused equal emphasis to be placed upon the possibilities, provided by the project, of developing a large volume of hydro-electric energy. It has been the subject of exhaustive investigation by several governmental commissions, and all their reports have agreed about the practicability of the enterprise from an engineering standpoint.

Since the St. Lawrence for a considerable distance forms the international boundary between Canada and the United States, problems connected with it have been continually affecting the relations of the two countries, and a series of treaties concluded by the British and American Governments between 1783 and 1909 defined the respective rights of Canada and the United States in regard to the river and its tributary waters. One fundamental provision of the later treaties was that navigation on it should be equally free and open to the inhabitants of both countries and their vessels. Now, for more than thirty years, the settlement of problems connected with the St. Lawrence and other boundary waters has been entrusted to the International Joint Commission, a body created in 1909 by the Boundary Waters Treaty and manned by representatives of both countries; and Canada through her own Government has been conducting all negotiations arising from the Commission's reports and decisions.

Re-birth of the Scheme

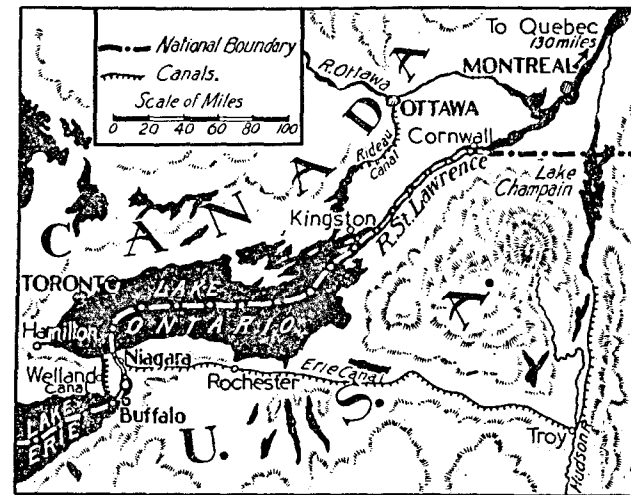
It was the advent of the Roosevelt administration which brought to active life the scheme of the waterway, and the impelling force was the keen desire of Mr. Roosevelt, who as Governor of New York had been waging war against the exactions of the local power trust, to acquire a weapon against it by developing under a system of public ownership the vast resource of hydro-electric energy available on the St. Lawrence and easily accessible to the people of the State of New York. Many Canadians were surprised at the responsiveness of the Conservative Ministry of Mr. Bennett to the overtures from Washington, but there was added to them the bait of a trade agreement on generous terms. However, the treaty, which was eventually negotiated in 1932, proved abortive, through its failure to secure in the United States Senate the two-thirds majority necessary for ratification.

But President Roosevelt had set his heart upon carrying this project through, and, soon after the Liberals returned to power at Ottawa in 1935, fresh approaches from Washington were given a sympathetic hearing in Canada. There were further investigations by experts and technicians, and the original plan was modified, after prolonged negotiations, to a substantial degree. It was finally found possible to conclude last March an agreement embodying a definite plan for the construction of the waterway. Owing to Mr. Roosevelt's doubts about his ability to secure the requisite two-thirds majority in the Senate, the two Governments, instead of making a formal treaty, have agreed to adopt a special method of ratifica-

tion by concurrent legislation by the Congress of the United States and the Federal Parliament of Canada. But the consent of another authority has also had to be secured, that of the Provincial Government of Ontario, which is vested with the power rights on the Canadian side of what is known as the international section of the waterway, and after some complicated negotiations the original opposition of this Government has been overcome.

Its Cost

The treaty as now negotiated provides for the construction of a 27-foot channel from Montreal to the upper lakes and a large development of hydro-electric energy. By its terms the project is subdivided into three main divisions:



the Welland Canal connecting Lakes Erie and Ontario; the international section lying between the eastern end of Lake Ontario and the town of Cornwall; and the section between Cornwall and Montreal, which is wholly within Canadian territory. In settling the financial arrangements, the United States has made a very generous allowance to Canada for the expenditures which the Dominion had already incurred for the construction of canals, and particularly for the deepening of the Welland Canal, upon which Canada will expend \$1,100,000 for further improvements. Upon the works on the international section, an expenditure of about \$266 millions is contemplated, and a further sum of \$83 millions is required for the purely Canadian section. The official estimate of the cost of the scheme is, therefore, \$350½ millions, and of this total sum

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the United States will furnish \$218½ millions, leaving Canada to find \$131½ millions.

The Federal Government of Canada will pay all the costs involved in the Welland and Canadian sections and contribute \$22½ millions for the international section, making a total of \$106½ millions, but its net outlay will ultimately be much smaller, as the Province of Ontario, in addition to supplying \$25 millions for power machinery and equipment, will reimburse the Federal Treasury to the extent of \$64½ millions in return for the power works and rights, which will be transferred to the Hydro-Electric Commission of Ontario. The plans contemplate the completion of the whole project by 1948, but it is hoped to have the important power development near Cornwall finished by 1945.

The Opposition

Inevitably, the scheme has not commanded universal approval in either country. In the United States, it has always had the enthusiastic support of all the communities on the Great Lakes and of the people of the Middle Western States, who visualise from it cheaper costs of transportation for their exports, but it arouses fierce antagonism in all the ports of the Atlantic seaboard, who foresee a great diminution of their business; for the same reason all the railway systems of the United States, whose traffic might be adversely affected, are bitterly opposed to it. The opponents of the waterway are said to have organised the most powerful lobby ever operated in Washington for the purpose of frustrating the project, but President Roosevelt is exerting all his influence for the passage of the necessary legislation, and is using the argument that the development of the power resources of the international section is essential for the American war programme.

In Canada, the King Ministry will await the verdict of the United States Congress before it invites the Canadian Parliament to pass the concurrent legislation, but, as it now commands a majority in both Houses, it should have no difficulty in securing passage for the Bill. The project has, as in the United States, the support of the communities on the Great Lakes, who expect an increase of water-borne trade, of industrialists in Ontario, who fear a shortage of power, and of the western farming and grain interests, who hope for cheaper freight rates for grain when transshipment becomes unnecessary. But the scheme is anathema to the business and shipping interests of Montreal, who fear lest the grass will grow on the docks of their great port as soon as it becomes possible for ocean-going vessels to sail straight through to the Great Lakes. Led by the *Montreal Gazette*, these interests have been conducting a persistent campaign of propaganda against the waterway, but it has not had much effect upon public opinion outside Quebec. Ports on the St. Lawrence like Three Rivers and Quebec also dislike the scheme, but the rural element of the French-Canadian population is apathetic, and Mr Godbout, the Liberal Premier of Quebec, has given the project his blessing. The Canadian railways, too, are unfriendly to the enterprise, and there are a number of Canadians, without any personal interests involved, who object to the immediate construction of the waterway on the ground that it will divert labour and materials urgently required for the war efforts of both countries. There are other critics who think the estimates of the cost too rosy, and point out that the final cost of all the great canals of the world has always far exceeded the original estimates. If the project has to be postponed, it will be through successful opposition in the United States, not in Canada, but sooner or later its accomplishment will be a fact.

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Japan's Metal Shortage

[BY A CORRESPONDENT]

July 29th

SELDOM in history has an act of aggression secured the aggressor so little economic benefit at such heavy economic risk as Japan's occupation of Indo-China. The establishment of Japanese bases in Indo-China, of course, may represent only the first phase of a much wider campaign in which the problem of securing raw material supplies is paramount; but, when it is considered that the whole of the Far East, while abundantly supplied with raw materials like rubber, tin, tungsten and antimony, is seriously short of such vital war materials as copper, lead and spelter, the move is in any event a great gamble.

The occupation of Indo-China will bring Japan, in addition to about 1,000,000 tons of anthracite a year, some 65,000 tons of rubber (enough to cover Japan's rubber requirements), as well as some 1,500 tons of tin and insignificant tonnages of other metals. Almost all these supplies, however, were already promised to Japan under the trade agreement with Indo-China signed last April. It is true that the establishment of Japanese bases in Indo-China intensifies the country's pressure on Thailand and may induce the Thai Government to divert sufficient quantities of tin ore to Japan to cover the deficiency of about 8,000 tons per year between Japan's supply from Japanese mines and Indo-China and its annual requirements of about 11,500 tons. But the problem of smelting capacity remains, as neither Thailand nor Indo-China owns tin smelters, and Japan's capacity does not exceed 5,000 tons a year.

Against these "gains" must be set the possibility of enormous losses if the British, United States and Dutch authorities actually stop raw material shipments to Japan. The textile industries, and particularly the cotton and wool industries, have in the past secured the foreign exchange surplus with which Japan has financed its imports, of which roughly three-fifths consisted of raw materials and semi-manufactures. With the exception of silk and rayon, however, almost all textile raw materials have to be imported into Japan. Japan imported 2,860,000 bales of cotton in 1939, of which 805,000 bales came from the United States and 1,113,000 bales from British India. In 1937, Japan imported 258,000,000 lbs. of wool, and the three British wool Dominions (Australia, New Zealand and South Africa) were the only suppliers of importance. In these cases, therefore, Anglo-American counter-moves can prove extremely efficient; and in the field of the most important war materials—ferrous and non-ferrous metals—Japan's dependence on foreign supplies is not less pronounced. Japan is the only industrial country in the world whose metal industries have from their very beginning been almost entirely based on imported raw materials.

In iron and steel production Japan has made enormous progress in the past ten years, and if the new supplies from Korea and Manchuria are taken into consideration, the output of pig iron appears to have passed 3,000,000 tons a year and that of steel 5,000,000 tons. Less than one-third of iron ore supplies and less than one-tenth of scrap supplies, however, are derived from domestic sources and Japanese-occupied territories. The Philippines and the Unfederated Malay States are the chief suppliers of iron ore, and the United States has been responsible for the bulk of Japan's scrap supplies. There are sizeable low-grade iron ore deposits in Korea, but their development only started early in 1940. Even if development could be speeded up, the value of this ore would be greatly reduced by the almost complete lack of coking coal supplies in Japan. The same difficulty greatly hampers iron production developments in Manchuria.

Japan now produces over 100,000 tons of copper from domestic sources, but its vital consumption covers more than twice that quantity. Here the United States and South America used to be the chief suppliers. As the United States now takes the whole of the Latin American supply, Japan has hardly any chance of securing copper abroad. There is one other major metal-producing industry in Japan—the aluminium industry. Beginning production in 1934 with 664 tons, this industry now supplies about 30,000 tons a year against the country's consumption of at least 50,000 tons. But, in this case also, the raw material has to be imported, as there are no bauxite deposits worth mentioning in Japan. In the past, the Dutch East Indies, the Unfederated Malay States, British India, Greece and the South Sea island of Palao supplied the bauxite, and Canada, the United States, Norway and Switzerland the deficiency

in aluminium metal. All these sources, with the insignificant exception of Palao, may now be cut off.

With the exception of roughly 10,000 tons of lead and 20,000 tons of zinc from domestic sources, the whole of Japan's lead and zinc, of which 120,000 tons and 100,000 tons respectively are required every year for vital purposes, has to be imported from abroad. In both cases, Canada, Burma, Australia, Mexico and the United States used to be the chief sources of supply, and all of these may now be lost as the United States concluded an agreement for the whole Mexican surplus a fortnight ago. In steel alloy metals and antimony, Japan is as seriously deficient as in the other metals, but a more or less adequate supply of tungsten and antimony can be secured from occupied China, although the main Chinese deposits are still in the hands of Chungking. There is, however, an acute shortage of other steel alloy metals, including manganese, which used to come from British India. Japan has probably prepared for the emergency that has now arisen and stocks of all imported materials must be substantial. Nevertheless, if the United States, the British Empire and the Dutch East Indies now apply sanctions strictly, the Japanese war industries will soon feel the strain.

Curious Politics in Chile

[FROM OUR SANTIAGO CORRESPONDENT]

June 9th

ON May 21st Congress reopened its session, and in view of the extremely confused political situation it is worth giving the party alignment in both Houses. In the Senate, the Government, that is, the Left Wing Parties, hold 24 seats out of 45; there are 13 Radicals, 5 Socialists, 4 Communists and 2 Democrats. The Opposition holds 21 seats, consisting of 11 Conservatives, 8 Liberals, 1 Agrarian and 1 Independent. The Government can only count on 19 certain votes and the Opposition on 20.

In the Chamber of Deputies, the position is more confused. The Government parties consist of 42 Radicals, 16 Communists, 15 Socialists, 6 Democrats, 2 Independent Radicals, 1 Radical Socialist and 1 Workmen's Socialist—a total of 83 seats. The Opposition consists of 31 Conservatives, 22 Liberals, 3 Falangists, 3 Agrarians, 2 Democrats, 2 Nazis and 1 Independent Liberal—a total of 64 seats.

At the moment, owing to political pacts, the Government have not an absolute majority, and the Socialists, who refuse to recognise the Popular Front, tacitly accept it by having three ministerial posts. A bitter controversy rages between the Socialist and Communist parties. A section of the largest Government party, the Radicals, approves the Socialist thesis regarding the Communists, but this section is not sufficiently powerful to sway the majority, and a bitter fight took place at the elections, when the Radicals made an electoral pact with the Communists which was damaging to the Socialists. The Communists, by the operation of the pact, increased their representation in the Chamber of Deputies, which was formerly seven seats, at the expense of the Socialist Party. A law has been voted in Congress outlawing the Communists as a party, but the President of the Republic, a Radical, refused to place his signature to the Bill. The veto was sustained, as Congress could not obtain a two-thirds majority, which, according to the Constitution, is necessary to override the President's objection.

Therefore, at the moment, the Government receive only the occasional support of the Socialist Party, which has been known to vote in the opposite camp at other times. The Government also receive support at times, particularly on domestic policy, from such groups as the Nazi and Falange Parties. On the other hand, the Opposition can sometimes count on the Socialists, Democrats, Independent Radicals and Radical Socialists to support it—hence the extremely confused position.

The Communists, unlike the Socialists, have no direct ministerial post in the Government, but wield great power in politics through their alliance with the Radicals and through the control exercised on the trades unions.

To add to the confusion, the controlling body of the Radical Party recently called for the resignations of the Radical Ministers in the Government, and they, counting on the support of the President of the Republic, refused to accept the party's directions. They were expelled from the party, but afterwards reinstated, except the Minister of the Interior, Arturo Olavarría, with whom the party does not

see eye to eye on matters of policy. He refuses to accept the orders or jurisdiction of his party and to tender his resignation while he still retains the confidence of the President; he alleges that he is only interested in the country's welfare and not in party politics. It is likely that the Radical Party will again call on its representatives to resign as a result of the Minister of the Interior's attitude.

The von Marees Case

A strange and amusing episode in Chilean politics was the recent Government order calling for the arrest of the head of the Chilean Nazi Party and his transfer to a lunatic asylum, pending his examination by mental specialists. Jorge Gonzalez von Marees, the man concerned, was detained for a few days and then released. There was a storm in Congress as a result of this action, which was regarded as a breach of Parliamentary immunity from arrest. No doubt this incident has been one of the major causes of the quarrel of the Minister of the Interior with his party. Gonzalez von Marees was accused of inciting his youthful followers to cause trouble at a meeting of the Radicals, when one of that party's members was shot.

It is more than likely that the present confusion in political circles will continue until such time as the President of the Republic can come to some arrangement with the Socialist Party to give him their full support, but this would mean the abandonment of the Communist Party and its subsequent outlawry. This appears to be the logical solution, but, in any case, it seems more than probable that the President, with a Left Wing majority in both Houses for the first time, will lead the country more and more towards the Left.

Agricultural Outlook in Eire

[FROM OUR DUBLIN CORRESPONDENT]

July 14th

EXPORTS of cattle have been resumed after an interruption of six months caused by the worst outbreak of foot-and-mouth disease that ever took place in Ireland. The plague first appeared in Eire in January, having spread from Northern Ireland, and affected cattle in thirteen counties in spite of the most vigorous precautions. The total number of outbreaks was 442, and 19,358 cattle, including some valuable dairy herds, 5,600 sheep and 2,270 pigs, were destroyed. The direct cost of the disease to public funds was £233,000, but of course the total cost to the country was much greater. One result of the stoppage of exports is that the number of cattle has increased, and, now that trade has been resumed, it is to be hoped that it will be in excess of its normal volume in other years. As long as Great Britain adheres to the policy of slaughter, Ireland, which depends so greatly on the British market, has no alternative but to follow the same policy.

Owing to the great reduction in imports of meat and animal feeding-stuffs this year's harvest will be of vital importance. The area under cultivation has been considerably increased as the result of the compulsory tillage order, and forecasts of yields per acre are not unfavourable. The wheat crop is slightly late, but promises a yield higher than the average. The yield of oats promises to be satisfactory, but barley and root crops will probably be rather light. Even if it proves necessary to mix barley and oats with

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wheat for bread-making, it is unlikely that there will be any shortage of barley for the breweries and distilleries, which are two of the oldest and most flourishing Irish industries. The difficulties next winter will be much greater in respect of fuel than of food. The prospects of the turf harvest are not nearly so reassuring as those of the main agricultural crops. It may be that Ireland will be faced with the problem of having plenty of food but difficulty in cooking it. The provision of communal kitchens in the large towns is under discussion.

The preliminary returns of the Census of Production for 1940 indicate that there was no decline of output compared with 1939. This is remarkable in view of the fact that the production of transportable goods in 1939 was 5 per cent higher than in 1938. Unfortunately, production has not been maintained at this level in the present year, owing to difficulties in importing raw materials, and the position threatens to get worse in the future. Employment in rural areas has increased as a result of the extension of the acreage under tillage and the turf-cutting campaign. These factors, together with the increase of the Army and the Construction Corps and a certain amount of emigration to Great Britain, have prevented the unemployment problem from assuming the dimensions feared at the beginning of the war. The Minister for Industry and Commerce recently stated that unemployment in urban areas has declined since last year by 4.5 per cent.

The Bill to rationalise the trade union movement by the elimination of overlapping unions has aroused considerable opposition by the spokesmen of organised labour. Curiously enough, the measure was at first greeted by these interests with approval, which has since changed into strong opposition. It has long been apparent that the organisation of Irish labour was disorderly and inefficient, and this has on several occasions been admitted by trade unionists and by the Trade Union Congress. A reorganisation of the unions on the lines proposed by the Government is overdue, and legislation was introduced only when the movement had failed to remodel itself internally. The opposition to the Bill is inspired by certain vested interests, who are threatened with damage if they find their occupation gone. Opposition dictated by such motives will not deter the Government from proceeding with the proposals, which are clearly meant to improve the position of organised labour.

Distribution of Trade

The relatively slight extent of the changes in Irish external trade brought about by the policy of protection and self-sufficiency which was so vigorously pursued after 1932 is revealed by statistics included in a study entitled *Europe's Trade*, published by the League of Nations. The percentage distribution of Irish imports and exports in 1928 and 1938 was as follows:—

Percentage of imports derived from:	1928	1938
United Kingdom	78	50
Germany	3	4
Rest of Europe	6	13
Rest of World	13	33
Percentage of exports absorbed by:		
United Kingdom	96	93
Germany	1	4
Rest of Europe	1	1
Rest of World	2	2

The reduction in the share of imports derived from the United Kingdom is the result of the policy of industrialisation which led to the substitution of imports of raw materials for imports of manufactured goods. That there is room for considerable expansion of the production of many agricultural commodities is suggested by the fact that, of the total European imports of pork, butter and eggs, Ireland supplied no more than 7, 4 and 7 per cent. respectively.

Bolivia To-day

[BY A CORRESPONDENT]

July 21st

CONSIDERED from the angle of mineral resources, Bolivia is one of the most important of the Latin American republics. It is, therefore, a cause for satisfaction to this country that she has given ample evidence of her sympathies. The Government has been swift to discover and suppress the

recent Nazi plot and to deal summarily with the German Minister. The Press has been, with some unimportant exceptions, most cordial to the Allied cause. The principal minerals are pledged to the United States or Great Britain. The aviation company, Lloyd Aéreo Boliviano, being suspected as a centre of German intrigue, and a convenient cover for the presence in Bolivia of numerous German personnel, has at last been removed from German control. Under ordinary circumstances, and in view of the special position of this country in South America, the time would have seemed ripe for an extensive survey of the possibilities of further development, particularly of the eastern plains, with British or North American capital. The country stands third as a world producer of tin, after British Malaya and the Netherlands East Indies. The output is about 16 per cent of world production, and in normal times about 80 per cent of the ore is shipped to England for smelting. The main obstacle to the development of local industries has so far been the lack of cheap fuel. But on the whole it is surprising how successfully Bolivia has been able to surmount the disastrous years of the Chaco war. La Paz, the capital, is being rapidly modernised. The Yungas, a zone intermediate in altitude and readily accessible from La Paz, is being developed agriculturally with great success. There remain, however, two outstanding obstacles to general development to be tackled—the absence of easy communications in this country of excessive heights and tremendous valleys, and the general social backwardness which means a scarcity of intelligent labour and a prevalence of crass agricultural conservatism.

War Risks and Australian Shipping

[FROM OUR SYDNEY CORRESPONDENT]

June 24th

ON February 27, 1941, the National Security (Marine War Risks Insurance) Regulations were issued under the National Security Act to provide for the Government insurance of Australian vessels against war risks. During the last year the Commonwealth Government eventually decided to accept responsibility for war risks on Australian vessels. Under that scheme there was no insurance, but the Government undertook to replace vessels lost as a result of war. The policy recently introduced departs from the practice of the 1914-18 war by providing for replacement by ordinary insurance methods under a Government scheme.

There are important reasons for this fundamental change of principle. Under the Commonwealth system of price control, shipping freights are strictly regulated and premiums for war risk insurance are important items in the field of shipping costs. It is of fundamental importance to minimise shipping freight increases to relieve the upward pressure on the general price level inevitably caused by higher costs of transport. By stepping into the field of war risk insurance the Government has ensured that an important item in shipping costs will be supervised and so can be made to conform with the widest requirements of national price policy. A further reason is that the remittance of funds overseas to pay for covering Australian vessels in the British insurance market constitutes an appreciable drain on Australia's London balances. It might be argued that insurance within Australia fails to provide overseas funds for the replacement of lost vessels. But against this argument must now be considered the possibility of vessels being replaced in Australian shipyards.

The regulations cover only vessels on the Australian register, and provide that these vessels cannot be insured against war risks except with the Commonwealth Marine War Risks Insurance Board, established under the regulations. Thus, the object is not to make war risk insurance compulsory, but to prevent Australian vessels being insured against those risks abroad. It is important to note that the Board has power to approve of the insurance of a vessel against war risks in overseas markets, if it so desires.

A country with the main centres of population relatively far apart on a long coastline is dependent upon shipping to a marked degree, and Australia's coastal shipping service is of vital importance to her. The decision to provide for war risk insurance of hulls in the coastal trade by a Government insurance scheme marks another step towards building Australia's total war economy.

German Europe

Crops and Food Supplies.—At the beginning of the third harvesting season under war conditions, there is no prospect of substantial surpluses from the Danubian countries on which German plans for the agricultural "reorganisation" of Europe have depended. Germany's attack on Russia ended Russian grain exports to Germany and German occupied countries. The 1940 harvest of cereals was far below normal because of bad weather conditions; and the war in Western Europe added destruction and disorganisation. Apart from maize there were hardly any exports from Danubian countries.

There is no doubt that Germany and Italy have been forced to draw upon stocks. In Poland, France, Belgium, Norway, Spain and Finland bread rations had to be introduced which are well below those of Germany and Italy. Throughout the Continent adulteration of bread has been practised; in Central Europe, a good root crop made the admixture of potato-flour possible; in Italy and the Balkan countries, maize was added.

During 1940/41 determined efforts were made in German Europe to increase the area under cultivation, and there is no reason to doubt the statement made by the "International Agricultural Institute" in Rome that the acreage under cereals did rise. But weather conditions were again unfavourable during the growing season. Agricultural activities in the Balkan countries were hampered by internal strife, by frequent mobilisation and, finally, by war with large-scale destruction in Yugoslavia and Greece. The occupation of Greece added another food importing country to the Axis Bloc; and the new war against Russia will undoubtedly affect harvesting in Poland, Hungary, and Roumania.

Crop prospects for the entire continent, including Soviet Russia, are therefore estimated by Broomhall's "Corn and Trade News" at 25 per cent below normal. Before the Russian war started, prospects were above the actual harvest of 1940 and only some 12 per cent below normal. Naturally estimates, with a complete statistical blackout in all the leading countries, vary considerably. Without a major war in the east, it could, however, be reasonably assumed that the 1941 harvest of cereals would not be below the 1940 output. The record root crop of 1940 will hardly be repeated in 1941, and the production of livestock and dairy products will be considerably smaller than in 1940. Wholesale slaughter in Denmark, Norway, Holland, and quite recently in France, was necessary because of the shortage of feeding stuffs.

The supply position of foodstuffs in 1941/42 will therefore deteriorate unless Germany is able to extort from a defeated Russia large quantities of cereals, livestock and oilseeds; and the course of the war against Russia makes it doubtful whether Germany will, in fact, be able to supply herself and the Continent with Russian agricultural products. The overstrained European transport system will make it hard to transport bulky foodstuffs from surplus to deficit areas. The shortage of fats and meat will become more pronounced during the year.

There is, however, no prospect that the situation in Germany will be critical. Large stocks of cereals and fats were intended to last well into 1942. The shortage of labour has been met by employing roughly 1,500,000 foreign workers, mostly prisoners of war. During 1940, stocks were replenished by foodstuffs requisitioned in occupied countries. Apart from a 25 per cent reduction in the weekly meat ration the quantity of foodstuffs supplied to the German population has not changed since rationing was introduced. Meat and fat rations are small, but no noticeable deterioration in the standard of health has been reported so far.

In Italy, the situation is more precarious. Stocks were smaller. Distribution is less efficiently organised. But current production of rationed staple foodstuffs will probably prevent an acutely critical situation even here. Conditions in France, Belgium, Norway, and even in Holland will be very different. There is little prospect that the situation at present marked by rations lower than in Germany will improve. In all these countries production was disorganised by war, and German requisitioning exhausted the stocks accumulated before the invasion. In France, the much-advertised increase in agricultural activities is obviously behind plan. Large numbers of farm workers and farmers are still prisoners of war in Germany. Draught animals are short because of war losses and German requisitioning. The new harvest may

relieve the situation, but the shortage of fats will remain serious. In Belgium the situation is critical. The substantial increases in the acreages under cultivation can hardly relieve the food situation of a country that is normally a heavy importer of all kinds of foodstuffs.

In Hungary, Roumania, and Bulgaria there will be hardly any surpluses; and in Yugoslavia partition, destruction and shortage of labour must prevent normal activities. Sweden and Switzerland expect to be able to maintain their much reduced rations. No marked improvement is expected in Spain, and the situation in Finland has gone from bad to worse since the attack on Russia. The general situation on the continent is thus marked by the failure of Germany's plan to achieve a reasonable measure of self-sufficiency in the occupied countries for the new agricultural year. It is the crop failure in 1940 and the war in the Balkans that have caused the trouble.

German Banking.—Since the occupation of Czechoslovakia, German banks have rapidly expanded into foreign countries. The main direction has been into South-Eastern Europe. In Western Europe the process has been slow and limited. In the Protectorate of Bohemia and Moravia, German banks acquired majority interests in the two leading banks and minority interests in a third bank. Several branch banks were established in Prague. The two leading banks in Slovakia are now owned by two German banks. A Hungarian bank is owned by a Viennese bank, and the *Laenderbank* in Vienna has established a branch in Budapest. The "Deutsche Bank" acquired majority interests in the *Kreditbank* of Sofia.

The main object seems to have been the banking business in Roumania, where German banks have acquired interests in five leading banks. The latest acquisition was the *Banca Commerciala Romana* of Bucharest, whose capital was controlled by a Franco-Belgian Group. In Yugoslavia, the Big Five acquired jointly the majority interests in the General Yugoslav Banking Union. The *Dresdner Bank* has also established a branch bank in Belgrade.

It is stated that this expansion is only a preparatory move for the big expansion which will begin when the war is ended. The leading expansionists among the German banks are the *Deutsche Bank* and the *Dresdner Bank*; next in importance are two Viennese banks. In other words, the expansion was left to the German banks which had large interests in South-Eastern Europe.

Cellulose.—The leading German cellulose producer, the *Waldhof* concern, with interests in the former Finnish cellulose factories in Kexholm, increased its turnover in 1940 by 6 per cent to Rm. 229 millions. During the year, the change-over from fir to beech was stated to be satisfactorily done, and the output of by-products, especially spirits, tanning material, and yeast for feeding purposes, increased. Demand for paper cellulose and paper exceeded production because of war orders. Exports decreased. The report throws an interesting light on Germany's shipping difficulties by stating that the large purchases of Scandinavian cellulose did not compete with German production. Lack of tonnage prevented shipments to Germany.

Order Bourse in Brussels.—An exhibition on the model of the Paris exhibition of German manufactures has been opened in Brussels. German and Belgian industrialists collaborated in organising the exhibition which is sponsored by Dr Todt, German Minister for Munitions. The purpose is to attract Belgian industry for German orders. In the German department, 300 German firms exhibit 3,000 different manufactures. Machine tools, motorcar accessories, and railway material dominate. In the Belgian department, everything is shown that Belgian industry is able to manufacture under the restrictions placed on raw materials. The exhibition will be permanent, and considerable space is being devoted to German substitute materials. Because orders may be placed as well as taken at the exhibition, the German press suggests that it should be called an "order bourse" instead of an exhibition.

THE BUSINESS WORLD

A Railway Subsidy?

ON Friday last week, the main line railways and London Transport announced their interim dividends to an apathetic market. Stockholders (as an Investment Note on page 145 shows) are to receive exactly the same gross payments as a year ago. There is no evidence of earnings (save the announcement by the Southern Railway board that earnings should suffice to cover the 2½ per cent payment on the preferred ordinary stock), for on this occasion the Pool estimates are not published. Instead, the Government has expressed to the companies its desire to amend the financial agreement of February, 1940, though they have not set any proposals before them. In these circumstances, the railways state that the net revenue accruing to the companies for the first half of 1941 cannot be ascertained, and they present no figures.

The financial agreement is dead. Intimations of approaching mortality were given by the Chancellor of the Exchequer in his Budget speech on April 7th. He then announced that the Exchequer was considering how far it could help to avert further increases in railway rates and fares. The solution by subsidy could have been little more to the liking of the Chancellor than it was to *The Economist*, which advocated the same policy, in default of anything better, at the beginning of March. The Budget speech showed a commendable awareness of the economics of inflation, and it was precise in its comprehension of the part which had been played in this process by the railway agreement. Nearly four months have passed, yet the Chancellor's impeccable statement of principle remains unadorned by practical detail. But railway stockholders had clear warning that the agreement would be modified, and last Friday's news of revision cannot, therefore, have come as a surprise.

Before considering precisely how a subsidy could be applied, for a subsidy is what the two announcements must mean, it is useful to examine the results of the agreement in practice. There is no need, at this stage, to rehearse once again the inevitable mechanics of inflation which it set in motion. Those processes were inherent in the agreement, as many critics realised when its terms were first announced. Its terms imposed a duty on the Railway Executive Committee to report regularly to the Minister of Transport any changes in working costs, and these could then be offset by higher railway charges. Increased costs have almost certainly outstripped increased receipts during the past six months. Even in the previous half-year, an extra £15 millions of gross receipts produced only £1 million of additional net revenue. In the first half of this year, the lag between rising costs and increased railway charges was even more prominent. It was surely something more than disinclination which stayed the hand of the Minister of Transport from ordaining the increase in charges, which, after all, was the railways' right under the agreement. But already that right had been tested against public policy, and had been found not to prevail. A system under which transport charges were automatically increased to counteract increases in costs could not logically be supported by a Chancellor who was alive to the slippery perils of wartime inflation.

That is the first point for the railway stockholder who feels tender about his "rights"—the cost-adjusting machinery under the agreement could not be kept in motion. But, in addition, the maximum dividends permitted under the agreement pre-supposed a degree of inflation of transport charges which would have been utterly insupportable and intolerable. This conclusion was already plain from the Pool results of 1940. It has become even more inescapable in view of subsequent increases in costs, and

the prospective increases which would be entailed by the claim for a £3 minimum wage and a war bonus affecting 150,000 railway workers. The past half-year, in fact, must have brought railway net revenues close to, if not to, the minimum guaranteed level. The agreement, on paper, looked like a perfect inflation hedge; it has, in fact, suffered from the recoil of inflationary impulses which it did so much to generate.

The question of the desirability of a subsidy can be simply posed: if the community as taxpayers pay less than they would otherwise have to pay in increased transport charges, then to subsidise will be sound economy. This proposition, however, entails two corollaries: the return on railway capital must be reasonable, and there must be no systematic increases in the costs of materials and labour to the railways. On the costs side, the withdrawal of the automatic rate-fixing arrangements under the agreement would spare the community the somewhat cynical spectacle of suppliers of materials at increasing prices to the railways complaining of consequential increases in railway charges. On the labour side, the general principles of the recent White Paper must apply, though these principles are expounded with a deference which might be interpreted at Unity House as weakness and lack of conviction. In any event, the removal of a quasi-automatic means of transferring the cost of successful wage claims to the public's broad back would do much to temper the measure of these claims.

To lay down that the return on railway capital must be "reasonable" is easy. But what rate, in the context of war and the terms of financial agreement, could be regarded as reasonable? It may be assumed that such a rate would cover the guaranteed minima of 3.3 per cent on Great Western ordinary, 1.0 per cent on LMS ordinary, 1.2 per cent on LNER second preference and 0.8 per cent on Southern deferred. It may equally be assumed that maximum rates of 8.1 per cent for Great Western and LMS ordinary, 4.7 per cent for "Berwick" deferred and 3.2 per cent for Southern deferred are completely ruled out of the calculation. The addition to the minimum guarantee, of course, cannot be determined by any process of cold logic. Last year's experience, however, did suggest that stockholders would be wise to regard stage 2 net revenues as the maximum which would be attainable in practice under the process of adjusting rates to increased costs.

The two limits, then, are the minimum guarantee and stage 2, at which Great Western ordinary would receive 4.6 per cent, LMS ordinary 2.3 per cent, LNER second preference 2.5 per cent and Southern deferred 2.7 per cent. Such earnings were almost achieved last year. If the volume of traffic were the governing factor in net earnings (as the railways wished it to be), 1941 results would in all probability be higher. But if the railways are to receive a subsidy to enable them to pay dividends on capital at rates intermediate between stage 1 and stage 2, they cannot at the same time qualify for a commission on total traffic turnover.

The difficulty is to combine with a subsidy the incentives to efficient management and economy. Some share of any improvement in the operating ratio should be allowed to the companies, though such opportunities are likely to be rare in wartime. In the end, a subsidy must be adopted. It will defend the railway user and help to stabilise the general structure of costs and prices; it will tend to prevent—though not decisively—the drive for increased wages and higher prices for railway stores. And it should be possible to give the stockholders a return which, for many months past, has seemed as high as is practicable under the existing and moribund agreement.

War, Government and Insurance

IN the past two years British insurance has passed through great changes, as insurance in wartime always must. The close and intimate relations which existed between British companies and the Continent of Europe have for the most part been severed. In the occupied countries, Germany has handed over to her own companies connections that formerly were Britain's, and although it is certain that they will, after the war, be re-established, the business has for the time passed out of British hands, and it is impossible to foresee how and when the frozen assets and liabilities of the London insurance market on the European Continent will be thawed. That is the most that can be said of insurance relationships with former Continental friends; but, fortunately, connections with other overseas markets, so far from dying a temporary death, have probably become both closer and wider. The interests of the London market in the United States, for example, have almost certainly increased since the outbreak of war, and the confidence of American policyholders in British companies and underwriters appears to be greater than before.

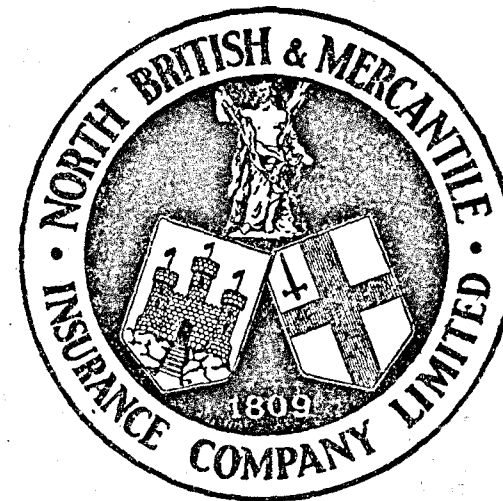
At home the war has naturally presented British business with a multiplicity of problems—problems of management, of staff, of a thousand adaptations to the new conditions; and general and departmental managers have had their hands full to overflowing in dealing with the variegated difficulties that have come up day by day for solution. But to the student of insurance the most interesting of all these war developments is the intrusion, the necessary intrusion, of the Government into insurance enterprise, which goes far beyond the activity of the Government in the last war, and has given to the Treasury a gigantic premium income and correspondingly large liabilities. There are six main schemes of wartime insurance, and they may conveniently be dealt with separately.

First, there is the insurance of commodities. This is a Government monopoly, which is managed by the Board of

Trade through companies, brokers and the Corporation of Lloyds. It is compulsory on sellers of goods, and the full value of stocks must be covered, so that the figures of premiums received by the Government at 7s. 6d. per cent per month should be enormous. The value of the scheme is beyond question, and its only serious weakness has been delay in settlement of claims, which in the earlier days of the air raids was very bad indeed, though recently there has been a considerable improvement. Traders owe a debt of gratitude, which they may not all appreciate, to the officials of the Board of Trade for their patience and adaptability in managing a most difficult and complicated experiment.

Secondly, there is the insurance of hulls. Ships are insured with a club of the owner's choice, which retains 20 per cent of each risk and re-insures 80 per cent with the Government. It is not a monopoly, although the British fleets which do not come into it are few in number. It follows, in general, the lines of the 1914 scheme, but differs from it in the much tighter control over insured values. The highest permitted value is 125 per cent of the pre-war insurance, and, unless the consent of the club managers is obtained, no insurance of excess values may be placed in the open market. In case of loss, the immediate payment is 100 per cent of the pre-war value, the remaining 25 per cent being earmarked for replacement. The object of this restriction is, of course, to check the inflation of values.

Thirdly, there is the insurance of cargo. This, in theory, is not a Government monopoly, and, theoretically, the scheme does not differ in this respect from the arrangement of the last war. Actually, it is a monopoly because marine underwriters have bound themselves not to accept cargo, which the Government will write, at less than 125 per cent of the Government's rate. By this agreement, the Government has avoided the rather scandalous competition of the 1914 war, when underwriters swallowed all the available delicacies and left the Government War Risks Office to fill its belly with



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the husks. Except for some delay in the settlement of claims, the scheme has worked well, and with as much elasticity as in the circumstances any one could have anticipated. Its success is due very largely to the fortunate choice of a committee of underwriters who know the marine insurance market thoroughly, are always accessible to brokers, and have the supreme merit of understanding what merchants need in the way of cover. It has been especially fortunate in having a chairman of committee who enjoys the confidence both of the insurance market and of the Government departments.

Fourthly, there is the War Damage Act, which covers buildings, equipment and chattels, the insurance of buildings and equipment being compulsory and that of chattels voluntary. This scheme is too recent to need any explanation, and, as no claims are paid until after the war, it is impossible to say how good or how bad the working of it may be. The subtle questions which have already cropped up are almost numberless, and, if London were combed out with a small tooth-comb, the search would scarcely produce half a dozen experts who could confidently face an examination on the details and minutiae of the Act, and of the recorded interpretations of it. The most noticeable feature so far is the comparatively small number of householders who have insured their chattels—probably not more than 20 to 25 per cent of the total number of ordinary domestic policy-holders in the country.

Lastly, there is the insurance of food and supplies. This is different from all the other schemes in two points: it covers marine and fire risks, but not war; and the Government, which is the insurer in all the other schemes, is the insured in this. What is covered is merchandise bought by the

Government f.o.b., or in warehouse abroad—merchandise which, being Government property, would normally run uninsured, but by a special arrangement made between the Government and the market is insured for marine and fire risks by a consortium of companies and underwriters. The market's object in pressing for this scheme was to maintain its long connection with the insurance of commodities, and the Government, against its standing principles, yielded to the pressure, and agreed (though it did not desire cover) to take out insurance in order to keep the peace-time machinery running. This insurance has so far proved profitable for the Government, and anything but profitable for the insurers.

On the whole, the Government's intervention in insurance has been of great value to the country in its war effort, and great credit is due to those civil servants and underwriters who have combined to work the various schemes. On the other hand, it is certain that peacetime international trade could never be served, as it needs, by Government schemes. If an underwriter has to keep his liabilities within the prescriptions of an Act of Parliament which permits or forces him to write risk A, which he does not want, and forbids him to write risk B, which he does want, then he will be unadaptable; and if an underwriter is unadaptable, he is of very little use to international trade. While all the credit to which they are undoubtedly entitled must be given to the men inside and outside the Civil Service who manage the Government schemes, it remains true that a scheme of marine insurance or fire insurance, which is laid down by Act of Parliament and managed within the terms of an Act of Parliament, can never be either elastic or economic.

Finance and Banking

Abundance of Credit

Exceptionally abundant supplies of credit have been available in the money market this week. The basis of bank cash remains swollen by the Government's ways and means borrowing at the Bank of England revealed in the

The Canada Life in its 94th Year

OUTSTANDING FEATURES of the COMPANY'S REPORT for 1940.

The net new life assurances completed in the year amounted to £7,480,851. Of this, £997,015 was written in the United Kingdom and in Eire. In addition, the sum of £543,519 (£366,461 in the United Kingdom and Eire) was received by way of single premium annuity considerations.

Income from all sources amounted to £7,372,824. Payments to Policyholders and annuitants and sums paid as a result of death claims totalled £5,097,886.

The rate of interest earned on the funds of the Company was £4 1s. 2d. %.

The assets at the 31st December, 1940, amounted to £56,626,744.

Special reserves and surplus funds increased to £2,774,228.



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last floating debt return, and this is reflected in the Bank return in a rise of £11,840,000 in Government securities, while on the other side of the account bankers' deposits are at the high level of £132,081,000, a rise of £7,736,000 on the week. The demand for accommodation in the market has been exceptionally small, as the discount houses have this week had to be content with a subnormal allotment of Treasury bills. At last week's tender they obtained only 24 per cent of their applications. The applications for the £75 millions of bills on offer rose steeply, namely, from the previous week's total of £146,785,000 to £163,550,000. Many of these must have been lodged at £99 15s., for the average rate of discount worked out at 19s. 11.84d. per cent, this being the fourth occasion since the outbreak of the war when the Treasury bill rate has dipped below 1 per cent. The banks, moreover, have again had no payments to make during the week in respect of Treasury deposits. The margin of available credit has been such that every clearing bank has been a buyer of bills on its monthly making-up day. The note circulation continues its steady upward progression, the movements during the past week being accentuated by the usual August holiday factor. Thus the circulation rose by £5,775,000 to the new record of £658,429,000, which at the existing level of the fiduciary circulation reduces the reserve ratio to 12.1 per cent.

* * *

Expansion in Tap Bills

The most interesting movement brought out by the latest monthly Floating Debt return is the expansion in Treasury bills issued through the tap. The return is dated July 26th, and exact comparison of changes in the tap and tender issues of Treasury bills must take in a two-monthly period because the previous monthly return was dated June 30th and did not fall on a Saturday. Comparing the latest return with that for May 31st, the tap bill issue has risen from £1,410,385,000 to £1,491,675,000. This expansion over a period when the Exchange Equalisation Account is no longer losing gold (because it has next to none left), and is therefore not accumulating tap bills, obviously requires an explanation other than the absorption of tap bills in Government departments which has hitherto served to explain the bulk of the expansion in this item. That explanation will probably be found in the direct issue of tap bills to Empire and sterling area central banks. The London funds of these institutions are now accumulating at a rate which probably renders it inconvenient to satisfy a consequent demand for Treasury bills wholly through the weekly tender, and it may be assumed that part of the recent expansion in tap bills is attributable to the issue

of such bills in those quarters. The only other item of interest in the debt return is the fact that ways and means advances at the Bank of England should have been outstanding to the amount of £12,000,000 last Saturday. There is no special seasonal explanation to account for such accommodation, and the current abstention of borrowing on Treasury deposits hardly indicates stringency in the Exchequer's ways and means position.

* * *

Financing Expenditure

The following table summarises the Exchequer returns of the financial year to date, and shows the respective shares of revenue and borrowing in meeting expenditure:—

£'000		£'000	
Total ordinary expenditure...	1,388,048	Total ordinary revenue	431,257
New Sinking Fund	2,297	Loans raised:	
Loans repaid:—		3% Def. Loan 1954-58	45,731
4½% Conversion Loan	45	3% Def. Bonds (net)	68,536
Nat. Sav. Bonds	34	3% Savings Bonds	170,460
		2½% Nat. War Bds. 1946-48	239,395
		2½% Nat. War Bds. 1945-47	124
		Nat. Saving Certs. (net)	74,350
		"Other debt" (net)	13,134
		Floating debt (net):—	
		Treasury Bills—	
		Tap	240,115
		Tender	12,000
		Bank of England Adv.	2,030
		Public Dept. Adv.	86,000
		Treasury deposits	7,023
		Miscellaneous rcpts. (net)	269
		Dec. in balances	
	£1,390,424		£1,390,424

The items shown as net are given after allowing for repayments and receipts.

* * *

Japanese Assets Frozen

The simultaneous American and British Treasury orders blocking Japanese assets in their respective countries provide the basis for the economic counter-measures of the democracies to Japanese aggression in the Pacific. These orders have been supplemented by parallel decisions on the part of all members of the sterling area, Canada and the Dutch East Indies; and a formidable financial front thus faces Japan. The immediate objective of these freezing orders is not the sequestration of the assets involved. They are in any case small and overwhelmingly exceeded by the American and British assets in Japan and Japanese controlled territories of China, against which immediate retaliatory measures could be anticipated as a matter of course. The intention of the freezing orders is to submit to the control of the American and British authorities the financial machinery through which trade between Japan and the sterling and dollar areas must be financed. Control of that machine provides the quickest and most effective method of controlling that trade. It renders unnecessary the promulgation of specific embargoes on the export of this or that commodity. It has all the advantages of lack of clear definition in that the authorities can interpret the orders and grant exemptions as they think fit, and so command maximum freedom of action in a situation which may still give scope for the exercise of such elasticity. The special licences which will have to be granted for every commercial or financial operation between dollar or sterling countries and Japan will allow a discriminatory control of that trade which will achieve all the immediate purposes of the American and British Governments.

London and New York Credits

The Japanese assets attached in the United States are estimated at \$131,000,000, of which about half is in the form of bank balances and half in securities. For many months past the statistics of capital movements to and from the United States have shown a steep running down of Japanese assets—partly as a precautionary measure anticipating the step which has now been taken, partly in payment for imports. Exports of Japanese gold to the United States have been dwindling, partly because reserves are falling, and partly because the Japanese authorities have pursued the policy of keeping their dollar balances at the minimum level required by the trade between the two countries. The Japanese assets in London are likely to prove even smaller than those attached by the American freezing order. Japan has by tradition been a borrower and not a lender in the international money market, and in normal times it is probable that Japanese acceptances in London tended to exceed the balances maintained here on Japanese account. For a period in the middle of 1930's there was evidence in the London market of a fair volume of Japanese accommodation paper, to the creation of which the highly interrelated nature of important Japanese commercial, shipping and financial concerns lent itself admirably. The movement was soon checked, however, and ever since Japan became an adherent of the Tripartite Pact it has been virtually deprived of the facilities of the London discount market. With the disappearance of these facilities the need to maintain balances here has gone, and the British Treasury order will in fact be found to affect a very small amount of such funds.

* * *

Japan's Answer

The immediate riposte of the Japanese Government has been to order a similar blocking of American, British and Dutch assets in Japan. The move is at first sight more than compensatory. Allowing for long-term capital investments in Japan, there can be no doubt that the exchange of these mutual freezing orders works very much in Japan's favour, especially if account be taken of American and British investments in Chinese territories now under Japanese control and in the Shanghai International Settlement, which may before long fall under such control. Since however, the intention of the American and British freezing orders was not to achieve a favourable swap of assets but to lay the basis of a commercial embargo on Japan, there can be no question as to the side on which pressure will be felt with the greater severity. In order to complete the financial blockade of Japan, the United States and British Governments have extended the freezing order to Chinese dollar and sterling assets. This has been done with the active approval of the Chungking authorities who will continue to operate their dollar and sterling accounts with complete freedom. It is the intention that these freezing orders should apply to the Shanghai International Settlement as it is clear that the exemption of this greatest of the Far Eastern markets would provide a potential channel of evasion wide enough to defeat the main purpose of the orders. The problem of the inclusion of Shanghai assets in the freezing order is, however, one which must take some time to solve effectively, and meanwhile that market has been thrown into considerable confusion although, as was pointed out in an article from our Shanghai correspondent in *The Economist* of July 12th, page 46, the move had for some time been anticipated by Shanghai speculators.

INSURANCE NOTES

Friends' Provident and Century.—The total new life business written in 1940 by this office and its associated companies amounts to £1,393,793, a reduction of £729,782 or 34.4 per cent on the previous year. Life premiums in the "Friends' Provident and Century" fund at £753,844 record a slight advance while the ratio of interest earned on the funds was lower at £3 4s. 1d. per cent, against £3 11s. 5d. per cent. Death claims amounted to £261,966, being lower by £170,026, and include over £40,000 arising directly from the war. The strain on the fund in consequence of these war deaths was £30,000 but, even so, mortality was only 83 per cent of expectation. Following a valuation of the assets the

directors are satisfied that depreciation does not exceed 1 per cent, that is, £170,000. Interim bonuses are being maintained in respect of premiums for the years 1935-39.

Non-life business is transacted through the Century Insurance Company, Limited, which has a total premium revenue, including the sinking fund account, of £109,000, and the small life account of £63,000, amounting to £1,095,000; there is a small underwriting profit of £2,524 which, with a transfer of £4,302 from the life and annuity account and net interest of £34,432, gives total net credits to profit and loss of £41,258. Expenses, etc., charged in profit and loss take £23,959, and the dividend, which is reduced from

20 per cent to 6½ per cent, costs £15,000; the balance carried forward at £100,562 is higher by £2,300. The directors certify that, after making prudent reserves, the book values are in the aggregate fully of the value stated. There is a general reserve of £550,000, as well as additional reserves in the fire and general accounts of £127,500.

The Gresham Societies.—Because of the part the "Gresham Life" has played in developing British life assurance on the Continent, more than ordinary interest attaches to the 1940 accounts of this office. New business naturally shows a marked recession, the overseas figure being only £532,362, against £1,544,294, but production at home was fairly well main-

buyer of shares will not know what has happened. He will have to ask his broker, and if the latter does not inform him, whether asked to do so or not, the client will be dealing under a misapprehension. The regulation seems designed to cause the maximum of trouble with the minimum effect; it infringes a vital principle of market dealing, and strengthens the growing impression that the public, and in particular the investing public, is thought worthy of no consideration by those in authority.

Conversion Results

The final results of the 19 municipal conversion offers, made at the end of April, and the preliminary statement by the Commonwealth of Australia as to its operations of a month later, are of considerable interest. It may be recalled that, instead of allowing the usual method of offering to the public any stock not taken in conversion, the Treasury decided, in both cases, to provide any funds required itself. Had the former method been adopted, there can be no certainty that all the money would have been provided, but the market fully expected that the call upon the Treasury would be negligible. In all, £23½ millions of municipal repayments had to be covered, of which some £4,500,000 was to come from accumulated sinking funds, leaving £19 millions to be found. In fact, the Treasury has had to find £1,305,000 out of this total, but, despite this, all the new stocks are quoted at well above the issue price of par. Although the terms of the Australian conversion were equally favourable, the preliminary figure is some £23 millions out of a total of £30 millions. It seems probable that this new stock will settle down at a slight premium on the issue price of 99 for a 3½ per cent stock, 1961-66, but the slightly shorter date and lower price proved insufficiently attractive in the strictly limited market which the new procedure imposes. On the whole, the new method does not compare favourably with the old, however necessary it may appear in the interest of limiting competition with Government loans. The market has always differed from the Treasury on this point, and experience suggests that the former has the truer measure of the position. A further conversion is now announced which will also benefit by Treasury assistance, namely that of some £2,600,000 Port of London Authority 4½ per cent stock, holders of which are being offered at 99 a 3½ per cent issue, repayable 1960-65. Both date and price are more favourable than the municipal stocks and the life is one year less than the Commonwealth. Probably the Authority has funds to cover repayment of some stock not converted.

Company Notes

Courtaulds' Interim Maintained

The payment of an interim dividend of 2½ per cent on ordinary stock is specifically stated by the directors to carry no implication that the Courtaulds' total dividend will be maintained at 8 per cent in the current year. In 1940, the ordinary payment was stepped up 1 per cent in view of a rise in gross profits, after depreciation, from £2,598,600 to £3,314,869, and an improvement in the earnings percentage from 8.2 to 9.4 per cent. With, however, a jump in total tax liability from £991,257 to £1,764,808, the actual amount of equity earnings declined somewhat from £1,321,255 to £1,296,584. The directors state that earnings in the first six months of 1941 have been satisfactory, but that the outlook remains obscure. Income for that period also included £684,313 from a 7 per cent dividend on the Viscose holding. Whatever the company receives in compensation can scarcely be invested in wartime to yield as much. While the demand for the company's products is likely to remain fair, despite restrictions on civilian buying, it is understood that there are considerable difficulties due to raw materials. Last year's margin did not leave a great

deal for further rises in tax liabilities and other costs, which continue to mount, and the outlook cannot be described as reassuring. It is to the readjustment and restocking period of the post-war world that Courtaulds' stockholders must look for further unhindered progress. It is too early to say how the Viscose transaction will affect the profit position, but it is clear that there is a strong possibility that this year's total payment may fall below 8 per cent, despite the welcome maintenance of the interim. The £1 ordinary stock, at 30s. 10d. ex dividend, yields £5 3s. 8d. per cent on last year's total payment.

Royal Dutch Allocations

Accounts of Royal Dutch for 1940 show no dividend will be paid on preference or ordinary capital. Profit for 1940, including Fl. 364,312 profit on sale of U.S. dollar securities, amounts to Fl. 23,625,294 against Fl. 26,200,000, the decline being due to a fall in income from dividends from Fl. 26,000,000 to Fl. 23,193,086. After deducting administration expenses, amounting to Fl. 155,744 against Fl. 400,000, the whole of the balance is added to the carry forward and earmarked as reserve against loss on investments amounting to Fl. 25,243,272. The assets side of the balance sheet shows a fall in securities from Fl. 2,052,396 to Fl. 800,000, the result of the sale of American holdings. The remaining Fl. 800,000 are the company's holding in 4 per cent Netherlands Loan, 1940, II, valued at par. Part of the proceeds of the sale have swollen cash holdings from Fl. 1,634,000 to Fl. 2,064,875. On the liabilities side, creditors amount to Fl. 4,191,314 against a total of Fl. 4,200,000 for creditors and unclaimed dividends. General reserve is unchanged at nearly Fl. 72,000,000 and the suspense account created in the previous year, in view of the destruction of documents, has fallen from Fl. 1,104,203 to Fl. 748,965. There is grave doubt whether the Royal Dutch Company will be in a position to pay further dividends until the situation in the Far East is in hand. Recent developments there constitute an acute threat to its existing income from dividends. In the circumstances, there can be no doubt of the wisdom of the decision to earmark all undistributed profits as investment reserve. The fact that the Fl. 100 shares stand at some £19 is a clear indication of confidence in eventual powers of recovery.

Imperial Tobacco Interim

The maintenance of the Imperial Tobacco interim payment on ordinary stock at 7½ per cent tax free for the year to October 31, 1941, was well received by the market. The £1 ordinary stock improved 2s. 6d. to 106s. 10½d., and a sympathetic rise took place among the other leading tobacco issues. It is, of course, generally recognised that there is a slight possibility that the total payment for the year can be maintained at the 20 per cent tax free to which it was reduced from the 23 per cent tax free of 1938-39. The rise in the standard rate of tax alone would probably make a reduction necessary, while it is increasingly unlikely that sales income has continued to offset rising costs and special war expenditure. Net profits last year declined from £10,220,150 to £8,872,829 and the tax free rate of equity earnings fell from 24.9 to 21.4 per cent, which provided narrow cover for the total ordinary payment. The market appears to have discounted a halving of the 5 per cent tax free bonus, making a total distribution of 17½ per cent tax free, and this should probably be regarded as the maximum which stockholders are likely to receive. The £1 ordinary stock yields some £3 15s. 11d. per cent tax free on last year's total payment.

John Lewis Group

The full accounts of the John Lewis group, for the year to January 31st last, present an excellent cross section of retail trade experience in the first full year of war. The greatest interest attaches to the results of the two holding companies, *John Lewis and Company*, and the newly-acquired *Suburban and Provincial Stores*. Taken as a whole, the results are far better than could have been expected a few months ago. The earnings of the London company are, of course, vitally affected by the loss of the Oxford Street premises through enemy action. Total profits dropped from

£249,563 to £131,776 and a net deficit for ordinary capital of £29,804 replaces equity earnings of £39,482 in the previous year. The management has decided to attempt to maintain the 5 per cent cumulative preference service, but to default on the 7 per cent preference issue. After paying 2½ per cent on ordinary shares in May, 1940, the carry forward is down from £73,834 to £29,968. These results, of course, reflect not only the fortuitous loss of the Oxford Street business, but also the decline of retail trade in central London, for which evacuation, the black-out, rationing and limitation of supplies are all responsible. For the first seven months of the year, *Suburban and Provincial Stores* suffered by comparison with 1939, owing to the disappearance of the hire-purchase business which, until the outbreak of war, had been a feature of the six suburban shops. In the remaining five months, like conditions prevailed in each year, and not only the further decline in London, but the whole of the earlier loss, was more than made good by expansion in the provinces, part of which resulted from the transfer of business from John Lewis after the Oxford Street loss. Total profits of the holding company, before crediting refund of income tax in either year, increased from £104,760 to £115,322. No dividend is paid on ordinary stock, the whole of the surplus being used to raise the carry-forward from £27,474 to £51,538. A marked rise in stocks has heavily depleted liquid cash. *Suburban and Provincial Stores* propose to raise £300,000 additional capital in £1 cumulative preference shares, of which £293,315 would be offered in exchange for existing preference issues of subsidiary companies, thereby placing the obligations of the operating concerns on a cumulative basis. Bank loans, shown in the consolidated statements, are substantial in both cases, having risen

from £526,072 to £547,294 for *Suburban and Provincial*, while *John Lewis* have a newly-acquired debt of £512,071. None the less, there is every prospect that the group as a whole will manage to keep its head above water until a genuine revival of retail business is possible after the war. In the meanwhile, the possession of *Suburban and Provincial Stores* provides an invaluable counterweight to the inevitable difficulties of the London concerns.

Henley's Telegraph Earnings

Preliminary figures of W. T. Henley's Telegraph for the year to December 31st last show net profits of £320,565 against £343,853. The total payment on ordinary stock is maintained at 20 per cent, including a 5 per cent bonus, and the carry-forward, after the allocation of £50,000 to war contingencies against £100,000 to general reserve, is reduced from £384,331 to £382,396. Since the net profits figure is struck after taxation and after special war and ARP expenditure, it is highly satisfactory and no doubt cloaks a considerable rise in the gross figure. Trading profits, after tax, fell in the previous year from £445,159 to £415,204. Equity earnings can be estimated at £311,565 against £334,853, providing cover of 27.8 against 29.2 per cent for the 20 per cent ordinary payment. There is little doubt that the electrical transmission section of the company's output has made the most substantial contribution to earnings last year, and that its record is in line with that achieved by Callenders' Cable. Further interpretation of the year's results must wait on the publication of full accounts. The 5s. ordinary stock, at 22s. offer a yield of £4 12s. 6d. per cent.

THE STOCK EXCHANGES

London

Note: All dealings are for cash

At the close of last week, conditions in all markets were subdued, and dealers were disquieted by news of the impending Japanese occupation of Indo-China. There was, however, little selling and the generally cautious attitude expressed itself in a minimum of price changes and low turnover. Japanese issues were an exception and dropped heavily both before the week-end and on Monday. Later in the current week, a revival in sentiment took place inspired by the generally favourable war situation and possibly by the Prime Minister's statement in the production debate. Dealing was still on a small scale, but most markets enjoyed a number of moderate rises.

After a subdued but steady close last week, the *gilt edged* market suffered a number of small losses on Monday, many of which were recovered the following day. Thus 3½ per cent. Conversion and War Loan and 4 per cent. Funding regained on Tuesday the previous day's loss of ½, while 2½ per cent. Consols improved ¼ on balance during the two days. Local Loans were unchanged after a movement of ¼ each way. Further improvements in midweek, raised old and new War Loan by ¼, though 3½ per cent Conversion fell by the same amount. The most striking feature of the *foreign bond* market was the heavy losses in Japanese issues which were not fully made good by improvements on Tuesday, due to bear closing. Thus, the 5½ per cent loan of 1930 which dropped 3 points before the week-end and a further 6 points on Monday, gained 2 points only the following day. The 4 per cent, 1899, 6 per cent, 1924, and 5½ per cent City of Tokyo loans were also heavily offered, but shared in Tuesday's gains which were based on the assumption that the position was oversold. Austrian 4½ per cent and Czech 8 per cent loans were in demand, but there was moderate selling of Greek 6 and 7 per cent loans and of Egyptian Unified. Among South

American securities, Brazilian and Chilean loans and the San Paulo Coffee loan were all strong.

The *home rail* market showed no marked reaction to the dividend announcements, which had already been generally discounted. Before the week-end, LMS ordinary lost ¼, followed by the same amount on the first two days of the current week. On Tuesday, Great Western ordinary and Southern deferred also lost ground. Debenture issues of all the main line railway companies were sold in a small way at the beginning of the week. Midweek saw a general improvement in the junior stocks, which raised LMS ordinary and Southern preferred by ¼. There was little business in foreign rails, but Canadian Pacific preference eased on moderate selling.

The tone remained moderately firm in the *industrial* market. Price changes were small and somewhat irregular. In the brewery group, recent progress was continued by Bass, which gained 1s. on Monday, by Barclay Perkins and Guinness. Benskins and Distillers lost ground on Tuesday. The heavy industrial section was in general firm, moderate rises being realised by John Brown, Bolsover and Colvilles, although Babcock and Wilcox was sold in a small way and Wm. Cory fluctuated uncertainly. The textile group was marked by steady buying of Wardle and Davenport, and Fine Cotton Spinners also made small, but consistent progress. Miscellaneous issues fluctuated without trend. The maintenance of the Imps interim had a good effect on leading tobacco shares which improved generally on Tuesday and in midweek.

The *kaffir* market profited from Cape buying before and after the week-end, and in consequence prices remained more buoyant than in other directions. By Tuesday, the tone became definitely strong and gains of ½ were common. West Wit Areas improved as much as ¾ and both Grootvlei and New State Areas

were up ½. Selling was predominant in both *tin* and *rubber* markets. In the former, Mawchi and South Malayan lost ground, and among rubber companies, losses of ¾ were suffered by United Sui Betong, Batu Caves, Glenshiel and other leading issues, the approach of Japan to the Singapore area being mainly responsible for the setback. In the *oil* market, prices held firm and by Tuesday a general advance took place which included gains of ¼ for Anglo-Iranian ordinary, Burmah and "Shell" Transport. Canadian and Mexican Eagles were consistently supported.

"FINANCIAL NEWS" INDICES

1941.	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	
			30 Ord. shares*	20 Fixed Int.†
July 24...	2,806	2,632	74.4	129.8
" 25...	2,611	2,848	74.5	129.8
" 28...	3,033	3,188	74.7	129.8
" 29...	2,643	2,897	74.8	129.8
" 30...	2,838	2,330	75.1	129.8

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1941 highest, 75.1 (July 17); lowest, 66.8 (Apr. 24). 20 Fixed Int., 1941, highest, 130 (July 21); lowest 126.1 (Jan. 2). ‡ Excluding "Stop Press" bargains.

New York

News of the latest Japanese aggression caused prices to move irregularly on Wall Street at the end of last week. Dealers were hesitant and sentiment generally disturbed. On Monday, markets opened firmly and later in the session there was a demand for steel, aircraft, copper and chemical issues, which all improved fractionally. The progress was not, however, fully held and on Tuesday steel stocks lost up to 1 point. The Japanese freezing of U.S.A. credits had already been discounted and was not in itself responsible for the uncertain trend. In midweek, anxiety regarding domestic taxation induced further falls under the leadership of steel issues.

The *Iron Age* estimates steel mill activity at 99 per cent of capacity, against 99.5 per cent in the previous week.

(Continued on page 148)

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Industry and Trade

The Price of Coal

The Mines Department has recently made an important change in the procedure by which it has been authorising increases in the price of coal since the outbreak of war. It has discontinued its practice of giving these authorisations a more or less uniform national application, and has informed the industry that in future claims for increases in prices will be examined and determined independently on a district basis. Under these new arrangements, the Department is now considering claims to meet the cost of the guaranteed week, of the recent war wage addition of 4d. per shift, and of increases in the charges for other services. By the Central (Coal Mines) Scheme (Amendment) Order, sanctioned by Parliament on May 28th, the Central Council was authorised to impose a levy on all colliery undertakings at a uniform rate not exceeding 6d. per ton calculated on commercial sales, and out of the Central Fund so created to pay the owners the actual costs incurred by them in meeting their statutory wage obligations under the Essential Work Order. It has been realised, however, that because of the different local conditions, these costs vary appreciably from colliery and colliery, and from district and district, and accordingly the South Wales Executive Board applied for authority to raise their prices by an amount considerably greater than that of the estimated charge of 6d. per ton to cover the cost of the guaranteed week and the conventional estimate of approximately 1d. per ton for each rd. advance in the average wages per man-shift worked. The Mines Department, however, has authorised increases in the price of South Wales steam and bituminous coal of only 10d. per ton from July 19th, and of 1s. 8d. per ton in those of all grades of anthracite coal. The Welsh coal-owners have protested against this award, and their representations are now under consideration by the Department. Decisions relating to the other coalfields of the country have not yet been announced. This is the seventh occasion on which Welsh coal prices have been raised by the authority of the Government since the outbreak of the war, and the aggregate increase amounts to 7s. 9d. per ton for steam and bituminous coals supplied inland and 8s. 1d. per ton for export, and to 9s. 7d. and 9s. 11d. respectively for anthracite grades. Between July, 1939, and last May the average pithead proceeds of the industry per ton raised rose by 6s. 3½d., or 33 per cent, but during the same period the official index of wholesale coal prices showed a rise of 42 per cent and the general wholesale index number one of 55 per cent.

American Trade with Japan

The formal rupture of United States' commercial relations with Japan would only give finality to a state of affairs which has been developing for some time. United States exports to Japan in the first quarter of this year were only \$32,808,000, 47.8 per cent below those of the corresponding period of 1940. In the first quarter of 1939, exports to Japan were 10.6 per cent of total United States exports; in January-March, 1940, they constituted only 8.3 per cent and in January-March, 1941 only 5.5 per cent. Exports of crude oil during the first quarter fell from \$3.8 millions in 1940 to \$2.4 millions in 1941, and in the month of March this year no exports of copper, aluminium, carbon black, ammonium sulphate or potash fertilisers were recorded. Some idea of the key products for which the United States has in the past been an important source of supply to Japan is given by the following table:

Quantity lb.	Value \$	Quantity lb.	Value \$
Total Exports.....	239,662	Lead pigs, bars, sheets, pipes, etc.	60,406 2,100
Cotton (ex linters) .lb.	534,389 52,850	Nickel-chrome elec- tric resistance wire	48 78
Sulphite wood pulp, bleached.....	60 5,585	Radio apparatus.....	129
Crude petroleum bbl.	21,272 29,858	Lathes.....	4,665
Gas oil and distillate fuel oil.....	5,297 6,675	Milling machines.....	5,693
Lubricating oil.....	307 2,789	Grinding machines & parts.....	4,657
Iron & steel scrap tons	1,366 21,685	Rolling mill machines and parts.....	3,233
" " rods.....	65,226 2,718	Motor trucks, buses and chassis.....	2,129
" " plates.....	27,046 714	Automobile parts for assembly.....	3,624
Tin plate and taggers' tin.....	28,263 1,631	Automobile parts for replacement.....	2,753
Ferro alloys.....	2,382	Aeroplanes.....	5,515
Aluminium ingots, scrap and alloys lb.	396 201	Aircraft parts, instru- ments & accessories	5,055
Aluminium plates, sheets, bars, strips and rods.....	1,459 203	Potash fertilisers tons	1,222
Refined copper in in- gots, bars, etc. .lb.	217,880 21,813	Phosphate.....	159 667

As well as petroleum products, discussed on page 133, Japan has been accustomed to draw upon the United States for many important materials. Its dependence was greatest in raw cotton, iron and steel and copper, but machine tools, other non-ferrous metals, and fertilisers are also important commodities for which Japan may soon have to look elsewhere. The United States, on the other hand, imported no single essential commodity in any great quantity from Japan, except raw silk, of which its Japanese imports in

1938 were 51 million lbs, valued at nearly \$84 million. Timely action to conserve existing stocks would probably prevent the cutting-off of these imports from interfering with any essential use of silk. For the most part, Japanese exports to the United States consisted of the cheaper grades of non-essential goods, such as toys, slide fasteners, china and musical instruments; of not particularly important food products, as for example, crab-meat and tuna fish; and of a few important but not irreplaceable commodities such as creosote, menthol and camphor. A United States embargo on trade with Japan would be no two-edged sword, but a weapon with a single cutting edge of great sharpness.

Inventors and the State

To have worked eagerly over a long period on an idea which seems full of promise engenders a hypersensitive state of mind. When that idea is rejected, almost in silence, by a Government department, the originator is apt to feel that he has been treated with contempt, and to have a strong suspicion that it has never been examined at all. This is a dangerous state of mind, at a time when the country needs all the originality it can command, and the Ministry of Supply has done well to make a public statement of the procedure that is followed in respect of all inventions submitted to the Government. The Directorate of Scientific Research has a staff of examiners who are specialists in the various subjects likely to be of interest, and each proposal undergoes a preliminary examination by the appropriate member of this panel. If he thinks it likely to be useful he sends it on; with his comments, to the department it seems likely to concern, sometimes accompanying it with suggestions which go beyond the scope visualised by the inventor. Sometimes, even if the department rejects it, he returns it for reconsideration, and perhaps gives the inventor an opportunity of meeting the criticisms. If the invention is not immediately useful, but might be of use in the future, it comes up for periodical review. Unfortunately, if it is rejected, the reasons for rejection cannot always be given without revealing military information, especially as it is not always possible to be certain that the alleged inventor is not an enemy agent angling for just such a result. It is this inevitable uncommunicativeness that has sometimes produced an unfortunate impression. Even terseness can be tactful, however, and the general practice of Government departments in dealing with individual members of the public does not give much foundation for a conviction that the rejected inventor is always assured that there was a good reason for the decision in his case. Once a proposal has commended itself to an examiner, its chances seem good. Every month a list of all such proposals is circulated to the branches and establishments of the Ministry of Supply and the War Office, to the scientific research departments of the Admiralty and the Ministry of Aircraft Production, to the Ministry of Home Security, and the Department of Scientific and Industrial Research. By this means it may find application in a direction not thought of by the original examiner. The routine procedure seems sound enough; whether the country gets the full benefit of its inventors' ideas must in the last resort depend upon the interest and imagination shown by the people working the system.

The Location of Industry

Earlier this year the Board of Trade created a "clearing house" for factories and storage space 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. In view of the danger of confusion and dislocation of munition production arising from the uncontrolled movement of industry, the Board of Trade has now decided to go a step further. The Location of Industry (Restriction) Order, 1941, provides that no person may, without a licence issued by the Board of Trade (a), "carry on at any factory or warehouse having an area of 3,000 or more feet super any trade or business not carried on there previously" or (b) "carry on at other premises having an area of 3,000 or more feet super, whatever their previous use, a business of production or storage." The Order, which came into force on July 25th, does not, however, apply to shops or to new buildings; a general licence provides for the use of premises for temporary storage purposes; and special consideration will be given to applications by firms dispossessed by enemy action or through other causes outside their control, to use alternative premises in the immediate vicinity of their former place of business. The control

of industrial location was clearly necessary, and the new Order, made under the stress of war exigencies, may pave the way towards the control of industrial location which will be essential during the period of reconstruction after the war.

Aluminium in Russia

Although Russia's aluminium industry is only about ten years old, the production of this metal, so important in the manufacture of aircraft, is already substantial. The U.S.S.R. has large reserves of both bauxite and other materials, like aluminium-rich clays and nepheline, from which aluminium can be extracted. The bauxite deposits are found in the Urals and the Ukraine, and readily available reserves are estimated at 8,900,000 tons. The extensive nepheline deposits of the Kola-Kandalaksha region have latterly been employed for producing aluminium on a semi-commercial scale. The growth of aluminium production since 1937, on the basis of Soviet statistics obtained by the American Bureau of Mines, is shown below:—

	1937	1938	1939	1940
		(In Metric Tons)		
Aluminium (primary)	37,650	43,800	45,000	55,000
Aluminium (secondary)	10,970	13,000	15,000	18,000
Total	48,620	56,800	60,000	73,000

Last year the Dnepr plant accounted for 32,000 tons and that at Volkhov for 13,000 tons. The Ural plant, which started operations much later than the others, yielded about 10,000 tons. The third five-year plan calls for a total annual output of 220,000 tons of virgin and secondary aluminium. To this end, the capacities of the Dnepr and Volkhov plants are to be increased to yield about 110,000 tons per annum, the ultimate capacity of the Ural works is placed at 50,000 tons, another 60,000 to 65,000 tons are to be supplied by the Kandalaksha (Karelia) and Rybinsk works and the rest is secondary metal reclaimed from scrap. Although Russia has become very nearly self-sufficient in aluminium, the Soviet authorities are reported to have built up substantial emergency stocks of the metal, partly, no doubt, because of the vulnerability of the Dnepr and Volkhov works.

Help for Diamond Exports

The July diamond "sights" realised a turnover of slightly over £450,000 which is well above the monthly average hitherto maintained during the current year. Special significance attaches to the last sights because they provided the first application of special measures designed at one and the same time to stimulate the export trade in polished stones and to check the tendency towards domestic hoarding of these stones to which reference was made in *The Economist* of July 26th. To achieve this double objective, the selling syndicate, acting with the approval, if not on the prompting, of the Government, requested from all British cutters buying rough stones at the London sights an undertaking that they would export at least 75 per cent of the stones so bought. The stimulation of export trade cannot, however, be achieved merely by blocking the flow of stones into domestic hoards. It is also a matter of price differential arising from the fact that in competition with the United States cutting industry the new British industry is handicapped, firstly, by the U.S. tariff on polished diamonds, and, secondly, by the comparatively heavy war damage insurance premiums which diamonds have to bear while in process of manufacture in this country. In order to offset these disadvantages, certain concessions to the domestic trade were introduced last month. Among these was a cut of 30 per cent in the prices of "cleavages," i.e., stones of an unwieldy shape which require cleaving before cutting and polishing.

For Commodity and Industry News see page 154.

FAMOUS SINCE 1795



OTARD'S
COGNAC BRANDY

(Continued from page 147.)

New York Prices

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1941		July		July	
	Low	High	Jan. 15	Jan. 16	Jan. 23	Jan. 25
347 Industrials ..	83.6	896.0	93.3	93.4	95.0	
32 Rails	225.4	228.4	27.8	27.8	28.4	
40 Utilities	67.0	78.7	70.1	70.3	70.5	
419 Stocks	71.9	882.1	78.9	79.0	80.1	
Av. yield*	6.80%	6.11%	6.17%	6.19%	6.11%	
	Low	High	(c)	(d)		

* 50 Common Stocks. (a) July 23. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 28.

DAILY AVERAGE 50 COMMON STOCKS

July 17	July 18	July 19	July 21	July 22	July 23
100.9	101.4	102.1	103.5	103.3	102.9

1941 High: 105.80, January 10. Low: 90.70 April 30.

Total share dealings: July 24, 620,000; July 25, 810,000; July 26, 360,000; July 28, 940,000; July 29, 960,000; July 30, 750,000.

* Two-hour session

	Close	Close	Close	Close
	July	July	July	July
	1941	1941	1941	1941
1. Railroads.	22, 28	22, 28	22, 28	22, 28
Balt. & Ohio.....	47	48	Chrysler.....	56 1/2
Ill. N. H. P.	27 1/2	27 1/2	Curt. Wr. "A" ..	28 27 1/2
Illinois Cent.	8 1/2	9 1/2	Eastman Kdk.	139 141
N.Y. Cent.	13 1/2	14 1/2	Gen. Elec.	33 32 1/2
Northern Pac.	7 1/2	7 1/2	Gen. Motors.....	38 37 1/2
Pennsylvania.....	24 1/2	24 1/2	Inland Steel.....	77 78
Southern.....	15 1/2	17 1/2	Int. Harvest.....	56 56
2. Utilities, etc.	156 1/2	153 1/2	Int. Nickel.....	27 27 1/2
Amer. Tel.	156 1/2	153 1/2	Liggett Myers.....	88 90 1/2
Amer. Wkks.	4 1/2	4 1/2	Nat. Dairy.....	14 14 1/2
Pac. Light.....	36 1/2	36 1/2	Nat. Distillers ..	22 22 1/2
Pub. Sv. N.J.	22 1/2	22 1/2	Nat. Steel.....	53 56 1/2
Stb. Cal. Ed.	23 1/2	23 1/2	Proct. Gamble.....	59 59 1/2
United Gas.....	7 1/2	7 1/2	Sears Roebuck.....	74 72 1/2
3. Commercial and Industrial.	15 1/2	15 1/2	Shell Union.....	15 15 1/2
Amer. Metal.....	19 1/2	19 1/2	Socoy Vac.....	10 10 1/2
Am. Roll. Ml.	15 1/2	15 1/2	Std. Oil N.J.	44 45 1/2
Am. Smelting.....	44 1/2	45 1/2	20th Cen. Fox.....	6 6 1/2
Anaconda.....	29 1/2	29 1/2	U.S. Steel.....	58 60 1/2
Briggs.....	19 1/2	19 1/2	West. Hose. El.	94 92
Celanese of A.	25 1/2	25 1/2	Woolworth.....	29 29 1/2
			Yngstn. Sheet.....	37 39 1/2

Capital Issues

	Week ending	Nominal	Con-	New
	August 2, 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
Nat. Savings Certs.† ..		3,937,176		3,937,176
3% Defence Bonds† (s) ..		2,888,290		2,888,290
2 1/2% Nat. War Bds.† (w) ..		6,367,252		6,367,252
3% Savings Bonds† (t) ..		7,517,178		7,517,178
† Week to July 22, 1941. Total sales, Nov. 22, 1939, to July 22, 1941, £331,709,769. (s) Total sales to July 22, 1941, £317,518,255. (t) Total sales to July 15, 1941, £255,938,846. (w) Total sales January 2, 1941, to July 22, 1941, £385,876,279.				

COMPANY MEETINGS

BOOTS PURE DRUG COMPANY,
LIMITED

A VERY SUCCESSFUL YEAR'S TRADING

COMPANY'S VITAL PART IN WAR EFFORT

INCREASE IN SALES AND CUSTOMERS

LORD TRENT'S REVIEW

The annual general meeting of Boots Pure Drug Company, Limited, was held at Beeston, Notts, on the 31st ultimo.

Lord Trent, chairman of the company, presided.

The chairman's statement, issued with the report and accounts, which were taken as read, is as follows:—

The activities of the company during the past year have been closely bound up at every point with the national effort. Some 2,500 employees are serving with H.M. Forces or on full-time Civil Defence service, and there has been an enthusiastic readiness to supply the company's own needs for ARP duties, fire watching, spotting, auxiliary fire fighting, Red Cross, and so forth.

I have to report with deep regret, but also with a feeling of pride, that during the year 27 of our employees lost their lives while serving with H.M. Forces and 17 through enemy action at home. To all their relatives we offer our sincerest sympathy.

BRAVERY OF THE STAFF

One member of the firm, a chemist, employed in our Lambeth branch, has been awarded the George Cross for an act of superb gallantry in rescuing a wounded comrade from a blazing aeroplane loaded with bombs.

With branches of the company spread all up and down the battlefield of Britain we have inevitably been exposed to dangers. Many of our premises have been damaged in air raids, some have been totally destroyed. The staffs of the offices, laboratories, warehouses, and shops have carried on magnificently under increasingly difficult conditions. From all parts of the country we have received warm tributes to the morale and courage of those engaged in defence work, and one of our employees in Surrey has been awarded the George Medal.

When the full story can be told I am certain that the shareholders will be proud of the contribution which the firm has made and is making to the war effort, and particularly of the cheerfulness and resourcefulness with which the staff have met dangers and difficulties, and the splendid way in which they have responded to all the calls made upon them.

COMPANY'S IMPORTANT PART IN THE WAR EFFORT

This company, in normal times, plays a valuable part in the life of the nation. In war we have an even more vital part to play, and I feel that I can claim that our organisation has more than lived up to its peace-time reputation in every field of its manifold activities. To help in the work of healing the sick and keeping fit people well is even more important in war than in peace, and in addition our staffs have done their full share in giving first-aid to the injured.

It has been a source of great satisfaction to us to be able to give effective assistance to the national "Dig for Victory" and allied campaigns aimed at a greater production of food, and I may perhaps refer in this connection to a booklet produced by the firm on "How to Make Good Silage," which has won high praise from the Ministry of Agriculture and all who read it.

SUCCESS OF WAR SAVINGS GROUPS

Another branch of our war effort which I should mention is National Savings. For some time past our branches have been selling War Savings Certificates on behalf of the Government, and our own War Savings Groups in the shops, offices, and works have been growing. There are now over 12,000 employees con-

tributing by deductions from wages and salaries, and to date they have subscribed over £75,000.

RECORD SALES AND NUMBER OF CUSTOMERS

Let me now come to our own internal affairs, about which, for obvious reasons, my report this year can only be in general terms. Our total sales last year were easily a record, and in view of the limitation of supplies, the closing of a number of departments other than chemists', and all the other factors which adversely affected business, I am sure you will consider that this record reflects the greatest credit both on our buyers and on our sales staff.

The total number of customers also reached record figures in spite of the damage to shops to which I have already alluded. Some of the shops damaged or destroyed were among our most profitable branches, and I should mention that in replacing them we have been guided not so much by considerations of the profit formerly earned as by the real need of supplying medicinal services which they could meet in their particular locality.

Depreciation on the usual scale has been adequately provided for against all fixed assets.

There are other alterations in the balance-sheet, some of which are substantial. As all of these arise out of the war, it is at present impossible for me to comment upon them.

HEAVY BURDEN OF TAXATION

To give shareholders some idea of the extra burden of taxation, if you compare this year with our standard period for EPT we have to pay £623,490 more this year in taxation. That is in addition to purchase tax, which up to March 31, 1941, amounted to £611,700. In these ways we are making a valuable contribution to the National Exchequer.

Our veterinary and horticultural sections both show largely increased business, and our export sales, in spite of many difficulties, are much higher than for any previous year in our history. Believing in the importance of keeping in the forefront of scientific development, we have continued to develop our research work alike on the medical, veterinary, and horticultural sides.

TRIBUTE TO CUSTOMERS

I cannot conclude my brief report without a grateful acknowledgment to our customers. They have shown a sympathetic appreciation of the difficulties with which our reduced staff has been faced and have accepted as inevitable the impossibility of our maintaining our previous high standard of service, which, however, we are making every effort to preserve.

Owing to the recent changes in the schedule of reserved occupations, we are faced with the loss of many more of our employees during the next few months. I should mention that we are continuing to make allowances to all our employees in H.M. Forces.

Finally, let me assure you that, in spite of all the difficult problems with which the war has confronted us, we are doing our utmost, not without success, to maintain and even increase the confidence which the public has in Boots.

The report and accounts were unanimously adopted and the auditors reappointed.

GLOBE TELEGRAPH AND TRUST
COMPANY, LIMITED

The annual general meeting of the Globe Telegraph and Trust Company, Limited, was held, on the 29th ultimo, in London. The Right Hon. Lord Pender presided, in the absence, through indisposition, of the Right Hon. Lord Midleton (the chairman).

The following is an extract from the Chairman's statement circulated with the report and accounts:—

There is a reduction in our net income of £23,000, due chiefly to increased income-tax, deducted at the source from our receipts, and this will be still further reduced next year when the full effect

GENERAL ELECTRIC COMPANY,
LIMITED

INCREASED PRODUCTION

The annual general meeting of The General Electric Company, Limited, was held, on the 31st ultimo, in London, the Rt. Hon. Lord Hirst, of Witton, chairman and managing director, presiding.

The following is an extract from a statement by the chairman circulated with the report and accounts:—

In days of peace it has always been my pride and pleasure to give you an account of the company's manifold activities, and the successes achieved in salesmanship, production and research. To-day I do not propose to go into detail, though I can assure you these successes are continuing and are contributing their full quota to the national effort.

You will have seen from the directors' report that our numerous factories have all been fully employed and our pay roll has increased. Our production, despite all the difficulties and interferences which the war has brought, has not only been maintained, but considerably increased. You will see, however, from our report that our net profit has been affected by the incidence of Excess Profits Tax at the rate of 100 per cent., whereas last year it was only 60 per cent., and by similar tax legislation in the Dominions.

Naturally, I regret that the expansion of our net profit figure, which has shown itself for many years past, could not continue this year, and that all our hard work has resulted in somewhat less being available for allocation and for distribution.

ADEQUATE RESERVES

We regard our general reserve of £4,700,000 as adequate for the normal requirements of the company, and we consider that under to-day's conditions there is no necessity to augment it. At the same time we are anxious to avoid, if we can, any possibility of having to draw upon the reserve to meet those contingencies which may arise from war-time conditions. We have, therefore, set aside the sum of £50,000 to inaugurate a fund for that purpose, and we have allocated an additional £50,000 for depreciation.

We recommend to you a dividend of 10 per cent. and a bonus of 7½ per cent. Whilst this distribution entails a small decrease in the bonus figure, it is in fact the same as in the period which under legislation we have to regard as our "standard" year. Personally, I cannot but regret the imposition of an Excess Profits Tax at the rate of 100 per cent. I am sure none of us have any desire to make additional profits out of the war. It is, too, gratifying to think that our efforts are making a considerable financial contribution to the Empire's war effort. We do desire, however, some margin, which will allow us not only to deal, as prudent business men, with that kind of expenditure which though necessary is not classed as an allowable expense for taxation purposes, but also and more particularly to prepare adequately for the vast problems we shall have to face when the war is over.

PROVISION OF FINANCE

The expansion of our manufacturing activities has made necessary the provision of additional finance. We had always anticipated that this would be needed and had made provision for it when arranging the original loan to which I referred last year. We were thus able to borrow an additional £1,000,000 on terms which both we and our financial advisers regard as very satisfactory. It is difficult, under to-day's conditions, to foretell what the financial requirements of the future may be—it is possible that we shall require even further finance, but I would like you to know that we have already made arrangements under which ample resources would be at our disposal should they be required.

Our absorption in the requirements of the home market has by no means diminished the attention we have always paid to export. It would be idle to pretend that the difficulties and restrictions in the path of export business have not increased. In spite of these, however, by the united efforts of all concerned, both here and overseas, we have managed to maintain our export trade at practically the same figure as the previous year.

The report was unanimously adopted.

of the 10s. income-tax is felt. Your directors, however, have felt justified in paying the same final dividend as last year, which we feel sure will be appreciated by the stockholders in these difficult times. Our main source of revenue, Cable and Wireless, shows every sign of reaping the reward for encouraging all classes of the community to become "telegraph minded," and bringing overseas communications within the reach of all at home and in the Dominions and Colonies.

Lord Pender added that as the accounts covered a period of thirteen months a further ½ per cent. would become payable on the preference stock for the extra month, and it was proposed to adjust the matter in the next interim dividend, which would be 2 per cent., less tax.

The report was adopted.

BRITISH TIMKEN, LIMITED

MR JOHN PASCOE'S SURVEY

The twenty-first ordinary general meeting of British Timken, Limited, was held, on the 25th ultimo, at 65, Cheston Road, Aston, Birmingham.

Mr John Pascoe (deputy chairman) said:

Our chairman, Mr Michael Dewar, is not able to be with us to-day. He has been for some months working in the United States on behalf of the Ministry of Supply. I am sure he carries our good wishes for the success of his mission.

The profit of £114,400 before taxation for the year under review is approximately the same as last year and is well below our excess profit standard. We propose to pay the same dividend, namely 15 per cent., on the slightly increased capital.

The balance sheet figures this year reflect the purchase of our subsidiary company, Fischer Bearings Company, Limited, and, by the increased figure of stocks and work in progress, the higher turnover compared with 1939. The reserves are increased by the balance of the share premium account from our issue of 40,000 new shares and by the transfer to a reserve for contingencies of £20,000.

During the year your company's manufacturing facilities have been employed to their maximum capacity, as also have those of your subsidiary company, Fischer Bearings Company, Limited, under the able direction of Mr L. W. Moritz.

You have heard from time to time of our service organisation which, having been built up over many years, has proved so valuable in times of peace. I am glad to be able to tell you that its activities now embrace the military users of our products who have expressed their appreciation of the assistance we have been able to give. Our technical service department has been proud to serve the needs of the country's technical forces.

It is impossible to forecast what the profits are likely to be in the coming year. As is only proper in war time, the company's price level is continuously subject to searching cost investigation. The only prospect of which we can be certain is that the resources of the company will continue to be devoted wholeheartedly to the national war effort.

During the past year the staff and workpeople of your company have worked and lived under conditions as difficult as anywhere in the country. Their output is great and their spirit high, and I am certain that they will continue to give of their utmost, confidently looking forward to the time when the product of their labours will once again assist the dissemination of health, comfort and happiness.

In consequence of the continued absence of Mr Dewar in the United States, it has been found desirable to appoint a substitute to act as deputy chairman and deputy managing director and, under a resolution of the board, I am now exercising the duties attached to these offices.

The report and accounts were adopted.

ORIENTAL TELEPHONE AND ELECTRIC COMPANY, LIMITED

SIR HENRY McMAHON ON GOVERNMENT'S OFFER

The forty-seventh ordinary general meeting of the Oriental Telephone and Electric Company, Limited, was held on the 29th ultimo at the Great Eastern Hotel, E.C.

Sir A. Henry McMahon, G.C.M.G., &c. (the chairman), in the course of his speech, said: The ordinary dividends have been shown as gross figures, subject to the deduction of income-tax, the final dividend of 11 per cent. gross which we now recommend making a total of 16 per cent. for the year. You may be interested to learn how the total distribution for the year 1940 compares as "net" dividend with the ordinary dividend for previous years. As you know, a dividend of 12 per cent., free of tax, has been paid for many years past, which is equal to £12 net, whereas the gross distribution of 16 per cent. for the year 1940, after deduction of income-tax, is equal to £10 2s. Having regard to the heavy charges for taxation which the company has now to bear, this result must, I think, be considered very satisfactory.

As regards the profits generally, you will notice that there has been a very satisfactory increase at our Singapore branch, which is due partly to an increase in subscriptions and rentals and partly to the reduced charge for depreciation and obsolescence to which I have previously referred. The reduction in the amount of dividends from associated companies is explained briefly in the report. It is in effect due to the fact that the offers of the Government of India for the shares of the companies, to which I refer later, were subject to the condition that no further dividends would be paid until the offers were accepted or rejected.

Our report shows the development which took place in all these centres during the year and also indicates the dividends which have been brought into our profit and loss account for 1940. The Hongkong Telephone Company continues to make progress and has paid a dividend of 14 per cent., as for 1939, and the China and Japan Telephone and Electric Company, Limited, has thus been able to make its usual distribution of 6 per cent., free of tax, for the year. The Rangoon Telephone Company, Limited, has also shown excellent development and has paid its usual dividend of 6 per cent., free of Burman income-tax.

THE INDIAN COMPANIES

I come now to the position which has been reached in respect of the three Indian companies—namely, the Bengal Telephone Corporation, Limited, the Bombay Telephone Company, Limited, and the Madras Telephone Company, Limited. I explained to you last year the difficulties in regard to capital expenditure in which the companies were, owing to the right which the Government of India had to take over the undertakings in 1943 after giving only one year's notice, and how it had been provisionally agreed that probably the right solution was for the Government of India to buy out the companies now. The Government of India made a careful valuation of the assets of the three companies, but eventually they decided to make an offer to buy the shares. These offers proved to be slightly in excess of the market values of the Bengal and Bombay shares, but slightly below the market value of the Madras shares.

The offers were carefully considered by the boards of the companies in consultation with your board, and they had no difficulty in deciding to recommend to their shareholders that the offers should be accepted.

The position is that the offer has been accepted by the shareholders of the Bengal Telephone Corporation and we have been paid for our shares. The requisite majority for the acceptance of the offer relating to the Madras Company has not been secured, but we are considering a suggestion of the Government of India that we should sell them our shares in the company by private treaty. Regarding the offer made in respect of the Bombay Telephone Company, the poll has been concluded and the results are now being scrutinised by the Government of India.

I am sorry that I cannot yet make any proposals as to the course our company should ultimately pursue. That will be considered as soon as we know definitely the result of the Bombay poll and of our negotiations with the Government of India in respect of our Madras shares.

The report was unanimously adopted.

GUEST, KEEN AND NETTLEFOLDS, LIMITED

MR S. R. BEALE'S STATEMENT

The annual general meeting of Guest, Keen and Nettlefolds, Limited, was held, on the 29th ultimo, in Birmingham.

The following is the statement of the chairman, Mr S. R. Beale, which has been circulated with the report and accounts, and was taken as read:—

As war conditions make it impossible for me to give the comprehensive review of the activities of the G.K.N. group that it has been the chairman's privilege to give you in past years, it has been decided that the annual general meeting will be entirely formal.

So that stockholders may be kept in touch with their company, I am having this letter circulated with the annual accounts.

During the past year, the company suffered a grievous loss through the death of Sir David Llewellyn. Sir David's intimate knowledge of the coal trade was of great service to the company for many years. His keen mind and sound judgment were always ungrudgingly at our disposal. The company has lost a great director, and his colleagues a much valued friend.

CHANGES IN THE DIRECTORATE

The board have elected Mr E. C. Lysaght and Colonel H. B. Sankey as directors of the company, and confirmation of their election will be submitted to the annual general meeting. Mr E. C. Lysaght has succeeded his father as managing director of Messrs John Lysaght, Limited. Colonel Sankey has been managing director of Messrs Joseph Sankey and Sons for some years. Both these gentlemen have given proof, over many years, of high business ability. These two appointments to the board of your company strengthen in a desirable way the liaison with these two important allied companies.

Since March 31st Mr T. S. Peacock has intimated his intention of retiring from the position of managing director, which he has held for the past twenty-two years. The board, however, is glad that Mr Peacock has consented to remain on the board as deputy-chairman; his long and intimate knowledge of the business will, therefore, be still available to the company.

The various items in the balance-sheet call for no particular comment. They show the various features which are the inevitable result of war conditions.

"GRIM BUT GAY"

So much has already been said about the effects on industry of income-tax at the present rate, coupled with excess profits tax at 100 per cent., in relation to sufficiency of working capital for post-war enterprise, that I will confine my comments within very strict limits.

When the year's profit is shown free of tax, as ours is, an increase of tax automatically reduces the total of profits available. In addition to this, there are a number of expense items for which provision must be made in the accounts which are not allowed as a deduction from profit as calculated for taxation by the Inland Revenue. With excess profits tax at 100 per cent., and with industry continually having imposed on it increasing burdens, it is inevitable that the profit available for distribution should show a decreasing tendency.

I feel sure you will accept this position in that "grim and gay" spirit in which many others are accepting much worse experience than some reduction of income.

As to our activities, I can tell you that, thanks to the unflagging energy of all the directors, staff and workpeople in all the companies concerned, there has resulted an effort in production that cannot be praised too highly.

PRODUCTION PARAMOUNT

From the national point of view, the paramount requirement at the moment is production, and this effort to produce what the country must have will be continued. At the same time your board is always doing what it can to conserve your interests so that the company's peace-time activities may be resumed with as little delay as possible when that happy time comes.

The report and accounts were unanimously adopted.

THE BURMAH OIL COMPANY, LIMITED

SIR JOHN T. CARGILL'S STATEMENT

The thirty-ninth annual general meeting of the members of the Burmah Oil Company, Limited, was held on the 30th ultimo in the Merchants' Hall, 30 George Square, Glasgow.

Sir John T. Cargill, Bart., chairman of the company, presided.

The following statement by the chairman was circulated with the directors' report and accounts:—

Inclusion with the report and accounts of this personal statement in place of the speech in which normally I review the company's affairs, and particularly conditions which have governed results submitted at general meetings, will make it possible both for us to confine the business at this year's meeting to the formality of putting and adopting the various necessary resolutions and for directors and stockholders alike, whose attendance involves the use of railway facilities, to observe the desire expressed by the Government that railway travelling in to-day's circumstances should be reduced to a minimum.

In ordinary times we talk of many things at these annual functions. There are to-day not less, but possibly even more, matters affecting our business about which ordinarily I might have a great deal to say. But all that must be reserved for a more appropriate occasion, since here again the Government has warned all public companies to be on guard against reports or chairman's speeches containing anything of possible use to the enemy.

BOARD'S DIVIDEND POLICY

Disorganisation of mail services by exigencies of war is alone responsible for the delay in submitting our accounts and holding our meeting; and, by declaring as a second interim dividend what we recommend should be the final dividend for 1940 on our ordinary stock and posting this to stockholders with the report and accounts, we have reduced at least the delay to stockholders in receipt of their dividend. So that we may in future have at any rate the latitude of time for submission of accounts provided by the Companies Act, an extraordinary general meeting to alter our articles accordingly has been convened to precede our annual meeting.

Our products, and in various ways our large and efficient organisation of equipment and personnel, are proving of increasing value to the war efforts of India and Burma besides continuing their service of civil needs.

SATISFACTORY DISTRIBUTION

In the face of greatly increased taxation, including EPT, and advances in the cost of materials and services the decline in investment income anticipated in my speech last year could not be fully compensated for by trading results of our operating subsidiaries in Burma and India. But that our distribution should, in the circumstances, be reduced by no more than the bonus of last year after providing adequate depreciation and further strengthening of reserves will, I feel sure, be regarded as highly satisfactory and that you would wish me to take this opportunity of conveying our appreciation to every member of your own organisation, that of your wholly owned operating subsidiaries, and of associates who, under specially difficult conditions, including those of staffs depleted by calls to war service of one type or another, have been concerned in securing these results.

The high level of taxation and the fact that it is due in any one year on the results of the preceding year make some strengthening of our taxation reserve desirable which has been done at the expense of our carry forward.

To-day one can safely speak of current prospects only so far as they may have been realised at the time, but with this limitation I venture to hope that we may be able next year to submit results up to the standard of those now before you.

The report and accounts were unanimously adopted.

The second interim dividend of 10 per cent. (2s. per £1 unit) paid on July 9, 1941, was confirmed as the final dividend on the ordinary stock for the year 1940.

Mr H. S. Ashton and Sir Louis J. Kershaw, K.C.S.I., C.I.E., the directors retiring by rotation, were unanimously re-elected, and the auditors, Messrs Brown, Fleming and Murray were re-appointed for the current year.

At the extraordinary general meeting held immediately before the annual general meeting the special resolution altering the articles of association was passed unanimously.

MINING TRUST LIMITED

STRONG CASH RESOURCES

The twelfth ordinary general meeting of Mining Trust, Limited, was held on the 29th ultimo at Winchester House, Old Broad Street, E.C.

Earl Castle Stewart, M.C., chairman of the company, presided.

The following is an extract from the statement by the Chairman which was circulated with the report and accounts for the year ended December 30, 1940:—

With regard to the accounts, the share capital remains unaltered. The item "Creditors" contains no unusual features, and investments at cost have been slightly increased by the addition of 500 First "B" Mount Isa debentures and by the purchase of a further 9,600 shares of 5s. each in Saudi Arabian Mining Syndicate. Advances to subsidiary companies remain the same as in last year's accounts. Debtors and payments in suspense are also normal, and have since been received in so far as they are due.

With regard to the income and expenditure account, revenue for the year amounted to £136,066 13s. 8d., details of which are clearly shown in the accounts. Expenses have been reduced by £1,986, while the charge for income-tax deducted at source amounted to £36,707. The balance of income over expenditure of £79,202 10s. 5d. has again been applied to the reduction of the debit balance on income and expenditure account, which now appears in the balance-sheet at £738,149 5s. 1d.

MOUNT ISA AND NEW GUINEA GOLDFIELDS

The accounts, the report of the directors and the speeches of the chairman both of Mount Isa Mines Limited and of New Guinea Goldfields Limited are being circulated herewith.

Mount Isa Mines Limited operated throughout the year mainly upon Government contracts under conditions laid down by the Ministry of Supply, which enabled the company, as forecast at the last annual meeting of Mining Trust, to make a small profit without placing anything to reserve or depreciation. It is hoped that during the ensuing year the Ministry of Supply will again be able to place contracts with the company, which will enable it to continue in production, upon terms not dissimilar from those which obtained last year.

Having regard to the difficulties experienced by rapidly rising costs and lack of shipping, the results obtained by Big Bell Mines Limited and by the Saudi Arabian Mining Syndicate, as disclosed in the Mining Trust directors' report, must be considered satisfactory.

The cash balance of Mining Trust, Limited, shows an increase of £79,532 over last year. At to-day's date our total cash stands at £454,000 and in addition we hold £20,000 of 2½ per cent. National War Bonds. Your directors still feel that it is of the utmost importance that this cash should be retained until the end of the war to meet possible emergencies. So far we have been very fortunate and no serious damage has been done to any of our properties, but it will be appreciated that considerable reserves must always be kept available in case of damage to our Britannia lead refinery, which is situated in this country, as also against fluctuations in the price of silver, and to cover any advances that might be required by Mount Isa in the event of delays in the shipment of bullion to this country.

Finally, your directors feel that The Mining Trust Limited and the companies in which it is interested have withstood the shocks of war more successfully than could have been anticipated twelve months ago, and that strong cash resources are being maintained in hand adequate to tide the company over any difficulties which might be experienced during the period of transition, when it comes, from war to peace.

The report and accounts were unanimously adopted.

EASTWOOD'S FLETTONS, LIMITED

MR HORACE BOOT'S STATEMENT

The fourteenth ordinary general meeting of Eastwoods Fletttons, Limited, was held, on the 1st instant, at 47, Belvedere Road, S.E. Mr Horace Boot, M.Inst.C.E., M.I.Mech.E., M.I.E.E., the chairman of the company, presided.

The review of the chairman of the operations of the past year stated, *inter alia*: The accounts show the company continues to make satisfactory progress. The financial position is strong.

Stock shows some reduction. Although fully engaged, we were practically clear of bricks at March 31st. In previous year owing to temporary failure of demand due to extreme weather conditions, we were carrying large quantities of bricks in stock. These were sold during current period with consequent improvement of trading profits which increased from £38,365 to £40,984.

In addition to interim dividend of 3 per cent. we are able to declare a final dividend of 6 per cent. on preferred ordinary shares together with 4d. per share on deferred shares.

We are operating under the Essential Work Order, which, while granting some measure of stability in regard to labour employed, also secures for employees guaranteed pay at standard rates—whatever the weather conditions. I am still far from convinced that the extent to which industry is called upon to hand over management to interests not necessarily skilled in such tasks, will eventually prove satisfactory, either to workpeople or employers.

The constant adjustment of wages to meet increases in cost of living is having more than any other single factor the effect of forcing manufacturing costs steadily upwards.

Excellent work is being done at Ministry of Works and Buildings under able guidance of Lord Reith and expert controllers responsible for supply of various groups of building materials.

There undoubtedly lies ahead an era of progress and prosperity for well managed and modestly capitalised concerns who are best equipped to meet the requirements of a building programme which it is hoped will have been wisely planned to meet the new national need.

COMMODITY AND INDUSTRY NEWS

PEPPER prices reacted to rumours of a Government decision to control its price. It is expected that an announcement will shortly be made and it is thought likely that the price fixed will be lower than Tuesday's prices of 16½d. a lb. for white Muntok, spot, in bond, and 9½d. a lb. for Lampong black. A week earlier these prices were 17½d. and 10d. respectively. Tin prices were above the £260 level for standard cash between July 24th and 28th, but dropped again. On Wednesday the price was £257-£257 5s. a ton, compared with £258 5s. 10d. a week ago. Three months was £259 15s.-£260 a ton, as against £261-£261 5s. Rubber has been quiet and smoked sheet, spot, closed at 13½d. a lb. on Tuesday. In the United States the Office of Price Administration and Civilian Supply has requested the New York Commodity Exchange to suspend dealings in silk futures until further notice. The Exchange has also ordered the settlement of outstanding copper contracts at 11.80 cents a lb. for July to September, 11.65 cents for October, and 11.55 cents for December and January.

Clothing Workers Enquiry.—The Director-General of Civilian Clothing is sending a questionnaire to makers-up of clothing (other than hosiery, footwear and headgear) who employ more than 200 direct factory workers. The object of the enquiry is to give further help to manufacturers of cheap essential clothing. The information obtained will assist the Director and the Ministry of Labour in considering the position of the key workers needed to produce such clothing.

Cotton Position.—Trading in the market has reached almost a deadlock owing to the fact that most spinners and manufacturers are heavily sold and do not want to extend their order lists further ahead. Demand has been plentiful, but only a limited turnover has been made. A vital factor in the situation at the moment is the scarcity of raw cotton supplies, particularly of certain qualities. The supply position in the yarn market remains very tight: medium American numbers and coarse Egyptian counts have been practically unobtainable. A return of cotton yarn stocks (including yarns spun from cotton waste) in the hands of merchants has been asked for by the Cotton Control.

Concentration in Pianoforte Industry.—Under the Board of Trade's plans for the concentration of the pianoforte manufacturing industry in this country, seven nucleus firms will undertake production for all the principal makers. When these arrangements have been concluded the industry is likely to release 270,000 sq. ft. of factory space in addition to the 100,000 sq. ft. already released for Government purposes.

Feeding Stuff Maximum Prices.—The Ministry of Food announced that maxi-

mum prices were fixed from July 28th for wet grains when sold by measure. The prices are 6d. a bushel for brewers' wet grains, &c., and 7½d. a bushel for distillers' wet grains, &c.; these correspond to the maximum prices of £1 2s. 6d. and £1 8s. 6d. a ton already fixed for wet grains sold by weight. From July 28th maximum prices, per ton gross, sacks included, were fixed for the following: Wheat malt bran, £8 12s. 6d.; barley malt bran £3 10s., pea and lentil by-products, in the form of meal, £13, and in the form of chaff or chips, £11.

Food Control.—The following maximum prices have been fixed for canned meats now arriving from the United States—Corned pork, wholesale, 1s. 0½d. a lb., retail, 1s. 4d. a lb.; lunch tongues, wholesale, 2s. 6d., retail, 3s. 4d., and luncheon meat, including chopped ham, wholesale, 1s. 9d., and retail, 2s. 4d. The retail prices of tongues and luncheon meats are reduced by 4d. and 3d. a lb. respectively on sales of more than 1 lb. at a time. The first consignment has been wetted with sea water, but the tins have been dried and are being released for immediate consumption.

Ministry of Supply Orders.—The Ministry of Supply has made the Chrome Magnesite and Wolfram (No. 2) Order, which subjects to licence the acquisition and disposal of "Basic or neutral refractory material," defined as including bricks, refractory cements and other refractory materials containing any compound of magnesium or chromium, other than those manufactured wholly from dolomite. Another Order, the Foundry Bonding Materials Order, makes subject to licence the acquisition and disposal of

bentonite and colbond and fullers' earth, except for certain uses. The Orders came into force on July 30th. It is announced that the Chrome Controller will in future be responsible for the production and distribution of dolomite with a view to ensuring adequate supplies and the most advantageous use of the material.

"THE ECONOMIST" SENSITIVE PRICE INDEX

	July 1941	July 1941	July 1941	July 1941	July 1941
	24	25	28	29	30
	1941	1941	1941	1941	1941
Crops	113.7	113.8	113.5	113.5	113.4
Raw materials	170.5	170.6	170.7	170.6	170.7
Complete Index	139.2	139.4	139.2	139.2	138.9
Mar. 1937	100	100	100	100	100
Aug. 1937	100	100	100	100	100
July 1940	100	100	100	100	100
June 1941	100	100	100	100	100
July 1941	100	100	100	100	100

* Highest level reached during 1932-37 recovery.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM

	Mar. 1937	Aug. 1937	July 1940	July 1941	July 1941
	31	31	16	8	22
	1937	1937	1940	1941	1941
Cereals and Meat	93.0	66.9	90.6	94.6	94.7
Other Food	70.4	61.1	80.1	98.7	99.2
Textiles	74.2	54.3	88.9	93.3	93.3
Minerals	113.2	95.4	121.3	129.3	129.4
Miscellaneous	87.0	77.6	110.0	113.2	113.2
Complete Index	87.2	70.3	98.1	105.2	105.4
1913=100	119.9	96.8	135.0	144.8	145.0

* Highest level reached during 1932-37 recovery.

VALUE OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN

	Home	Export	Total
	Index	% Change from 4 Year ag.	
1935	96	83	96
1936	99	90	99
1937	100	100	100
1938	100	100	100
1939	105	80	103
1940	116	83	114
1941 May	130	88	128
June	97	106	97
July	82	94	83
Aug.	124	74	122
Sept.	148	54	143
Oct.	157	73	152
Nov.	81	88	81
Dec.	76	71	76
1941 Jan.	63	67	63
Feb.	106	68	105
March	124	102	123
April	102	93	101
May	88	109	88
June	122	105	122

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. Purchase Tax is included; figures are therefore comparable throughout. Source: Board of Trade Journal.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended	From Aug. 1 to
	July 12, 1941	July 19, 1941
	1941	1941
N. America	824	627
Argentina, Uruguay	194	314
Australia	...	...
Russia	...	...
Danube and district	...	...
Other countries	...	...

* Unobtainable. † Revised. ‡ Incomplete.

Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended	From Apr. 1 to
	July 12, 1941	July 19, 1941
	1941	1941
Argentina	2	60
Atlantic America	...	...
Danube Region	...	...
S. & E. Africa	...	...
Indo-China, etc.	...	...

* Not received. † Incomplete.

Source: The Corn Trade News.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended July 26, 1941, total ordinary revenue was £28,676,000, against ordinary expenditure of £27,242,000 and issues to sinking funds of £130,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £959,088,000 against £688,581,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	April 1 to July 27, 1940	April 1 to July 27, 1941	Week ended July 27, 1940	Week ended July 26, 1941
ORDINARY REVENUE					
Income Tax	756,000	52,912	114,904	5,727	7,861
Sur-tax	80,000	8,070	9,478	360	459
Estate, etc.	82,000	30,340	31,854	1,570	1,350
Duties	14,000	4,950	3,731	920	1,000
Stamps	210,000	13,740	55,420	2,170	2,920
N.D.C.	1,000	160	155	10	10
E.P.T.	1,000	160	155	10	10
Other Inland Rev.	114,300	11,725	22,127	11,327	13,925
Total Inland Rev.	1,143,000	117,252	221,127	11,327	13,925
Customs	310,700	93,698	108,280	7,804	5,627
Excise	266,660	61,422	70,940	1,122	6,840
Total Customs & Excise	577,360	145,120	179,220	8,926	12,467
Motor Duties	39,000	7,515	6,252	817	...
P.O. (Net Receipts)	3,300	4,750	3,850	400	500
Crown Lands	1,100	450	430	170	150
Receipts from Sundry Loans	2,600	515	1,509	39	506
Miscellaneous Receipts	20,000	6,263	18,859	1,120	1,128
Total Ord. Rev.	1,786,360	281,865	431,257	22,799	28,676
SELF-BALANCING P.O. & Broadcasting	99,346	25,550	28,850	2,000	1,450
Total	1,885,706	307,415	460,107	24,799	30,126

Expenditure	Estimate, 1941-42	April 1 to July 27, 1940	April 1 to July 27, 1941	Week ended July 27, 1940	Week ended July 26, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	93,254	102,677	...	...
Payments to N. Ireland	9,200	2,225	2,402	297	363
Other Cons. Fund Serv.	7,800	3,195	3,073	...	...
Total	272,000	98,674	108,152	924	903
Supply Services	393,497	86,954	127,896	67,882	76,339
Total Ord. Exp.	420,697	96,822	138,048	68,806	77,242
SELF-BALANCING P.O. & Broadcasting	99,346	25,550	28,850	2,000	1,450
Total	430,633	99,372	141,698	70,606	78,692

After decreasing Exchequer balances by £562,254 to £2,357,821, the other operations for the week (no longer shown separately) raised the gross National Debt by £47,498,517 to about £12,295 millions.

MONTH'S CHANGES IN DEBT

NET INCREASES	NET REPAYMENTS
(£ thousands)	(£ thousands)
Treasury Bills	94,757
Nat. Sav. Certs.	10,550
3% Def. Bonds	11,298
Nat. War Bonds	...
1946-1948	37,995
Sav. Bonds '55-'65 ..	40,785
"Other Debt"	2,830
Total	198,215
Ways & Means Advances	685
Treasury deposits	3,500
Nat. Sav. Bonds	34
Total	4,219

NET ISSUES	(£ thousands)
Overseas Trade Guarantees	25
P.O. and Telegraph	200
Total	225

NET RECEIPTS	(£ thousands)
Under War Damage Act	860
AGGREGATE ISSUES AND RECEIPTS	1,085

The Aggregate issues and receipts from April 1, 1941, to July 26, 1941, are:—

Ordinary Exp.	Ord. Revenue
1,388,048	431,257
Gross borr. 951,796	
Less—	
Sinking fds. 2,297	
Net borrowing 949,499	
Misc. Receipts (net) 7,023	
Dec. in balances 269	
Total 1,388,048	1,388,048

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1940				
July 27 1941	826.0	906.5	43.6	1806.2
April 19 1941	855.0	1370.4	163.5	2909.4
May 3 1941	875.0	1370.4	163.5	2909.4
" 10 1941	885.0	1370.4	163.5	2909.4
" 17 1941	895.0	1370.4	163.5	2909.4
" 24 1941	905.0	1370.4	163.5	2909.4
June 7 1941	915.0	1370.4	163.5	2909.4
" 14 1941	925.0	1370.4	163.5	2909.4
" 21 1941	935.0	1370.4	163.5	2909.4
" 28 1941	945.0	1370.4	163.5	2909.4
July 5 1941	955.0	1370.4	163.5	2909.4
" 12 1941	960.0	1370.4	163.5	2909.4
" 19 1941	965.0	1370.4	163.5	2909.4
" 26 1941	960.0	1491.7	174.3	3155.5

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Amount Applied	Average Rate Allotted	Per Cent Allotted at Min. Rate
1940				
July 26 1941	65.0	125.8	60.0	20 d. 4
April 18 1941	70.0	156.6	70.0	20 2-72
" 18 1941	75.0	161.8	75.0	20 2-63
" 25 1941	75.0	168.9	75.0	20 2-20
May 2 1941	75.0	170.4	75.0	20 3-16
" 9 1941	75.0	160.5	75.0	20 0-17
" 16 1941	75.0	154.7	75.0	20 0-18
" 23 1941	75.0	141.8	65.0	20 0-19
" 30 1941	75.0	145.1	75.0	20 0-06
June 6 1941	75.0	156.1	75.0	20 0-22
" 13 1941	75.0	166.5	75.0	19 11-88
" 20 1941	75.0	158.5	75.0	20 0-15
" 27 1941	75.0	163.1	75.0	19 11-83
July 4 1941	75.0	183.0	75.0	20 0-69
" 11 1941	75.0	155.7	75.0	20 0-34
" 18 1941	75.0	146.8	70.0	20 0-33
" 25 1941	75.0	163.6	75.0	19 11-84

On July 25th applications at 599 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at about 24 per cent of the amount applied for, and applications at higher prices in full. Applications at 599 15s. 0d. for bills to be paid for on Saturday were accepted in full. 475 millions of Treasury bills are being offered on August 1st. For the week ending August 2nd the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 21% BONDS SUBSCRIPTIONS (£ thousands)

(£ thousands)				
Week ended	N.S.C.	3% Defence Bonds	New 21% Bonds	3% Savings Bonds
June 17	4,051	3,359	9,812	7,867
" 24	4,087	3,306	27,050	5,127
July 1	3,414	2,784	17,494	18,028
" 8	3,416	3,490	8,611	7,770
" 15	4,374	2,887	17,078	14,352
" 22	3,937	2,888	6,367	7,517
" 29	...	...	4,316	7,202
Totals to date ...	331,710*	317,518*	390,193*	263,410*

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; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Mellie Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Reichsbank, of Feb. 15th; Egypt, of May 10th; Bulgaria, of May 31st; U.S. Federal Reporting Member Banks, Greece, Yugoslavia, of June 7th; International Settlements and Hungary, of July 5th; Portugal, of July 12th; Australia, South Africa and Sweden, of July 26th.

U.S. FEDERAL RESERVE BANKS

Million \$'s

12 U.S.F.R. BANKS RESOURCES	July 25, 1940	July 10, 1941	July 17, 1941	July 24, 1941
Gold Certifs. on hand and due from Treasury	18,114	20,311	20,308	20,303
Total reserves	18,507	20,573	20,603	20,612
Total cash reserves	380	252	283	293
Total U.S. Govt. secs.	2,450	2,184	2,184	2,184
Total bills and secs.	2,462	2,197	2,196	2,197
Total resources	21,744	23,781	24,036	23,862

LIABILITIES	July 25, 1940	July 10, 1941	July 17, 1941	July 24, 1941
F.R. notes in circ.	5,223	6,707	6,774	6,771
Excess mtr. bank res.	6,570	5,270	5,340	5,340
Mr. bank res. dep.	13,565	12,971	13,223	13,117
Govt. deposits	643	1,038	849	954
Total deposits	15,535	15,766	15,865	15,830
Total liabilities	21,744	23,781	24,036	23,862
Reserve ratio	89.2%	91.1%	91.0%	91.2%

BANKS AND TREASURY RESOURCES	July 25, 1940	July 10, 1941	July 17, 1941	July 24, 1941
Monetary gold stock	20,367	22,640	22,655	22,66
Treasury & bank currency	3,020	3,152	3,157	3,161
LIABILITIES	July 25, 1940	July 10, 1941	July 17, 1941	July 24, 1941
Money in circulation	7,854	9,695	9,645	9,634
Treasury cash and dep.	2,872	3,330	3,158	3,274

RESERVE BANK OF INDIA

Million Rupees

ASSETS	July 19, 1940	July 27, 1941	July 4, 1941	July 11, 1941	July 18, 1941
Gold coin and bullion	444	444	444	444	444
Rupee coin	293	367	367	367	371
Balances abroad	202	371	465	430	429
Sterling securities	1,315	1,188	1,216	1,216	1,217
Ind. Gov. rup. secs.	496	913	913	885	885
Investments	86	84	53	80	80

LIABILITIES	July 19, 1940	July 27, 1941	July 4, 1941	July 11, 1941	July 18, 1941
Notes in circ. - India	2,291	2,588	2,588	2,587	2,558
Burma	127	181	181	189	189
Deposits - Govts.	120	123	196	208	225
Banks	295	304	326	286	300
Reserve Ratio	69.1%	56.1%	56.0%	57.0%	57.0%

CENTRAL BANK OF ARGENTINA

Million paper pesos

ASSETS	June 30, 1940	May 15, 1941	June 15, 1941	June 30, 1941
Gold at home	1,224	1,071	1,071	1,071
Other gold and for. exch.	168	308	323	363
Non-int. Govt. bonds	119	119	119	119
Treasury bonds	395	395	394	394
LIABILITIES	June 30, 1940	May 15, 1941	June 15, 1941	June 30, 1941
Notes in circulation	1,220	1,231	1,232	1,248
Deposits - Government	159	95	105	104
Banks	401	534	584	635
Certs. of participation	155	69	27	30
Reserve ratio	78.1%	74.0%	73.0%	71.8%

BANK OF CANADA—Million Can.\$.

ASSETS	July 3, 1940	June 18, 1941	June 25, 1941	July 2, 1941
Reserve: Gold	2.8	26.8	29.8	49.8
Other	541.0	530.6	541.1	645.7
LIABILITIES	July 3, 1940	June 18, 1941	June 25, 1941	July 2, 1941
Note circulation	279.1	388.7	388.3	395.9
Deposits: Dom. Govt.	33.9	165.6	231.4	33.8
Chartered banks	216.7	231.3	222.1	208.1

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

BANK OF JAPAN

Million yen

ASSETS	May 11, 1940	Apr. 26, 1941	May 3, 1941	May 10, 1941
Gold & Bullion: Gold	501.3	589.5	597.6	598.8
Other	28.9	589.5	597.6	598.8
Foreign exch. fund	300.0	300.0	300.0	300.0
Discounts & advances	538.3	541.6	515.3	538.4
Government bonds	2,551.1	3,623.3	3,628.2	3,509.9
Agencies' accounts	261.7	359.1	328.9	279.7
LIABILITIES	May 11, 1940	Apr. 26, 1941	May 3, 1941	May 10, 1941
Notes issued	3,130.1	3,927.9	3,896.2	3,661.7
Deposits: Government	741.3	838.0	857.2	956.5
Other	91.5	403.9	343.1	389.1

PRAGUE NATIONAL BANK

Million crowns

ASSETS	June 7, 1940	May 31, 1941	June 15, 1941	June 15, 1941
Gold	1,596	1,465	1,465	1,472
Foreign exchange	728	774	777	780
Other cash	2,336	1,016	1,009	1,057
Bills and securities	481	445	445	445
Advances	543	8,612	8,837	8,347
Other assets	4,535	8,612	8,837	8,347
LIABILITIES	June 7, 1940	May 31, 1941	June 15, 1941	June 15, 1941
Note circulation	5,558	7,030	6,964	6,686
Cash certificates	1,034	1,647	1,611	1,780
Clearing deposits	1,257	1,788	2,026	1,828
Other liabilities	1,829	1,304	1,264	1,265

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

ASSETS	May 27, 1940	May 12, 1941	May 19, 1941	May 26, 1941
Gold and stg. exch.	16.52	23.84	24.07	24.04
Advances to State	23.18	17.15	17.49	17.77
Investments	2.54	3.77	3.77	3.77
LIABILITIES	May 27, 1940	May 12, 1941	May 19, 1941	May 26, 1941
Bank Notes	17.95	21.69	21.81	21.78
Demand liab. : State	6.19	7.72	8.41	8.48
Banks and others	15.77	14.24	13.98	14.24
Reserves to sight liab.	41.2%	54.6%	54.4%	54.0%

NATIONAL BANK OF ROUMANIA

Million lei

ASSETS	Apr. 15, 1940	Mar. 15, 1941	Mar. 22, 1941	Mar. 29, 1941
Gold and gold exchange	20,965	32,307	32,307	32,325
Foreign exchange	3,841	2,234	3,258	3,485
Commercial bills	17,869	24,477	24,321	24,727
Treasury bills issued agst. losses on credits	4,455	4,232	4,232	4,239
Advances on secs.	4,962	5,753	5,804	5,790
State debt	5,572	3,554	3,554	3,554
Secs. and Participations	2,289	2,596	4,439	4,438
LIABILITIES	Apr. 15, 1940	Mar. 15, 1941	Mar. 22, 1941	Mar. 29, 1941
Notes in circulation	49,268	67,914	67,925	68,886
Other sight liabilities	10,471	18,562	18,765	18,536
Long-term liabilities	6,406	2,402	2,421	2,051

SWISS NATIONAL BANK

ASSETS	May 31, 1940	June 23, 1941	June 30, 1941	July 7, 1941
Gold	216.8	229.2	228.3	228.8
Foreign Exchange	360.5	131.0	131.0	130.8
Discounts, etc.	174.3	62.6	62.4	60.7
Advances	143.8	24.0	27.0	26.6
Securities	86.9	69.8	69.8	69.8
LIABILITIES	May 31, 1940	June 23, 1941	June 30, 1941	July 7, 1941
Notes in circulation	224.6	204.5	211.5	208.0
Other sight liabilities	565.1	217.3	215.5	216.8

CENTRAL BANK OF TURKEY

Million Turkish pounds

ASSETS	Apr. 6, 1941	Mar. 1, 1941	Mar. 15, 1941	Mar. 29, 1941
Gold	116.5	109.5	110.4	110.8
Clearing and other exch.	39.1	36.2	47.2	49.2
Treasury bonds	140.5	138.6	138.6	138.6
Commercial bills	238.6	268.3	269.2	271.4
Securities	56.7	53.8	53.8	53.8
Advances	16.5	124.6	129.9	129.9
LIABILITIES	Apr. 6, 1941	Mar. 1, 1941	Mar. 15, 1941	Mar. 29, 1941
Notes in circulation	312.5	437.6	451.1	461.1
Deposits	136.8	151.2	154.1	149.5
Clearing and other exch.	37.6	20.1	26.1	26.6

MONEY MARKET

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between July 25th and Aug. 1st. (Figures in brackets are par of exchange.)

United States \$ (4/8½) 4-02-03½; mail transfers 4-02-03½. Canada \$ (4/8½) 4-43-47; mail transfers 4-43-47½. Switzerland, France (25-22½) 17-30-40. Sweden, Krona (18-159) 16-85-95. Argentina, Peso (11-45) 16-95-17-13; mail transfers 16-95-17-15. Dutch East Indies, Florin (12-11) 7-58-62; 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, Lira (110) 520. Italy, L. 75 lire.

Market Rates

The following rates remained unchanged between July 25th and Aug. 1st.

Finland, Mark (193-23) Nominal. Egypt, Piastres (97½) 97½-1. India, Rupee (184 per rupee) 17½-18½. Hongkong, 14½-15½d. per \$ Japan, Yen (24-584) 24-584. July 25th, 13½-14½; July 26th-Aug. 1st, Unquoted. Singapore, \$ (284 per \$) 284-1/2. Colombia, Peso 6 (sellers). Belgian Congo, Francs 176½-178. Shanghai, July 25th-26th, 3-3½d.; July 28th, 2½-3½d.; July 29th, 2½-3½d.; July 30th-Aug. 1st, 2½-3½d.

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. 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 July 25th and Aug. 1st:—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, 1½-1½%. Treasury Bills: 2 months, 1½%; 3 months, 1½%. Day-to-day money, 1½%. Short Loans, 1-1½%. Bank deposit rates, ½%. Discount deposit at call ½%; at notice, ½%.

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 of standard ounce have been as follows:—

Date	Cash	Two Months	Date	Cash	Two Months
July 24	23½	23½	July 29	23½	23½
" 25	23½	23½	" 30	23½	23½
" 28	23½	23½			

PROVINCIAL BANK CLEARINGS (£ thousands)

Working days	Week ended July 27, 1940	Aggregate January 1 to July 26, 1940	Week ended July 27, 1941	Aggregate January 1 to July 26, 1941
Birmingham	1,726	2,706	68,983	67,140
Bradford	2,447	1,796	48,980	65,459
Bristol	1,962	1,986	52,093	58,229
Hull	538	685	23,701	18,885
Leicester	675	815	22,812	24,726
Liverpool	4,805	5,631	173,956	157,224
Manchester	9,626	10,619	343,315	345,979
Newcastle	1,190	1,217	40,909	38,596
Nottingham	399	318	12,310	13,217
Sheffield	586	598	20,030	20,440
10 Towns	23,954	26,371	807,689	809,895
Dublin	6,067	5,992	177,162	176,350
South'pton	99	105	...	2,873

* July 20, 1940, and July 19, 1941. † Clearing begun May 14, 1940.

NEW YORK EXCHANGE RATES

New York on	July 23, 1941	July 24, 1941	July 25, 1941	July 26, 1941	July 28, 1941	July 29, 1941
Cables:—						
London	4-03½	4-04	4-04	4-03½	4-03½	4-03½
Paris	2-34	2-34	2-34	2-34	2-34	2-34
Montreal, Can. \$	88-375	88-375	88-375	88-375	88-500	88-500
Japan, Yen	23-57-62	23-57-62	23-57-62	23-57-62	23-57-62	23-57-62
Shanghai, \$	5-44	5-47	5-47	5-47	5-40½	5-40½
B. Aires, Pso. (mkt. rate)	23-83	23-83	23-83	23-83	23-83	23-83
Brazil, Milreis	5-05	5-05	5-05	5-05	5-05	5-05

* Official rate 29-78.

† Nominal.

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.
						£	£	%	£	£	£	£	%
Breweries, &c.													
Hancock (William)	May 31	182,204		51,200	94,099	24,000	25,740	10	...	+ 1,460	136,716	56,515	10
Threlfall's	June 30	400,375	34,735	275,797	591,799	26,517	247,500	18	...	+ 1,780	458,471	274,713	18
Rubber													
Badenoch	Dec. 31	59,100	...	24,100	27,048	...	18,000	6	5,000	+ 1,100	24,993	19,993	5
Bukit Ijok (Selangor)	Dec. 31	7,986	...	2,507	6,196	...	3,178	8	...	+ 671	...	3,820	21
Chota	Dec. 31	10,649	750	4,556	4,473	...	4,473	6	...	+ 83	4,392	1,242	6
Dennistown Estates	Dec. 31	32,031	...	3,633	7,683	...	3,390	4	...	+ 243	123,297	24,440	7
Golden Hope	Feb. 28	180,651	...	22,030	31,747	...	21,869	6	...	+ 161	8,744	4,106	10
Jasin (Malacca)	Dec. 31	12,467	...	1,649	7,116	...	3,000	10	...	+ 1,351	140,029	36,253	12
Pataaling Rubber	Dec. 31	216,186	...	43,855	44,567	...	38,143	12½	5,000	+ 712	27,744	21,911	18½
Riverview	Mar. 31	42,013	...	39,841	42,720	...	30,239	25	9,333	+ 713	12,499	6,249	7
Sarawak	Mar. 31	11,986	2,500	3,712	6,899	...	4,425	7	15,000	+ 319	45,540	43,040	4½
Straits Rubber	Dec. 31	94,819	...	78,319	93,972	...	63,000	8	...	...	...	...	...
Tea													
Badulipar	Dec. 31	21,557	...	7,513	15,733	2,021	5,294	7½	...	+ 198	25,598	8,451	10
Bordubi	Dec. 31	22,828	...	14,129	29,904	...	13,500	15	...	+ 629	32,823	16,373	15
Borjan	Dec. 31	6,561	...	3,549	6,925	560	3,095	12½	...	+ 106	6,301	3,611	20
Boroi	Dec. 31	5,416	...	3,841	8,931	...	3,601	15	...	+ 240	6,682	4,981	20
Longai Valley	Dec. 31	14,793	...	3,938	8,299	1,605	1,348	2½	1,000	+ 15	12,042	3,018	21
Loksan	Dec. 31	4,714	...	2,051	4,276	383	1,234	7½	500	+ 66	4,596	2,587	7
Rungjaun	Dec. 31	10,465	...	5,287	12,343	540	3,525	10	1,500	+ 278	24,058	7,300	12½
Upper Assam	Dec. 31	29,268	...	12,266	93,485	...	13,333	10	...	+ 1,067	45,169	20,128	15
Zaloni	Dec. 31	6,746	1,000	2,043	5,022	...	2,400	6	...	+ 357	8,647	6,648	8
Trusts													
Scottish-American	May 31	117,372	...	51,137	53,193	28,342	10,914	7	13,000	+ 1,119	117,015	59,654	6
Scottish Tea & Rubber	May 31	7,206	...	6,134	13,283	...	6,382	7	...	+ 248	6,937	5,822	6
Second Consolidated	June 15	74,148	...	18,064	18,595	18,000	...	...	...	+ 64	67,469	22,466	Ni
Other Companies													
Amalgamated Press	Feb. 28	593,554	...	305,614	521,969	169,307	36,000	6	100,000	+ 307	503,246	397,928	6
Barratt (W.)	June 30	184,786	24,149	93,399	123,000	35,000	48,000	12	10,000	+ 399	180,033	93,000	12
Boots Pure Drug	Mar. 31	1,001,570	112,697	500,837	700,548	96,750	384,000	24	...	+ 20,087	983,331	750,703	30
Eastwoods Flettons	Mar. 31	40,384	10,000	23,456	37,073	17,100	2,850	33½	3,500	+ 6	38,308	21,150	25
Evans (W.) (Manchester)	Apr. 30	34,953	4,550	13,088	29,126	3,910	7,500	10	...	+ 1,678	46,041	18,061	13
Greenwood & Batley	Mar. 31	165,311	53,500	59,282	91,738	7,027	52,258	15	...	+ 3,353	71,236	52,266	9
Hoffnung (S.) & Co.	Mar. 31	83,465	...	48,915	48,915	25,312	20,250	9	...	+ 1,770	18,149	47,327	9
Hofnung (S.) & Co.	Jan. 11	21,862	2,930	6,950	40,549	5,180	...	...	...	+ 28,005	169,813	3,815	...
Hovenden (R.) & Sons	Dec. 31	250,203	...	64,255	140,421	11,250	25,000	5	...	+ 400	46,008	76,838	5
North British Rubber	Dec. 31	73,932	...	29,225	35,879	4,000	20,625	12½	5,000	+ 24,064	16,093	16,093	Ni
Spear & Jackson	Jan. 31	24,064	...	24,064	51,538	...	...	...	...	...	...	...	...
Suburban & Provincial Stores	Jan. 31	24,064	...	24,064	51,538	...	...	...	...	...	...	...	...
Totals (0000's)													
Week to Aug. 2, 1941	No. of Cos. 35	4,056	247	1,851	3,150	477	1,124	...	169	+ 81	3,566	2,171	...
Jan. 1 to Aug. 2, 1941	1,175	246,235	18,840	120,359	186,244	25,321	79,192	...	11,605	+ 4,241	240,090	137,694	...

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, July 23, 1941	Yield, July 29, 1941	Prices, Year 1941		Last two Dividends		Name of Security	Price, July 23, 1941	Yield, July 29, 1941	
High	Low	High	Low				High	Low	(a)	(b)				
British Funds														
77	68½	82½	76½	Consols 2½%	82	81½	24/3	20/10½	5 c	6 c	Iron, Coal, &c.—cont.			
111½	103½	111½	110	Do. 4% (alt. 1937)	110½	110	21/1	21/1	7½ a	15 b	Guest, Keen & Co. Ord. £1	23/9	23/4½	
98½	95½	98½	98½	Conv. 2% 1943-45	99½	99½	15/-	11/-	12 b	6 c	Hadden's Ord. 10/-	26/3	26/7½	
100½	95½	100½	98½	Do. 2½% 1944-49	100½	100½	2 9 3	21/9	18/6	12 c	6 c	Powell Duffryn Ord. £1	14/9	14/10½
103	97½	103½	101½	Do. 3% 1948-53	102½	101½xd	2 13 6	48/9	42/6	15½ b	12 a	S. Durham Ord. £1	20/-	20/6
103½	94½	106½	102½	Do. 3½% after 1961	106½	106½	3 7 0½	45/4½	41/3	12½ c	12½ c	Stavley Coal Ord. £1	47/10½	48/6
112	107½	108½	106½	Do. 5% 1944-64	107	106½	2 13 6	33/-	28/-	6 b	4 a	Stewart & Lloyds £1	45/3	45/9
92½	86½	94½	91½	Fund. 2½% 1956-61	94½	94½	2 17 9	24/3	19/9	5½ b	2½ a	Swan, Hunter Ord. £1	30/7½	31/3
98½	92	99	97½	Fund. 2½% 1952-57	98½	98½	2 18 0	16/1½	14/3	4 a	6 b	Un. Steel Cos. Ord. £1	23/6	23/6
99½	95	100½	98½	Fund. 3% 1959-69	100½	100½	2 19 9					Vickers Ord. 10/-	15/9	15/10½
114	105½	111½	111½	Fund. 4% 1960-90	114	113½	3 1 6	5/4½	3/-	NH	NH	Textiles		
102	98½	101½	100	Nat. D. 2½% 1944-48	101	101½	2 8 0½	34/1½	27/6	3½ a	6½ b	Brit. Celanese 10/-	5/4½	5/-
102	95½	100½	100½	Do. 3% 1954-58	100½	100½	2 18 0	34/7½	28/9	5½ b	2½ a	Coats, J. & P. £1	33/-	32/10½
100½	100	100½	100	War Bds. 2½% 1945-47	100½	100	2 10 0	20/9	22/9	7½ c	7½ c	Courtaulds £1	30/3	30/4½
...	...	...	...	Do. 2½% 1946-48	100½	100	2 10 0	20/3	15/-	7½ c	7½ c	English Swg. Ctn. £1	26/3	26/-
...	...	...	...	Sav. Bds. 3% 1955-65	100½	100½	2 19 9	53/1½	45/-	18 c	15 c	Lancs. Cotton Corp. £1	19/9	20/6
112½	105½	112½	110½	Victory Bonds 4%	112½	111½xd	11 0½			18 c	15 c	Patons & Baldwin £1	45/7½	46/3
101	98	101½	100½	War L. 3% 1955-59	101	101	2 17 3	43/3	38/3	10 c	10 c	Electrical Manufact.		
103½	93½	105½	102½	War L. 3½% af. 1952	105	104½	3 7 0½	88/3	78/9	5 a	15 b	Associated Elec. £1	42/9	42/6
83½	80½	86½	84½	Local Loans 3%	85	84½	3 3 4	66/-	58/3	5 a	10 b	British Insulated £1	86/3	87/6
94½	85½	98½	93½	Red'ption 3% 1936-98	97½	97½	3 2 0	19/7½	17/6	12½ b	7½ a	Callenders £1	66/3	66/3
101	97½	101	100	Austria 3% 1933-53	100	100	3 0 0	35/6	28/3	10 c	10 c	Crompton Park, A. 5/-	19/6	19/6
71½	69½	78½	70	India 2½%	78½	78	3 4 1	84/3	77/-	20 c	17½ c	English Electric £1	35/-	35/6
71½	62½	70½	69	Do. 3½%	99½	99½	3 10 6	50/-	42/6	7½ b	7½ a	General Electric £1	80/-	78/6½
Dom. & Col. Govts.														
107½	101	105½	103½	Australia 5% 1945-75	104	104½	2 16 9	36/4½	33/6	3 a	5 b	Johnson & Phillips £1	50/-	50/-
112	105½	112	108½	Canada 4% 1953-58	111	111	2 19 0	35/-	29/6	3 a	5 b	Gas and Electricity		
110½	106	110½	107½	Nigeria 6% 1950-60	109	108	4 1 0	26/10½	23/6	3 a	5 b	Clyde Valley Elec. £1	35/7½	35/7½
105½	100	106	104	New Zealand 5% 1946	104	104	4 2 0	14/11½	9/3	4½ c	2½ a	County of London	32/6	33/1½
108½	103	108½	106	S. Africa 5% 1945-75	107	107	3 2 2	36/-	28/-	5 b	2½ a	Edmundsons £1	26/-	26/6
Corporation Stocks														
116½	104	108½	108	Birmingham 5% 1940-50	108	108	3 6 6	30/-	25/6	2½ a	4 b	Gas Light & Coke £1	13/3	13/3
88½	78	88½	84	L.C.C. 3%	92½	92½	3 5 0	34/-	28/6	3 a	4 b	Lancashire Elec. £1	31/10½	31/6
94½	87½	96	88	Liverpool 5% 1954-64	96	96	3 3 0	36/9	33/-	2½ a	5½ b	North-East Elec. £1	28/9	30/-
104	97	104½	100½	Middx. 3½% 1957-62	104	104	3 3 6	39/-	33/9	3 a	5 b	Northmet Power £1	32/6	32/6
Foreign Governments														
92½	71	85	77	Argen. 4½% Stg. Rds.	81	81	5 11 1	16/-	11/3	15 c	10 c	Scottish Power £1	37/3	35/6
35½	20	42	31	Brazil 5% Fd. 1914	42	42	5 19 0	20/3	16/-	6 c	7½ c	Yorkshire Electric £1	38/3	38/-xd
23½	9	17	11½	Chile 6% (1929)	16	17	8 15 0	11/3	9/-	6 b	4 a	Austin "A" Ord. 5/-	15/-	13/9
45½	12	37½	26½	China 5% (1913)	37½	38	NH	35/7½	25/9	12½ c	12½ c	B.S.A. Ord. £1	20/3	20/3
80½	50½	83½	71½	Egypt Unified 4%	77½	77	5 3 1½	13/3	10/9	12½ c	110 c	Bristol Aeroplane 10/-	11/-	11/-
25	12½	22	9½	Greek 6% Stab. Ln.	13	14	NH	15/9	5/-	5 c	6 c	De Havilland Afloat. £1	35/7½	33/9
65	19½	42	21	Japan 5½% 1930	32½	32½	22 10 0	14/9	11/3	17½ b	15 a	Palmer Aviation 10/-	13/-	13/-
98	60	67½	58	Portuguese 3%	67½	67½	4 8 1½	71/3	57/6	20 c	10 a	Ford Motors £1	20/6	20/7½
67½	37½	45	27	Spanish 4%	37½	35½	11 5 4	59/6	50/7½	12½ b	2½ a	General Motors (5/-)	13/3	12/5
Shipping														
13/10½	10/3	13/10½	10/3	Standard Motor 5/-	80/-	80/-	70/7½	15 b	20 c	15 c	15 c	Leyland Motors £1	71/3	70/-
21/3	17/6	21/3	17/6	Shipping	21/3	21/3	17/6	21/3	17/6	4 c	5 c	Lucas, J. (Ed.)	59/6	58/9
25/6	20/-	25/6	20/-	P. & O. Def. £1	25/6	25/6	20/-	25/6	20/-	2 c	5 c	Morris Motors 5/- Ord.	29/9	30/3
15/1½	8/3	15/1½	8/3	Royal Mail Lines £1	15/1½	15/1½	8/3	15/1½	8/3	NH c	5 c	Rolls-Royce £1	80/-xd	80/-
Tea and Rubber														
8/1½	7/9	8/1½	7/9	Allied Sumatra £1	8/1½	8/1½	7/9	8/1½	7/9	4 c	4 c	Standard Motor 5/-	13/7½	13/9
16/3	15/3	16/3	15/3	Anglo-Dutch £1	16/3	16/3	15/3	16/3	15/3	4 c	4 c	Furness, Withy £1	21/1½	21/-
31/3xd	31/-xd	31/3xd	31/-xd	Jokai (Assam) £1	31/3xd	31/3xd	31/-xd	31/3xd	31/-xd	4 c	4 c	P. & O. Def. £1	25/4½	25/6
2/9	2/9	2/9	2/9	London Asiatic 2/-	2/9	2/9	2/9	2/9	2/9	5 c	5 c	Royal Mail Lines £1	19/6	19/6
28/6	27/-	28/6	27/-	Rubber Trust £1	28/6	28/6	27/-	28/6	27/-	3 c	7 b	Union Castle Ord. £1	14/10½	15/1½
2/1½	2/1	2/1½	2/1	United Serdang 2/-	2/1½	2/1½	2/1	2/1½	2/1	5 c	9 c			7/6
Miscellaneous														
55/7½	55/-	55/7½	55/-	Assoc. P. Cement £1	55/7½	55/7½	55/-	55/7½	55/-	10 c	10 c	Allied Sumatra £1	8/1½	7/9
35/-	35/-	35/-	35/-	Barker (John) £1	35/-	35/-	35/-	35/-	35/-	10 c	10 c	Anglo-Dutch £1	16/3	15/3
36/3	35/6	36/3	35/6	Boots Pure Drug 5/-	36/3	36/3	35/6	36/3	35/6	2½ a	6 b	Jokai (Assam) £1	31/3xd	31/-xd
45/-	45/-	45/-	45/-	Brit. Alum. £1	45/-	45/-	45/-	45/-	45/-	3 a	7 b	London Asiatic 2/-	2/9	2/9
85/-	83/9	85/-	83/9	British Oxygen £1	85/-	85/-	83/9	85/-	83/9	11½ c	11½ c	Rubber Trust £1	28/6	27/-
60/-	60/-	60/-	60/-	Cable & Wtr. Hdg. Stk. 60/-	60/-	60/-	60/-	60/-	60/-	4 c	4 c	United Serdang 2/-	2/1½	2/1
80/-	80/-	80/-	80/-	Carreras 'A' Ord. £1	80/-	80/-	80/-	80/-	80/-	11½ c	11½ c	Anglo-Italian £1	35/7½	33/9
35/-	35/-	35/-	35/-	Dunlop Rubber £1	35/-	35/-	35/-	35/-	35/-	12 c	10 b	Apex (Trinidad) 5/-	25/6	25/6
12/-	12/-	12/-	12/-	Elec. & Mus. Ind. 10/-	12/-	12/-	12/-	12/-	12/-	NH c	NH c	Burnah Oil £1	54/4½	53/9
28/3	28/-	28/3	28/-	Ever Ready Co. 5/-	28/3	28/3	28/-	28/3	28/-	15 a	25 b	Shell Transport £1	47/6	46/3
23/9	23/9	23/9	23/9	Forestral Land £1	23/9	23/9	23/9	23/9	23/9	3 a	6 b	Trinidad Leaseholds £1	63/9	62/6
4½	4½	4½	4½	Gallagher Ltd. Ord. £1	4½	4½	4½	4½	4½	20 b	12 a			4/0
20/-	20/-	20/-	20/-	Gestetner (D.) 5/-	20/-	20/-	20/-	20/-	20/-	10 b	12 a			
31/3	31/3	31/3	31/3	Harrison & Cross. Def. £1	31/3	31/3	31/3	31/3	31/3	20 b	5 a			
30/7½	31/3	30/7½	31/3	Harrold £1	30/7½	30/7½	31/3	30/7½	31/3	2 c	2 b			
11/3	11/3	11/3	11/3	Imp. Smelting £1	11/3	11/3	11/3	11/3	11/3	3 a	3 b			
5½	5½	5½	5½	Imp. Tobacco £1	5½	5½	5½	5½	5½	11½ b	11½ b			
84/0	84/0	84/0	84/0	Inter. Nickel n.p.	84/0	84/0	84/0	84/0	84/0	£2,000	£2,000			
25/-	25/-	25/-	25/-	Lever & Unilever £1	25/-	25/-	25/-	25/-	25/-	10 c	5 a			
51/3	51/3	51/3	51/3	London Brick £1	51/3	51/3	51/3	51/3	51/3	5 a	5 a			
85/-	85/-	85/-	85/-	Lyons (J.) Ord. £1	85/-	85/-	85/-	85/-	85/-	15 a	15 b			
32/6	33/9	32/6	33/9	Marks & Spen. 'A' 5/-	32/6	32/6	33/9	32/6	33/9	5 a	20 b			
75/-	76/3	75/-	76/3	Metal Box £1	75/-	75/-	76/3	75/-	76/3	12½ b	5 a			
23/9	23/9	23/9	23/9	Murex £1 Ord.	23/9	23/9	23/9	23/9	23/9	12½ b	5 a			
6½	5½	13½	13½	Pinchin Johnson 10/-	21/6	21/6	21/6	21/6	21/6	15 b	3 a			
157½	139	6 b	4 a	Ranks Ord. 5/-	15/9	15/9	15/9	15/9	15/9	2½ a	12½ b			
167	158½	7 b	5 a	Spillers Ord. £1	55/-	56/3	5 2 0			10 b	3½ a			

know nothing of what he had done; he had in his favour the deep dislike of every Englishman for imprisonment without trial; and there was a chance of his surviving the war with a reputation speckled but not wholly blackened. By coming into Court, he threw away every shred of hope that he might be re-instated and shut himself permanently from the company of decent men and women. There was no need for the gods to make a fool of Captain Ramsay before ruining him. He saved them the trouble.

But if the man is such a fool, how comes he to be a Member of Parliament? That is the question which must be burning into the mind of every Englishman who has been watching this astonishing scene and believes in the health and power of free institutions. How did Captain Ramsay persuade the Peebles Conservative Association to adopt him and a majority of the Peebles electors to vote for him? *Who's Who* supplies the answer:—

Captain Ramsay, M.P. for Peebles since 1931, o.s. of late Lieut.-Col. H. L. Ramsay, elder son of Gen. the Hon. Sir Henry Ramsay, K.C.I.E., C.B., m. Ismay Lucretia Mary, o.d. of 14th Viscount Gormanston and widow of late Lord Ninian Crichton-Stuart, M.P., Educ. Eton, R.M.C. Sandhurst, joined 2nd Battalion Coldstream Guards.

He is M.P. for Peebles because he comes of the right sort of family, because he married a daughter of the peerage and the widow of a very rich man, because he went to the right school and joined the right regiment. If his father had been a bank clerk and his wife the daughter of an insurance agent, if he had been educated at the local grammar school, gone with a scholarship to Oxford and made his way by his own brains to a moderate competence in a respectable trade or profession, then he might have bombarded every political association on the books of the Central Office for a constituency, and every time the odds against his getting into the House would have been 1,000 to 1.

Finance of Empire

THE accepted doctrine of the proper economic relations between a metropolitan power and its dependent colonies is, at the moment, in transition. The first idea of colonies as sources of tribute passed away 150 years ago. The second phase of self-support has lasted until our own days. The whole structure of administration and policy of the Crown Colonies is based on the assumption that the colonies shall neither pay tribute to, nor receive subsidies from, the Imperial Government. But to be self-supporting is now seen to be not enough. It is in the interests both of Great Britain and of the colonies that their standard of living should be raised as rapidly as possible; justice and self-interest coincide in this object. But if the colonies are left to do the best they can with the resources they can themselves produce, buy or hire, their progress will inevitably be very slow. The establishment of the Colonial Development and Welfare Fund to replace the previous Development Fund, a final report on which was issued by the Colonial Development Advisory Committee last week, marks quite a definite stage in the development of the new idea of financial and economic interdependence. At present, it is true, the new idea has not developed very far beyond the purely charitable and humanitarian stage. But the climate of opinion is rapidly changing towards a much more positive policy of "nation-building" in the colonial empire.

It is in this framework that the public finance of the colonies should be studied. It is a subject which has been almost entirely neglected, outside the expert circles of the Colonial Office. Even Lord Hailey's monumental "African Survey" contained only one chapter that touched on the subject, and that only on the periphery. The figures are available in the Colonial Office's admir-

The fact that one unworthy person made his way into the House by virtue of his wealth and social position might not in itself be of much importance, and there is no evidence that Captain Ramsay, as a fifth columnist, is not the one black sheep in a clean flock. But, unfortunately, in his capacity as a silly ass, he does not sit in the House alone. It is common knowledge—and many people can check it from their personal acquaintance—that the intellectual level of the House of Commons has been, since 1931, deplorably low; and when the historian of the future comes to write the story of the pre-war years one of the things he will need to bear in mind (if he is to read aright the disastrous record) is this intellectual poverty of the men chosen as the people's representatives, this profusion of men who at the very best can only be described, in the words of Jane Austen, as "persons of strong, natural, sterling insignificance." These tenth-rate nonentities who have been jobbed into the House of Commons because they were men of the "right type" provided just the background that the Front Bench required for its calamitous foreign policy and for its blindness to the danger in which the country stood. The Government needed behind it a solid block of M.P.s stupid enough to jeer at Mr Churchill, to admire the moral grandeur of Stanley Baldwin and to applaud the foresight of Mr Chamberlain; and the political bosses saw to it that the right men were provided in Captain Ramsay and others of the same intellectual and social build. And if the historian gets to the heart of the matter he will put high on the list of those responsible for the present troubles the wire-pullers who chose a House of Commons with infinitely less sense of duty than a selection committee would feel in choosing an English fifteen for Twickenham. It will not be the shadow of an answer to say that the selection of trade unionists by seniority also filled the scanty benches opposite with mediocrities. Power lay on the Right; and there is a long score to settle with the men who put Captain Ramsay and the like into Parliament.

able "Economic Survey of the Colonial Empire," an annual publication, in which the public accounts of each colony are recalculated in standardised form. But the tables at the foot of page 161 are probably the first occasion on which the figures for the whole empire have been published. Even with the standard form of return, the summation involves some arbitrary assumptions, but the figures present a broadly accurate picture of the position in a favourable year. It should be added that both revenue and expenditure figures are exclusive of Colonial Development Fund grants and grants-in-aid from the Imperial Exchequer. These amounted to £772,551, a very small sum in proportion to the total. In the eleven years of its existence, the total financial assistance recommended from the Fund, which was limited to £1 million a year, was £8,875,083.

The colonies are, then, financially self-supporting. The first question to be asked is whether the general burden of public finance is heavy or light. This is a very difficult question to answer. The total for the whole empire, it will be seen, is approximately £1 per head per annum. The figure for the United Kingdom in peacetime was in the neighbourhood of £17, or perhaps £20 if local government finance is added. But a numerical comparison is impossible to establish. Estimates given in Mr Colin Clark's book, "The Conditions of Economic Progress," suggest that the national income per head in tropical colonies is between one-tenth and one-sixth of that of the United Kingdom. But taxable capacity is not proportional to national income. Perhaps the only conclusion that can be reached with any confidence is that some parts of the colonial empire are very lightly taxed, while others are carrying a very heavy burden. It is difficult,

for example, to believe that a revenue of £2 per head in the Eastern Dependencies (of which Ceylon, Malaya and Hongkong are the chief), or of £3 in the Mediterranean territories (Gibraltar, Malta, Cyprus and Palestine) is even nearly so heavy a burden as £3 per head in the West Indies. The average is somewhat pulled down by the large population and small revenue of West Africa. Without this group of colonies, the average revenue is £1 10s. per head per annum.

On the side of revenue, the outstanding fact is the dominance of import duties. To a very large extent this is unavoidable. In many primitive communities external trade is almost the only activity that is both definable and on a cash basis, and the budgets of all primary-producing countries are based on Customs revenue. Nevertheless, it has certain grave disadvantages. When a colony has to import almost all the elementary necessities of life, a Customs tariff is a very regressive form of taxation. An example—admittedly an extreme one—can be taken from British Guiana. Revenue from import duties amounted to as much as £614,585, while the total value of imports amounted to only £2,442,775. Duties thus, on the average, added about 25 per cent to the price of imported goods. The nature of the burden can be guessed from the fact that more than half of the total imports consisted of food, drink and tobacco, and cotton piece-goods.

The second disadvantage of dependence on import duties is that the revenue they produce fluctuates widely from year to year. In a developed country with a capital market, it may be desirable to have a system by which a deficit is automatically produced in a bad year and a surplus in a good year. In a small colony, expected to be self-supporting, these fluctuations may be very disturbing. An extreme case of the disadvantages of import duties is reached in wartime, when through shortage of ships and supplies, the volume of imports is very much reduced. In the past eighteen months several colonies have found themselves under the necessity of increasing their customs duties, and even so have been gravely embarrassed by the lack of funds to meet the call for relief expenditure arising out of the parallel decline in export.

The alternative to Customs duties is direct taxation. Not much, however, can be raised from native populations, and where direct taxation is imposed on them, it is as often for non-financial purposes as with the idea of raising revenue. (It would be interesting, incidentally, to

have a full explanation of the reason why native taxation in Kenya is a third as heavy per head as in Tanganyika and four times as heavy as in Nigeria.) The direct taxation of non-native incomes is gradually developing, and many colonies now have some form of income-tax and death duties. In spite of the fact that none of these taxes is heavy, and most of them very light, any attempt to increase them, or to impose them where they do not exist, meets with fierce opposition from the European population. Examples have occurred in the present year in Jamaica and in Malaya. The Malayan case borders on the scandalous. The European population of British Malaya is one of the most prosperous communities in the world, but the attempt to impose a very slight income tax for the duration of the war was met with arguments that would have sounded antiquated to Peel or Gladstone. Prosperous European subjects of the King, wherever they are, should count themselves fortunate if they pay income-tax at less than 10s. in the £. That the Colonial Office accepts this point of view is shown by the White Paper published this week (summarised on page 166), in which the colonial governments are expressly told to impose heavier direct taxation on the wealthier peoples.

There is one by-product of colonial income taxes that merits closer inquiry. Arrangements exist between the colonies and the United Kingdom for avoiding double taxation on individuals and institutions which would otherwise be liable to pay in two places. The usual form of arrangement is for tax to be levied at the higher of the two applicable rates, and the product divided equally between the colony and the United Kingdom. Where a resident in the United Kingdom draws an income from a colony, the arrangement is not unjust, though perhaps not over-generous to the colony. The anomalies arise in the case of companies registered in the United Kingdom but operating in a colony. The Imperial Exchequer receives half of the tax, not only on the dividends that such a company pays to residents in the United Kingdom, but also on the sums it puts to reserve. Because of this technicality, it is probable that a British colony derives less fiscal advantage from the investment of overseas capital than an independent country. Northern Rhodesia is the chief sufferer—a very poor colony to which the retention of all the taxation on the copper mines would make a very great deal of difference, while it would hardly matter a scratch of the Chancellor's pen in Great Britain.

REVENUE—£ STERLING

Territories	Population	CUSTOMS DUTIES			Excise (2)	Licences (3)	Native Taxes (4)	Other Inland Revenue (5)	Total Revenue (6)
		Import (1)	Total Imports	Export and Other					
EAST AFRICA.....	15,816,000	3,006,063	21,899,179	113,618	183,319	449,838	2,157,204	777,054	9,422,681
SOUTH AFRICA.....	983,000	197,505	1,102,972	266,444	34,019	34,019	266,444	54,424	663,124
WEST AFRICA.....	26,305,000	6,489,849	40,475,164	543,650	...	509,077	946,659	235,032	10,762,624
EASTERN DEPENDENCIES.....	13,740,000	11,061,349	230,297,657	3,979,228	1,789,268	2,374,517	41,337	2,222,445	28,340,843
MEDITERRANEAN DEPENDENCIES.....	1,992,000	3,114,022	22,142,698	54,795	517,458	222,202	...	568,910	6,442,257
WEST INDIES, etc.....	2,661,000	4,087,248	24,630,901	246,302	942,251	255,581	...	988,060	8,322,730
PACIFIC DEPENDENCIES.....	410,000	482,647	2,125,639	56,002	...	31,829	19,308	168,239	1,023,358
TOTALS.....	61,907,000	28,438,683	342,673,510	4,993,595	3,432,296	3,877,063	3,430,932	5,014,164	64,967,617

EXPENDITURE—£ STERLING

Territories	Debt Service	Administration	Economic Development	SOCIAL SERVICES			Defence	Non-effective (Pensions, etc.)	Total Expenditure*
				Medical	Education	Other (6)			
EAST AFRICA.....	1,867,046	3,807,301	978,567	766,664	480,706	15,136	398,030	634,160	9,021,330
SOUTH AFRICA.....	4,059	388,290	172,534	41,666	19,236	121,855	...	38,700	666,317
WEST AFRICA.....	1,999,851	3,879,517	1,276,162	922,512	611,515	3,236	460,413	863,875	10,157,444
EASTERN DEPENDENCIES.....	1,420,012	10,635,760	3,277,038	2,414,626	2,414,626	136,704	1,494,738	2,506,092	28,974,427
MEDITERRANEAN DEPENDENCIES.....	199,242	3,667,573	2,417,986	331,489	394,970	200,401	9,053	227,352	8,999,715
WEST INDIES, etc.....	825,600	3,436,621	891,860	831,441	724,959	94,501	91,622	469,939	7,428,357
PACIFIC DEPENDENCIES.....	77,842	427,280	125,222	99,097	52,219	...	5,766	44,478	950,641
TOTALS.....	6,393,652	26,442,342	9,139,369	5,422,565	4,898,231	571,833	3,439,612	4,784,500	64,095,797

(*) Year ended December 31, 1937, except South African territories (1937-38); Gold Coast and Nigeria (1937-38); Ceylon (1937-38); Malta and Palestine (1937-38); Barbados and Jamaica (1937-38); Gilbert and Ellice Is. and British Solomon Is. (1936-37); Tonga (1936-37); total customs and excise for Bechuanaland, Swaziland and Gold Coast; including excise and licences for Straits Settlements.
(2) Including opium revenue for Kedah, Kelantan, Perlis and Trengganu; and opium revenue, licences, and other internal revenue for Johore.
(3) Including excise for Ceylon, Brunei and Leeward Is., and farms and stamps for Kedah.
(4) Total direct taxation for Nigeria and Basutoland; including licences for British Solomon Is.
(5) Including income tax for Kenya, N. Rhodesia, Nyasaland, Bechuanaland, Swaziland, Ceylon, Mauritius, Aden, Cyprus, Barbados, British Guiana, Jamaica, Leeward Is., Trinidad, Windward Is. and Fiji; including land and forest revenue for Johore, Kedah, Kelantan, Perlis and Trengganu; including some form of house, land, property or poll tax for Palestine, most West Indian Islands, British Guiana and Fiji.
(6) Total social services for Basutoland.

When attention is turned to the expenditure side of the accounts, two outstanding facts immediately emerge. The first is the very high proportion of the relatively non-constructive items of expenditure. Debt service, administration, defence and non-effective charges together make up 64 per cent of the total. No one who knows the British colonies would make accusations of over-elaborate or wasteful administration. The sums spent on defence are particularly tiny by any absolute standard. Nevertheless, the cost of administration is very heavy, and little is left for "nation-building" expenditure or social services.

The second outstanding fact is that a large part of this administrative expenditure is spent out of the colonies. This is obviously true of debt service, and hardly less so of non-effective charges, of which the largest are for pensions. Even of the current costs of administration, a large part is made up of the salaries of British officials, who must spend most of their incomes in Great Britain, when imports, periods of leave, education of children, etc., are considered. It will come as a shock to many people to be told that British members of the Colonial Service have their salaries and pensions paid out of revenue raised in the colonies. Their work is arduous and devoted, and their salaries are certainly not large by European standards; but they are very large in relation to the taxable capacity of the people who pay them.

It is undoubtedly in this department of colonial public finance that relief could most justly and expediently be given. The principle might be promulgated that, so far as possible, sums raised by taxation in the colonies shall be spent only for the direct benefit of the native populations. This would involve taking the cost of British

officials on to the United Kingdom Budget, but the cost would not be large in British terms, and the reform would be just as well as generous. Assistance might also be given to the colonies in equipping themselves with capital resources. The Act of 1940 remitted colonial debts to the Imperial Exchequer, and the total of those that remain—in the neighbourhood of £100 millions—is not excessive. But the burden could be reduced if assistance were given in converting to lower rates of interest. There is a strong implied guarantee by the British Treasury behind every colonial loan, and the advantages of Imperial credit might as well be enjoyed. For the future, the least that the United Kingdom can do is to provide what capital the colonies need at the lowest practicable rates of interest. A really constructive policy might well go further than this. There will be occasions in the future when the home Government engages in a public works policy—that is, spends money on capital projects without hope of monetary return. It might very well be that if the gifts of capital were made to Northern Rhodesia as well as to Northumberland, to St Helena as well as to St Helens, to Jamaica as well as to Jarrow, the indirect results would be just as remunerative to the United Kingdom in tangible economic benefits—let alone in pride and virtue. It is certain that there could be few economic events more favourable for the expansion of the British economy than a general rise in the standard of living in the dependent colonies. There is nothing of which the British people need feel ashamed in the finance of their empire. But there is much that is old-fashioned, unimaginative and unconstructive. It is to be hoped that this little-known corner of imperial policy will not be overlooked in the post-war reconstruction.

Next Step in Syria

THE immediate problem facing the Allies in Syria is, of course, defence. The loss of Crete was a rude but salutary lesson that no occupations are definitive so long as the German Army remains intact; and with the extension of the war to the east and the possibility that Germany may seek to force a decision in Turkey, the Levantine front, from the Hatay to the shores of the Caspian, may develop into one of the decisive centres of the world struggle. This task of defence covers two separate spheres, the actual military measures taken to reinforce the Allies and the political background against which the armies of occupation must operate. Both raise formidable problems which go far beyond the geographical limits of Syria.

Of the actual defence position, there is still little to be said. War material is coming into the country, and the opening of the Suez route to United States' supply ships is given a new importance. Manpower is a greater problem, in that the Allies are still faced with the difficulties of allocating an insufficient number of troops to almost equally important yet competing fronts. The number of Vichy troops to rally to de Gaulle has not yet been published, but the apathy and demoralisation of these men make it all too likely that most of them will make the choice of returning to France.

In the political sphere, the Allies take over a very unfortunate legacy. Syria is a country which, since it has formed part of a succession of empires, each leaving a legacy of tribal and sects, has never achieved a well-legalised national community of its own. It follows that there is little or no centripetal force to hold together the mutually distrustful Syrians and Lebanese and Alawayites and Druses and Armenians and Kurds, or Shiites, Sunnites, Maronites, Ismailians and Israelis—which co-exist but do not coalesce within the frontiers of the French Mandate. Since the creation of the Mandate in 1920, the situation has resembled, though in a much exaggerated form, the political position in India. Most groups are unanimous in their desire to be independent of the foreign overlord. They are equally unanimous in

pendent of each other. The difference is that in Syria, the process of partition according to criteria of race and religion has already begun. There is already a species of Pakistan in the separation of Moslem Syria from the Maronite Christian Lebanon and the creation of two "sovereign" independent republics.

During the last war T. E. Lawrence wrote that "only by the intrusion of a new factor, founded on some outward power of a non-Syrian basis, can the dissident tendencies of the sects and peoples of Syria be reined in sufficiently to prevent destructive anarchy," to which he added the rider that the task of this "outward power," whatever form it took, would be intensely difficult since the country's ideal was "not an efficient administration but the minimum of central power to ensure peace and permit the unchecked development of customary law." The French administration had therefore to choose between creating a military state, based on a firm foreign administration and allowing the religious and ethnic groups to work out their own administration under much looser control. The bitter opposition to the entry of the French and the toll taken of their military resources in a constant series of revolts among the minorities appear to have convinced them that separation was the only policy. At first, the area was divided into five territories, but since 1925 a number of modifications have created the present position, in which Lebanon and Syria are two independent republics, while three districts in Syria have a measure of autonomy, the Jebel Druse in the south, Latakia in the north-west and the Jesireh in the north-east.

In spite of constant political turmoil, this organisation did at least provide a framework within which the economic development of the region went forward. Roads were built, schools opened, industries fostered and irrigation extended. On the material side, the French did well. They would have done even better had they not allowed French companies to monopolise the entire economic life of the country. The Syrians could not make money. They made politics instead. The Lebanese, whose Maronite Christian majority had long enjoyed French protection, accepted their status as a Mandate with gratitude. They

had been given not only Maronite territory but the rich valley of Baalbek and the Moslem enclave of Tripoli as well. The Syrian nationalists, however, saw the settlement as a French trick to "divide and rule" and claimed the right to control an independent Syria. To some small extent, the position of the Lebanese resembled that of the Jews in Palestine. They felt that they enjoyed some measure of security only under the protection of France. If the Mandatory Power withdrew, they would be at the mercy of the Syrians. The same fundamental distrust of the Syrian nationalists' intentions was felt by the Assyrians and Armenians of the Jesireh. Nevertheless the French could not stifle the Syrians' insistent demand for independence. The example of Iraq and Egypt decided the day and in 1936 treaties of independence on the Iraqi model were negotiated with Syria and Lebanon.

These treaties were still unratified when, over five years later, the armies of Britain and Free France entered Damascus and proclaimed Syrian independence. The troubled years in between give the measure of the problems which face the new administration. The solutions arrived at in 1936 broke on the reef of the minorities, including the large independent "minority" of Lebanon. The dispute between Syria and Lebanon took the form of a customs war. Beirut is the natural harbour of Damascus, some two hours' drive away across the mountains of Lebanon, and anti-Lebanon. Under the French mandate, the customs receipts at Beirut were divided by the French between the two countries. When after 1936 the transfer of many administrative powers to the two Governments brought up the question of allocation, agreement was impossible, and as a substitute for agreement a customs barrier was raised on the Lebanese frontier. This absurdity has had the effect, not only of embittering the already strained relations between the two republics, but also of damaging Syria's precarious economy further and thus increasing political extremism among the Syrian Nationalists.

The problems raised by the minorities nominally inside Syria, the Alawayites of Latakia, the Druses of Jebel Druse and the Armenians of Jesireh, finally put a stop to all trace of constitutional government in Syria. The military safeguards for these minorities were held by French critics to be inadequate and by Syrian extremists to be insulting. When in July 1939 the suggestion to enforce them still further came up, the French High Commissioner took the matter into his own hands and appointed local representatives. With that the Syrian Government resigned and a temporary administration carried on until the fall of Damascus two years later.

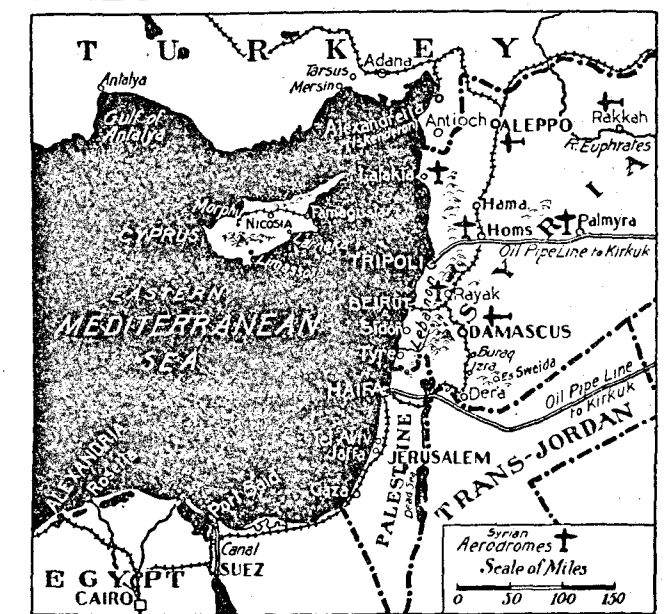
The internal position was aggravated by the neighbouring problem of Palestine. The French were not beyond a certain discreet satisfaction at the embarrassment of Britain, the "model" Mandatory Power, and relations between the French and British administrations were strained and unco-operative. At the same time, Axis propagandists exploited Arab discontent against both France and Britain, and for some time the Mufti of Jerusalem was a centre of disaffection in Damascus.

The problem in Syria to-day—apart from the overwhelming problem of defence—is to restore cordial Franco-British collaboration, to rescue the administrative machine from the corruption and apathy into which it has fallen, to restore a viable economy to Syria without disturbing the more promising though precarious economic conditions in Lebanon and to face clearly the long-term problem of a post-war settlement, so that no decisions are taken now which will prejudice the final issue. The country is for the time being under martial law, and the strategic situation makes it likely that military government will be maintained. But the attempt should be made to give the Free French the responsibility for administration. It must be made clear to the Syrian Nationalists, that the guarantee of independence given them on the entry of the Allied Forces is absolute, and the saner statesmen among them must be closely associated both with the administration and with the working out of the final settlement.

The economic straits of the community are such that

provisioning and distribution are the first call on the administration. It is significant that the Lebanese Prime Minister, M. Nakkache, has already proposed a customs union for the whole area and clearly the farce of a tariff barrier between Beirut and Damascus must come to an end. The trade agreement between Syria and Palestine might at the same time be reconsidered with a view to an eventual extension of the customs union. So much of the political ferment has been due to the cramped and confining economic framework within which the minorities have had to work that any step towards creating prosperity would immediately lighten the task of the politicians. In this context, the question of the oil reserves in the Jesireh might be re-examined.

The external situation depends entirely on the course of the war but, with the pre-condition of an Allied victory fulfilled, the forces at work in the Levant are not unfavourable to a lasting settlement. The Axis Powers will be discredited, while the British and Free French, by working together now, can achieve a closer understanding of the problems involved. They are probably



already in agreement upon the solution to be sought—the independence of Syria and Lebanon under protection. It seems obvious, however, if a sane economic order is to be created on the one hand, and the aspirations of the Syrian Nationalists are to be satisfied on the other, that the Allies should seek for a broader solution than one which merely creates a number of Iraqs in the Levant, without cohesion and without a working alliance into which to fit their legitimate separate interests. Seen in this light, the problem of the Levant resembles very closely the problem of Europe or indeed of any future world order.

The era of completely unshackled national sovereignty is going out into the blackness of totalitarian "New Orders." Only the democratic Powers have still the opportunity or the experience to achieve a middle way of federation and autonomy. The Levant, like the Balkans or Central Europe, is split across by racial rivalries and political suspicions. Here, too, the stifling economic atmosphere of tariff walls and trade war has only raised the political temperature. But here, too, the only alternative to being part of a predatory Power's *Lebensraum* is local co-operation linked with the police power of a strong and non-aggressive State. As a start, a customs union and a loose confederation of Syria, Lebanon, Palestine and Transjordan is practical politics. The relations of this bloc with a larger federation including Iraq, Saudi Arabia and possibly Egypt raise difficult problems of leadership, prestige and competing economic interests. But it is in this direction that enlightened opinion in the Levant has been moving for the last twenty years and it is in this direction that enlightened Allied statesmanship should be looking for a settlement.

NOTES OF THE WEEK

A Sober Survey

In the Commons on Wednesday, Mr Attlee and Mr Eden summed up the state of the war. Mr Churchill was otherwise engaged. There was no setback or outstanding success to be made part of Parliamentary history by the Prime Minister, but simply a story of steady progress which was ably told by his lieutenants. As Mr Attlee put it, it was "difficult to prevent cheerfulness breaking in." Invasion has been postponed for over a year. The Russian army and people are putting up a magnificent fight against the massed German forces. British bombers are delivering heavier and deeper blows against German Europe and in the Middle East. The course of the Battle of the Atlantic has been much more favourable during the summer months than in the previous spring; and the enemy's shipping has suffered great destruction in all waters. In the Near and Middle East, a front is being fortified from Egypt, on whose borders the Axis forces in Libya are nervously awaiting the "next forward thrust to India." Behind the fronts, there is the great material aid and generous sympathy of the United States and "the rising tide of resistance to Hitler's rule in the countries which he has invaded." In the Far East, Mr Attlee said, the British Government is maintaining the "utmost vigilance." Mr Eden assured the House that the economic measures taken against Japan are "seriously intended" and will be "seriously executed"; any action threatening the independence and integrity of Thailand will be "a threat to the security of Singapore." In the Near East, Britain's intention is to bring independence and not conquest; and, in the Government's view, Britain and Turkey have a "lasting contribution" to make to world peace. In Europe, the agreement between Russia and Poland shows the way to a "happier future." But to indulge in "dangerous optimism" is "our greatest temptation." "Our better situation is only comparative; we are still fighting for our existence against a strong and ruthless enemy." Invasion is a constant possibility; and "it would be foolish for anyone to attempt to forecast the outcome of the struggle in Russia." On the Atlantic, severe losses continue—and may increase again; and there is danger in the Pacific. Hitler has not only to be held; he has to be beaten; and the historical parallel for his situation now is not the reeling German retreat in 1918 after the last offensive failed, but rather the defeat on the Marne four years earlier.

The Russian Front

From the extreme north to the shores of the Black Sea, the fighting continues, and for the first time in a fortnight there are signs that the Germans have gained a little ground; but they appear to have done so at the cost of abandoning, at least temporarily, a number of their original objectives. For example, in the north, the drive towards Leningrad through Porkhov has slackened. Instead, the Germans are moving directly to the east, below Lake Ilmen in the direction of Kholm, an advance which brings them into difficult, marshy country, but offers some possibility of swinging either north to Novgorod and Leningrad or south to attack the Russian flank at Nevel. In the centre, the battle of Smolensk sways to and fro. The Russians claim that the front holds, the Germans that the last effective concentration of Soviet troops has been destroyed. Both sides admit terrific losses. In the south, the direct attack on Kiev from Zhitomir may have been abandoned—the fate of the armoured units which reached the outskirts of Kiev, like that of the advance guard at Vyasma beyond Smolensk, has presumably been annihilation—and the Germans are now developing a pincer movement through Korosten to the north of Kiev and Byelaya Tserkov to the south. This southern drive, were it to develop successfully, would bring the German armies across the Dnieper and cut off the Ukrainian industrial and grain centres from the main territories of European Russia. Both here and in the Kholm area, the Germans are still trying to divide the armies under Voroshilov, Timoshenko and Budyonny from each other—a feat they claimed to have performed three weeks ago. These new German movements may well preface the third offensive. It is difficult to believe that it will be more devastating or far-reaching than the second. The Germans' lines of communication are appallingly difficult, and the road builders and railway

workers of the Todt organisation have to perform their feats under constant guerilla attacks. The Russians, on the contrary, have completed their mobilisation, and considering the chaotic state of Russian transport at the time of the "purges," their supply system is working wonders.

Supplies for Russia

As the likelihood increases that the Russian front will hold fast, the question of Russia's economic staying power becomes one of the most urgent problems of the war. Russia is not to come under the provisions of the Lease and Lend Act—so long, presumably, as the Soviets have gold and assets to be absorbed in America—but Mr. Harry Hopkins' visit to Moscow has borne fruit in the shape of an announcement from Washington, on the occasion of the renewal of the annual United States-Soviet trade agreement, that the United States will give all practical economic aid to Russia. This pledge, with the important statement that priorities in orders will be given to Russia, is a great step forward, if it means that the task of allocating scarce military means among the rival claimants and rival fronts is really being seriously tackled. No hint has been given of the scale of Russian purchases in the United States—last year they amounted to some \$40 millions—nor have the Russians, somewhat naturally, given any publicity to their greatest shortages or needs. Their need for certain metals, for ferro alloys, rubber, clothing, and aircraft is well known. There remains the problem of transport. In an exchange of notes, the United States has promised to speed up the delivery of war material, and to consider Russia's request that shipping facilities should be made available. Here is a new turn in the kaleidoscope which is gradually working into the design of two world fronts—of aggressors and aggressed. If United States ships are to bring war materials to Russia, they can only land them at Vladivostok, where the goods will pass into the bottleneck of the Transiberian railway, or at Russia's northern ports. The Russian coasts are not a combat zone, and for a brief space yet the north-west and north-east passages are still open. The arrival of war material at Vladivostok was a matter of relative indifference to Japan so long as Russia was Germany's ally, and the United States a correct if unfriendly neutral. Today Russia and Germany are at war, and the United States is leading a world embargo on Japanese trade. In these circumstances, it is questionable whether United States ships can hope to ply between San Francisco and Vladivostok without adequate naval protection. And the prime question in the Pacific, as in the Atlantic, will be whether naval protection is effective if it does not imply "shooting."

Facing Reality in the Far East

It looks as though the Japanese may really have taken the bit between their teeth. The reinforcement of Indo-China goes forward rapidly; the Japanese air force is established at Saigon; the Japanese navy is already at work on and in Camranh Bay; heavy bombers have arrived at the ceded aerodromes on the Burmese frontier; and the papers of Japan are filled with "Imperial destiny," "Co-prosperity" and the "threat of encirclement." The next mouthful is apparently Thailand, and outward signs of the pressure which is being exercised upon the none too dependable government of Luang Bipul Songram is the recognition by Thailand of Manchukuo and the granting of a Thai credit to Japan to encourage their foreign trade. It is not known whether Japan has made demands for bases yet, but the diplomatic preliminaries are obviously being carried through with all speed. It is now obvious that any kind of appeasement at this point could have no effect, whatever, except perhaps to encourage Japanese arrogance. Strong action on the part of the democracies might, admittedly, goad Japan into open military action. But any weakness will merely ensure that Japan will be able to take military action later after a comfortable period of undisturbed preparation. Moreover, there is always the possibility that strong action might strengthen the hand of the Japanese moderates, who still have some influence in the councils of the nation. In fact, it is still, unfortunately, difficult to determine whether the action contemplated by the democracies is really firm

enough to correspond with the realities of the Far Eastern situation. Since the freezing of Japan's assets, the machinery for a total embargo exists. If no licences are granted, there will be no trade. The British Empire and, in most statements, the Dutch East Indies have shown their readiness to follow a definite lead and British statements insist on the wish of the Allies to take "parallel action" with the United States. Only with United States co-operation, in all spheres, can sanctions be made effective. Parallel action implies, moreover, that someone lays down a line, and here the responsibility lies with the United States Government both to determine how seriously it means its threat of embargo and how logically it is prepared to work out the military implications. The President has already put a complete embargo on the export of aviation spirit and motor fuel except to the Western Hemisphere, the British Empire and countries resisting aggression. Other kinds of oil product are to be reduced to pre-war purchases. But the licensing system can be used to cover all other American exports to Japan, among them, the great bulk of cotton exports. Will the obviously firm intentions of the Administration once more be weakened by the State Department's habit of appeasement?

Mr Churchill's Task

Afterthoughts on the production debates can be simply summarised. No one believes that whatever short-falls there may be in output are likely to be disastrous; and the Prime Minister's account of his own co-ordination of planning and achievement has been accepted as a recognition, in formal terms at any rate, of the system that the critics had called for. But it is felt no less strongly than before that there is still need for the most constant pressure to secure improvements in productive methods and wartime organisation—and an attempt is made to strike the balance between achievements and possibilities in an article on page 175; and there cannot be complete confidence that Mr Churchill, even with the aid of his versatile and ubiquitous statistical department under Lord Cherwell, is capable of making his control over production work as well as it sounds. If it does, Mr Churchill will not only have made political history by his own performance; he will also have made constitutional history by making his unconventionally staffed personal "cabinet"—which is on the face of it an appendix to the body administrative with ambiguous functions—into a major instrument of government. The point is that leadership alone will not win the war either in the factories or on the battlefield. The goods must be delivered and plans must not only be made but also executed down to the last detail. It is probably untrue to suggest, as Mr. Aneurin Bevan did, in a characteristic attack in the Commons on Tuesday, that the Prime Minister is solely, or even mainly, responsible for substituting slogans and exhortations for planning and command in economic organisation. Mr Churchill is the nation's orator, but there are men beside him with much greater claims to the title of publicist. But Mr Churchill is in charge, and he has assumed a greater responsibility, in detail as well as in general, than even his most fervent admirers would have believed him humanly capable of performing.

The Coal Debate

The debate on coal in the House of Commons last Tuesday did little credit to those hitherto responsible for the wartime output of coal. Mr Grenfell, who opened the discussion, admitted the seriousness of the position, though his account of the difficulties and their causes scarcely absolve him—and the Government—from blame. He stated that, owing to the shrinkage in exports, some 100,000 men had left the industry since the beginning of the war, 75,000 of them during the past twelve months. He also pointed out that he had foreseen the danger of a wholesale exodus of men from the coal-mining industry, and he attempted to justify inaction in correcting this on the ground that it was difficult to retain miners without regular employment who had seized the opportunity of taking up other, and presumably often more remunerative, positions. Mr Grenfell also admitted that, even in recent months, the output of coal has been insufficient to meet the growing domestic demand and to provide adequate stocks for the winter months—Mr Bevan suggested that, in some districts, output was actually declining. At the Board of Trade, Sir Andrew Duncan is taking more interest in the coal problem than his predecessor, Mr Oliver Lyttelton, did, or than he himself did during his previous tenure of this office; and, while admitting that the situation was one that gave cause for concern, he deprecated

its description as a crisis. Of the 97,000 ex-miners who, according to Mr Grenfell, had registered as a result of the recent appeal, Sir Andrew stated that 25,000 men would be forthcoming and that 6,264 of them had already reported for duty. He also pointed out that the stocks in the hands of public utility companies, railways, industry, merchants and in Government dumps were actually bigger by at least one million tons than a year ago. He informed the House of Commons that further efforts would be made to raise output and that, by eliminating waste, economies in consumption could still be made. It might even be necessary in the winter to introduce a comprehensive system of rationing not only for coal, but also for light and other forms of fuel. In conclusion, Sir Andrew suggested that the war effort in the coming winter was not likely to be impeded by lack of fuel and power and that the public would not have to suffer an unreasonable rationing scheme. True, there need be no serious shortage of coal; but if it is not to arise, the problems of both production and distribution must be tackled much more seriously than they have been yet.

Hopes for India

Last week's Commons debate on India showed that second thoughts about the extension of the Viceroy's Executive Council to include more non-official Indians and the simultaneous establishment of an All-India National Council had been generally favourable. Mr Amery's explanation of these steps was accepted by all parties as earnest of a genuine intention, in spite of the intransigence of the Moslem League and the "anarchism" of Congress, to accord to Indians a greater share in the conduct of administration and the war effort; and the chief doubts that were expressed were three. It was widely questioned whether many Indians could possibly have the same faith in British intentions when they believed themselves to have been misled so often in the past by words and promises, when a large number of prominent Indians were still in gaol and when the British Prime Minister and national leader, well-known in the past for his opposition to constitutional advance in India, still remained stubbornly silent on Indian affairs. The proof of British sincerity will, of course, be found in the share which the co-opted Indians will in fact have in Indian government; it is not easy to release prisoners who have gone to gaol by their own deliberate wish and intention; and it would put the new Councils in quite the wrong perspective if it were not made perfectly clear that the men who have joined them, including four provincial Prime Ministers, do represent a large portion of India's millions. Nevertheless, it is still the task of statesmanship, in Britain and in India, to remove the fact that a majority of India's politicians are still in opposition; and no one could do more, by a single speech, than Mr Churchill to open a new chapter.

Diversion to the West?

After Vichy's sorry performance in the Far East, it is difficult to accept that Government's assurances that no foreign Power will be permitted to assist France in the defence of her North African empire. It is doubtful whether Germany has actually put forward demands on Japanese lines for the "protective" occupation of Dakar and Casablanca, and the Mediterranean bases. But it is all too

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probable that, if some such demands have been made, Marshal Pétain will go through the formality of saying "No," and then the bases will be handed over. General Weygand's reaction to a possible betrayal is hard to assess. He is no friend of the Germans. On the other hand, he is "a man subject to authority," and completely loyal to the Marshal. It is an ominous sign that Pétain has given Darlan responsibility for the defence of North Africa. If Vichy France has not yet abandoned the bases, it is probably because Germany has not yet demanded them. The Germans have only one reason for holding back, the usefulness to them of the Vichy myth in America. Mr. Sumner Welles' stern warning that America's recognition of Vichy depended upon its willingness to defend the integrity of its Empire was a danger signal to the Germans, and pressure slackened. The fate of Vichy and North Africa probably depends upon a practical calculation of the German High Command. Does the value—to diplomacy, to propaganda, to espionage, to military supplies—of a "neutral" France, diplomatically represented in the United States, outweigh the military and psychological advantages of occupying the Atlantic seaboard? If the decision is that the need for an immediate easy victory and a psychological diversion from Russia outweighs the less spectacular advantage of blockade-busting, then the independence of North Africa, as well as that of Spain and Portugal, will depend on the amount of local resistance and the extent to which an effective measure of Allied help can be mobilised to counter a lightning German attack. The present uneasiness in Spain and Portugal is a sign that a decision for a spectacular coup is felt to be more likely.

Directive to the Colonies

Two months ago, the Secretary of State for the Colonies sent a despatch to the Colonial Governments on "certain aspects of colonial policy in wartime." This despatch has now been published as a White Paper. For the most part its contents were covered by the statement made by Lord Moyne recently in the House of Lords, but it goes into the principles then laid down in more detail; and it may be described briefly as a lesson in the wrong and right use of resources. To prevent the former, the Governments are urged to do all they can to curtail spending by those enjoying a comparatively high standard of living. It is pointed out that the restriction of consumption saves shipping, foreign exchange and productive capacity; and the lesson, which has at last been learned in this country—that saving money is only subsidiary to the primary objective of saving material resources—is now handed on. The directive is unimpeachable and unmistakable: "an increase of taxation, especially direct taxation, above what was thought necessary before the war should be a definite object of policy." As an article on page 160 points out, the main source of colonial revenue is the import duties, which fall most heavily on the poorer members of the colonial communities; direct taxation on Europeans is light—which is hardly surprising since to many of them one of the chief objects of settling in the colonies is to escape income-tax—and the rebuke to certain colonies regarding extravagance makes agreeable reading. To supplement taxation and other fiscal measures in reducing spending, the despatch also urges a comprehensive system of import licensing, the present position in this respect being regarded as "disappointing." Colonial Governments have frequently decided that certain articles are essential, when in the opinion of the Imperial Government they are certainly not; and it is declared that there are a number of articles the import of which ought to be entirely prohibited, while most others should be cut down to a small percentage of normal. These are stern words, but the despatch then turns from the need for lowering the standard of living of the few to the equally pressing necessity of raising that of the great majority of colonial peoples—the right use of resources. Here again the directive is clear: "it is an imperative duty to do all that is practically possible to fulfil this obligation even during the war." The limitations imposed by the war were described and discussed in an article in *The Economist* of July 19th (page 68), but Lord Moyne is rather more lenient in the despatch than in the House of Lords debate, for in it he says that, in special cases, materials and personnel may be made available from outside sources if the work is sufficiently urgent. He also emphasises the importance of making plans now, so that there can be "rapid progress" in colonial development

after the war. Colonial Governments are urged to relate their development and welfare schemes to a general plan, instead of merely submitting isolated projects. A central agency in each colonial administration is envisaged, which would co-ordinate the various departmental plans into a general framework covering a period of at least five years. Moreover, particular importance is attached to the training of local personnel as rural teachers, health workers, agricultural demonstrators, and so on, in order to provide an adequate number of subordinate staff for post-war construction. This latter instruction is especially welcome, since the education of the native peoples to educate themselves has long been recognised as a guiding principle of trusteeship. In fact, the tone of the whole despatch is unexceptionable; the Colonial Office must now insist that it is acted upon.

On the Fringe of the Fighting

In the Mediterranean the air and sea battles continue, and, since Italy's *Regia Aeronautica* is the RAF's principal opponent, the initiative rests with Britain. In the course of British attacks on shipping, several supply ships have been sunk, and a cruiser torpedoed, and probably hit. Air attacks have been made on Crete, on Reggio on the Italian mainland, and the attack on Sicily of last week has been followed up by another smashing blow—this time at Sardinia. The Navy has also been active in Sardinia, and in two daring raids, units of the Fleet raided Porto Conte and Alghero at dawn; destroyers were able to get right inside the harbours, and to damage port installations and an aerodrome used by Italian reconnaissance seaplanes. All the while, the hammering of Libya continues, and the only effective counter blow given in any quarter was the Axis raid on the Canal Zone, which caused considerable loss of life. It is, of course, difficult to speak of a Mediterranean front. There is no land fighting, while the armies sit and swelter in the violent heat. The Levant is quietly settling down to Allied occupation. Yet it is the quiet of a coming storm, for in no part of the Near East can it be said that the battle is decided. If Russian resistance continues to be as stiff as at present, and the German need for an easy victory grows, Constantinople is an obvious choice for an alternative blow. The Turks are watchful, but are inclined to rely upon their Pact of Friendship with Germany. They are still not happy about Britain's Russian connections even though the Russo-Polish Pact has had a reassuring effect. Syria and Iraq are also watching the course of the Russian war. Any brilliant successes there on the part of Germany might well have disturbing consequences, particularly in Iraq, where the weak armistice terms imposed by Britain have allowed a good deal of anti-British influence to prevail in the Army. Finally, in Iran, although a few German "tourists" have been given their *congé*, the situation is not at all satisfactory.

Beggar My Neighbour

These is no sign that the trade unions have been in any way deterred by the Government's White Paper in their determination to run up money wages as far as bargaining can take them. The obvious argument about the dangers of inflation is now being answered in trade union circles by the claim that, by what the organ of the Transport and General Workers' Union calls "a proper system of price control and rationing," inflation can be prevented. It is, of course, true that rationing to the hilt could, by making all the spending power in the hands of the public over and above a minimum worthless (that is, useless to buy anything), prevent inflation. It would be interesting to know whether trade union officials, in pressing their money claims, are making it plain to their members that the extra wages which they are asking for will in any case be worthless—either because of the inflationary rise in prices which their expenditure would cause or because of the "sterilising" effect which measures to prevent inflation by complete rationing would have. It is perhaps doubtful whether, in practice, rationing can possibly be made as watertight or as comprehensive as its use as a single defence against inflation would require, though every effort to render it so should be made. But the important thing is that the real, as distinct from the monetary, issue should be put before every member of the public, including, not only wage-earners, but every income-receiver from bottom to top of the scale. In so far as they are not taxed away, high incomes are just as dangerous in essence as rising incomes. The simple fact that more wages—or salaries and

profits—cannot bring more goods into being under conditions of wartime restriction is still not fully understood. Trade union spokesmen, of course, do know, or should know, that all-round wartime increases in money wages cannot increase real wages or actual purchasing power all-round. But they also know that, so long as the present scramble for goods goes on, those who are most successful in the scramble for money may benefit—at the expense of some other section of the community which they hope will be the rich but who will probably be the very poor. Moreover, they look ahead to labour's claims under less stringent conditions of supply after the war—and they argue that the higher the level of money wages is then, the bigger the workers' share will be of an expanding supply of civilian goods. The new trade union argument that the situation can best be controlled by controlling expenditure and consumption is the right one; but it will be a pity if all this jockeying for position were to prevent every step from being taken, co-operatively, to ensure that the danger of inflation, now and after the war, shall remain at a distance.

Compensation for Casualties

On the whole it was a satisfactory account of his Department's activities that Sir Walter Womersley, Minister of Pensions, gave to the House of Commons last week. Various anomalies which have been brought to his attention in past months have been corrected. For instance, men passed as Grade 1, who are discharged from the Services on account of a disability shown to have existed before enlistment, but not detected at the medical examination, have hitherto been refused pensions. Now, if effective service is found to have caused an aggravation of the disability resulting in discharge, a pension is granted. Further concessions are the grant of full Service pensions where a member of the armed forces is killed or injured by enemy action while on leave; the application of the principle of the new Determination of Needs Act to parents' need allowances; the continuation of children's allowances, when the children are still being educated, up to the end of July following the sixteenth birthday; and special temporary allowances of 50s. a week for ten weeks to widows before a war pension is issued. Moreover, a Royal Warrant will be issued confirming the provision that a member of the Home Guard, while on duty, comes under the same regulations as a member of the armed forces. But, because it is a new departure of the Ministry, most interest lies in the compensation scheme for civilians. About 10,000 pensions have been granted in respect of deaths in air raids. The number of disablement pensions granted for cases of permanent injury due to air raids is over 1,000, a reassuringly small number when it is considered that by the end of June over 50,000 persons had been notified as seriously injured in raids. It is very satisfactory that the great majority of injured people are not permanently incapacitated—though as the qualifying period before a disablement pension is granted is usually six months, more of the 50,000 may come under the disabled category in the future. There does, however, appear to be a lack of rehabilitation facilities for those that are permanently disabled. The Ministry of Pensions has increased the number of beds in its hospitals to 7,647, but apparently they are mainly occupied by disabled soldiers. There is said to be a rehabilitation centre for civilians, but there appears to be no system of following up cases of serious injury on discharge from hospital. It is not fully realised that casualties, particularly adolescents, who have lost a limb or limbs, have to reorientate their whole lives, and that complete physical and mental rehabilitation of a serious casualty should accompany financial compensation.

They Have Been Warned

Local authorities have received a circular from the Ministry of Home Security warning them of the prospect of as heavy air-raids in the coming months as any yet experienced, if not heavier. It is not proposed, the circular says, to make any fundamental change in the relations between Government Departments, Regional Commissioners, local authorities and other interests, which were described in a recent statement by Mr. Morrison in the House of Commons. The existing machinery for the settlement of policy and the co-ordination of action is considered capable of meeting the prospective calls upon it. Nevertheless, power is being given to the Minister of Home Security to give orders to local authorities who are

neglecting their civil defence duties. At present, under Regulations 29A and 54B, the Government has power to direct local authorities, both specifically for civil defence purposes and for the more general purposes of the Emergency Powers (Defence) Act. But the civil defence purposes defined in Regulation 29A are those covered by the Civil Defence Act of 1939 and fire fighting; and although late last year this was amended to include the care of the homeless, there still remain a vast number of functions enumerated by Mr. Morrison which in the age of ARP were never contemplated as belonging to civil defence. Regulation 54B is, therefore, being supplemented to give power over local authorities regarding the detailed execution of measures considered necessary, whether falling within civil defence functions or the wider field at present covered by the regulation. Moreover, this power, the circular says, is to be delegated to the Regional Commissioners, so that orders given by them to local authorities must be obeyed. Not so long ago, in the civil defence debate in June, the Government spokesman said that the Commissioners' powers of direction need not be increased. Withdrawal from this position does not mean that the new powers will be used, except when local authorities are clearly inept, but a very effective sword is now hanging over their heads.

Wolf, Wolf

Before Bank Holiday it was the Government's view that the public had earned its rest, but that the need to distribute and economise made it obviously imprudent for holidaymakers to travel by rail. Posters were displayed exhorting people not to travel, which is now the usual way of publishing the Government's wishes. Probably it was because this technique of exhortation, as a substitute for commands, is so familiar that, to a considerable extent, the public merely accorded it the pinch of salt which they are now accustomed to give to the posters of other advertisers, and went on their way by train. To travellers the question whether coal could be spared for their holiday-making or not was simply answered by the fact that, in the event, trains were put on to carry them. The railways' claim that they are compelled by law to provide trains for all who purchase tickets may be sound, but it will surprise many people who have failed to find transport on bygone peacetime holidays, and it will only exasperate those who worked on Monday, and had to make their way by a skeleton Sunday service while the holiday "reliefs" went by. Actually, the extent to which "unpatriotic" journeys were indulged in has probably been exaggerated. There was not the chaotic scramble that some people and newspapers had ghoulishly anticipated. Many people were visiting evacuees. Officially, it is said that little harm was done. The point is not so much that people did travel to the detriment of the war effort, but rather that they were allowed to travel. The difficulty of deciding which were necessary journeys and which were not was obviously considerable. But to leave it to individuals to decide for themselves simply meant that most of them would inevitably—and very humanly—decide in their own favour. If vital coal supplies were, in fact, held up or wasted, the fault is the Government's, and no one else's. The practice of attempting to conduct the war on the home front by appeals and slogans, which is a symptom of what was described by one member in the coal debate as "the wicked state of mind of imagining that economic problems can be solved by emotional crusades," was never very effective—except among a relatively few devoted workers in the obviously perilous

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weeks after the fall of France. Posters can never replace orders, not because people are unwilling, but because they cannot be expected to decide for themselves what it will be best for them to do in the national interest; they cannot know. Now, the practice has been worn threadbare. The armed forces did not travel by train last week-end because they were ordered not to. The civilians did travel because there have been too many appeals, too many slogans, too many exhortations. It is as absurd to allow travellers to waste coal and impede the passage of essential goods, with only the admonitions of a poster to restrain them, as it is for the Ministry of Food to prove to the public on yet another poster how vital shipping space could be saved if they would eat wholemeal instead of white bread, and then to do nothing more to compel them to do so. Either these are matters of free choice for the public, or they are not; and in the cases of coal and shipping space they obviously should not be.

* * *

Milk Rationing

The announcement that registration for milk supplies will now be compulsory is hardly unexpected. It has been clear for some time that supplies of liquid milk would fall substantially short of demand this winter. In the Commons on Wednesday Major Lloyd George repeated the assurance that there will be adequate supplies of condensed milk to make good the shortage, and registration is to be the preliminary to a scheme which will rightly be designed to reserve liquid milk supplies for those who need them most. It appears that the plan is to guarantee one pint a day for expectant mothers, and for infants up to five years, and $\frac{1}{2}$ pint per day for children between five and seventeen years. If a shortage of liquid milk is inevitable, there must be unreserved praise for this system of priorities, which will perhaps need to be extended to invalids. But it must be strongly deplored that a shortage was not prevented. For a long time it has been clear that the demand for liquid milk was outstripping the available supply. Liquid milk is an absolutely invaluable source of nutrition for adults as well as for children as a protection against the short-comings of war-time diet; and it would be far better to have initiated a switch-over from beef to dairy farming a full year ago than to be forced into this rationing, which must leave many people insufficiently supplied with milk.

* * *

Balbus and the War Effort

It is not long since Mr Bevin, in a forthright "appeal" to the building trades, said that the construction of certain aerodromes and factories was behindhand; and it is known that at least one vital public utility extension has been hampered for lack of heavy labour. Yet, the Londoner can still see cinemas and restaurants that have been largely rebuilt after bombing; he hears of more—and even of a lecture hall at a well-known academic institute that is being restored. These may be slight instances, but in sum they do suggest that, in practice, the admirable principles of priority and allocation which have been announced since the formation of the Ministry of Works and Building last year are not yet being relentlessly applied. The cause may very well be the disposition of the authorities, in the absence of any policy of war compensation for lost livelihood, to restore even non-essential enterprises if there are people whose living depends upon them. This is understandable, but it is not war economy. Building, like coal-mining, has suffered a grievous loss of labourers, and there is no margin of men—or of materials—to be spared for restoring non-essential activities whose damaged buildings should rather be regarded as sources of scrap than as proper objects for reconstruction.

* * *

Hey Presto

It was not Maskelyne's practice to explain his vanishing tricks. The Ministry of Food is more frank. In one of the latest of the series *Food Facts* it is pointed out, in the simplest of language, that when the price of goods that are scarce is officially fixed at a level within the reach of most purchasers the goods must disappear. The price is within most purchasers' reach, but the supply is not; there is not enough to go round, and the normal process by which the price rises until demand and supply match is suspended by price control. The explanation is common-

sense, but the light thrown on food policy is somewhat disturbing. The proper object of policy is surely not simply to secure the quotation of reasonable prices, whether there are goods to buy at those prices or not, but rather to guide the distribution of goods. Price control is no more than a means to that end—in combination with rationing, registration and the reservation of goods for specially needy persons. It is plainly not possible to fix any all-round ration of individual commodities of which there is not enough to go round. But the goods have to be distributed somehow, and, apart from the attempts of honest shopkeepers to eke them out fairly by their own empirical methods, the present position is that price-controlled foodstuffs are usually snapped up swiftly by the leisured and the fortunate or by the hangers-on of the trade, the forestallers, regraters and engrossers, who carry them away to the hoards and the black markets. The possibilities of the device by which a number of foodstuffs, singly in short supply, are grouped together for rationing have not been exhausted; and the campaign to eliminate the speculators and the parasites who batten on shortages has not passed the stage of threats and exhortations.

* * *

Shorter Notes

The Trades Union Congress and the Labour Party have issued a statement on their attitude to Communism. They declare that they appreciate warmly "the great efforts of the Soviet Union in the common struggle against Hitlerism," and welcome "the fulness of the co-operation . . . between Great Britain and the U.S.S.R.," a co-operation which they hope will result in a common understanding between the two peoples "which is a necessary condition of an enduring peace." But, as was to be expected, there is no suggestion of any *rapprochement* between the Labour movement and the Communist Party, which until June 22, 1941, took "every opportunity to obstruct and weaken the national effort," and has "again demonstrated its irresponsible and unstable character."

*

The road deaths for June at 618, though lower than May's total of 701, were 139 higher than in June last year. In addition, 3,592 persons were seriously, and 11,593 slightly, injured. Obviously, with the double summer time in force, the black-out cannot be blamed for the increase on last year; in fact, only 41 of the fatal accidents this June occurred in hours of darkness, compared with 92 in June, 1940. One by one the reasons for accidents which are put up by private motorists—the black-out, Service vehicles, cyclists—have had to be strongly qualified. Will they eventually come down to careless driving by themselves?

*

On July 31st the House of Commons was informed by a message from the King that Sir Paul Latham, member for Scarborough and Whitby, had been arrested, and was to be tried by court martial for alleged offences against military law. This method of informing the House of the arrest of a member serving in the Army is in accordance with Parliamentary custom, but as no such member has apparently been arrested since 1815, the procedure was new to the present House of Commons.

*

The Prime Minister of Southern Rhodesia has said that he has agreed to the request of the Secretary of State for the Colonies that the question of the amalgamation of the two Rhodesias should be temporarily deferred. He added that the matter is in abeyance because Lord Hailey's report on the alleged differences in native policy in the two Rhodesias has not yet been received. The most surprising feature of his statement, however, is that the Southern Rhodesian Government is not going to be put off by the possibility of difficulties in the House of Commons, and that there was no reason why the more enlightened people [sic] who migrated and built up the Commonwealth, should be dictated to by the insularity of those who stayed at home. Dictation, evidently, can only come from Southern Rhodesia, which would impose amalgamation on the 1,366,000 natives of Northern Rhodesia. Sir Godfrey Huggins appears to forget that responsibility for their welfare still lies with the House of Commons.

THE WORLD OVERSEAS

China's Export Trade

(From Our Shanghai Correspondent)

June 25th

CHINA'S export season started in June. The various districts had one feature in common—no increased production of any export commodity, but a very general decrease. Obstacles to exporting, such as inland transport difficulties, Chinese and Japanese control of trade and foreign exchange, as well as a scarcity of shipping space for transport overseas, are all considerably greater than a year ago. But in other respects, export conditions vary substantially in the different regions.

Free China now relies for exports upon the Yunnan-Burma Road almost exclusively. The Road continues to be improved on the Chinese side, and some 150 miles of new railroad track to relieve the road traffic are under construction from Kunming westward; but the rainy season is just ahead threatening to curtail, if not to block entirely, the outgoing road traffic. The recent month's extension of Japanese naval operations on the South China coast, and especially the quasi-piratical Japanese raids on a large number of coastal or near-coastal points still controlled by China, sharply reduced what remained of Free China's commercial and shipping intercourse with Hongkong in the sphere both of legitimate trade and smuggling. In the interior of Free China, many chronic bottlenecks and traffic jams also obstruct the outflow of export commodities. The Chungking Chinese Government early this month amalgamated the semi-official Foooshing and Fuhua export monopolies in order to centralise Government-managed exports, but the immediate result is not important. The growing of agricultural export produce in Free China for the past year and a half has been discouraged by the comparatively low prices which Government monopolies allow for such produce, and farmers prefer to cultivate produce for their own requirements and the domestic market. Free China's metal output does not promise any further increase in the near future.

In the countryside of Japanese-occupied North China, the output of export produce has also not improved. The recent large-scale military campaigns in Honan and Shansi Provinces; Japanese inability to oust from this territory the Chinese Government and Communist armies; the revived guerrilla warfare everywhere behind the Japanese front lines; Japanese monopolist regimentation and seizure of farm produce by methods and at prices which make these measures appear to Chinese farmers little short of confiscation—all these factors combine to keep production for export by North China at a very low level and far below pre-war standards. Moreover, exports to countries outside the yen bloc are permitted only under the export-import link system at an artificial rate of U.S.\$0.115 per Peiping F.R.B.\$1.00, which is paid by the Japanese Yokohama Specie Bank for foreign exchange proceeds from all exports. Japan's efforts to divert additional export trade from Tientsin's British Concession to Tsingtao, which is dominated by Japan and since early this spring has enjoyed direct railroad connection with West Hopei and Shansi, are also upsetting export trade. North China transit trade via Shanghai is being systematically obstructed by Japan's treatment of North and Central China as different countries.

In Central China, the forwarding to the coast of all produce from Japanese-occupied areas is now subject to strict regimentation by the Japanese military and to payment in military yen. This regimentation has had the same adverse effects on production as elsewhere in China. Non-Japanese Shanghai exporters may secure supplies of export produce only on the condition that the Japanese are allowed a share in the export profits and part of the foreign exchange proceeds. Except for tea, arrivals at Shanghai of Free China produce have practically stopped since the recent Japanese onslaught against the East Chekiang coast. The production of Central China's major export commodity, raw silk, is being discouraged by the Japanese in an effort

to relieve the silk market of Japan proper; the 1941 spring cocoon gathering in Central China yielded 30 per cent less than the past year's crop. However, high silk prices, almost reaching the peak quotations of November-December, 1939, compensate for the reduction in output. Shanghai's silk stocks are extremely low, and domestic demand competes sharply with export requirements.

Shanghai's Share

Shanghai's exports continue to dominate the exports of the whole of China. During the first half of this year, North China and Free China accounted for one-sixth each of the whole of China's export trade, while Shanghai alone accounted for two-thirds. This is now primarily due to the fact that produce coming from the interior plays but a secondary part in Shanghai's exports while the products of Shanghai's industries rank first. Most important among these products are cotton yarns and piece-goods, followed by iron, steel and other metal manufactures. These textiles and metal manufactures sell successfully in South-East Asiatic countries and British India, taking the place of former imports from Continental Europe, Great Britain and Japan. More than half of Shanghai's exports in January-May, 1941, were contributed by these and other local industrial products, while the share of raw silk in local exports declined to 12.5 per cent.

Shanghai's chief foreign customer remains the British Empire, which in January-May this year purchased 40 per cent of Shanghai's exports. In this trade, Hongkong ranked first as the leading distributor of local textiles and metals in South-East Asia; British India as a large-scale buyer of the same goods was second; while the United Kingdom ranked third owing to its continued purchases of raw silk, bristles, egg products and vegetable oils. The United States maintained a 25 per cent share in Shanghai's exports, so that the two great Anglo-Saxon Powers together accounted for two-thirds of all local export shipments. The Japanese Empire with a 19 per cent share was third, but a large part of Shanghai's shipments to Japan's Kwantung Leased Territory (Dairen) went via Siberia to Germany, and this latter trade has been completely interrupted by Germany's attack on Russia.

Iceland Since the Occupation

[BY A CORRESPONDENT]

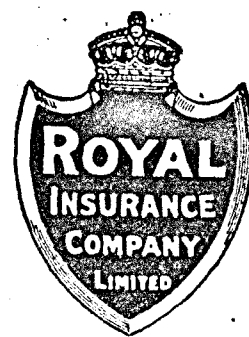
July 31st

THE Icelanders look upon the occupation of their country with mixed feelings. Being very politically minded people, they were not in the least surprised when first Great Britain and then the United States took steps to ensure control

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over the northern passage between America and Europe, and to protect the shipping of supplies for Great Britain in the North Atlantic. It is also important as a refuelling station for the aircraft flown from the United States to Scotland. Moreover, Germany had shown great interest in the island.

At first the Icelandic Government protested against the occupation of their independent and neutral State, but it seems to have been more a matter of routine than of conviction, as they realised that this occupation brought them the protection of the British Navy against an invasion by Germany. When Britain explained that her troops were needed elsewhere, the Icelandic Prime Minister, Hermann Jonasson, invited the United States to take over the protection of Iceland during the war. This invitation was accepted, and "picked troops" and "sufficient aircraft for defensive purposes" were landed by America early in July this year. In spite of the fact that they have had to fight for their independence for hundreds of years, the population appreciates the need for these strategic measures, and also the economic advantages which arise from them.

These benefits are obvious. The soldiers spend money, and the military establishments occupy so much labour that unemployment has ceased. Exports have risen from 50 million crowns before the war to 132,900,000 in 1940, while goods worth 72,317,200 crowns were imported. Fish, such as clippish and uncured saltfish, and fish products like herring oil, cod-liver oil and fishmeal, which is in great demand as meal fodder, represent by far the greater part of exports. The wealth of the country is mainly derived from the fisheries. About two-fifths of the total import figure consists of consumption goods, while the rest consists of various goods necessary for production, including fuel and lighting materials. Thus, coal; iron and ironmongery; timber wrought and unwrought; materials for the fishing trade (yarn, thread and rope); cereals; coffee; sugar; tobacco; and clothes are the chief goods imported. Great Britain is at the moment the largest source of supply, being responsible for about 70 per cent of all imports. Before the war, 30 per cent of the imported goods came from Britain, while 23 per cent were supplied by Denmark, 13 per cent by Germany and 12 per cent by Norway. The export trade is mostly directed to Britain and also to the United States, the latter trade having been encouraged by a grant from the American Export-Import Bank in March, 1940. Portugal and Spain are also customers for cod-liver oil and wool. Formerly, in order to regulate the disparity between imports and the comparatively small exports, strict import regulations were adopted, thus saving foreign currency. The country's stock of imported goods diminished, however, and it became increasingly difficult to cut down imports. Now the situation is changed, and the Icelandic Government would like to purchase more commodities from Great Britain than the latter is willing to sell during the war. It is hoped in Iceland that an agreement will be reached, so that necessary goods, such as coal and cereals, can be obtained. Since the whole population of the island is only 121,000, which equals the population of a middle-sized town, their needs are not excessive. The Icelanders feel that they make certain sacrifices in this war and that their modest wishes should be considered.

Need for Imports

It must not be forgotten that Iceland has no coal, and though the area of the country is 10,285,000 hectares only 40,000 of these are cultivated land. Some 200,000 hectares are natural meadows, 60,000 are forest land (mostly brushwood), and about 3,500,000 are grazing grounds, mostly unfit for any kind of cultivation of all. The average potato crop yields only about two-thirds of the quantity required. The country therefore depends to a large extent on its food imports. The present Government (a coalition composed of the Independence Party with 17, the Progressive Party with 18 and the Labour Party with 7 members in the Althing) hopes to extend and improve farming and to lessen in that way the country's dependence on imported foodstuffs.

Iceland is, however, also experiencing some disadvantages from the occupation. The labour shortage has become acute, as workers from all over the country rushed to the towns to find well-paid employment by the occupying forces. The population of Reykjavik (40,000) has increased by 10 per cent during the last few months, and it is almost impossible to find accommodation in the overcrowded capital, especially as the building trade has been stopped entirely, except to serve the army of occupation. The lack of labour available for agriculture and factory work is

already felt. The employment index has gone up from 100 (three months before the war) to 155, and wages have not increased in proportion. Iceland has introduced, for security reasons, rationing of bread, sugar and coffee (the main drink). Alcohol is also rationed to two bottles of whisky or gin per month, or eight bottles of light wine—women are granted only half the ration.

In spite of these disadvantages, the pro-British feeling of the Icelanders is obvious. English lectures are overcrowded, and the recent Icelandic mission to this country made it clear that their sympathies are entirely with the Allied cause.

Defence Expenditure in America

[FROM OUR NEW YORK CORRESPONDENT]

July 12th

THE American fiscal year closed on June 30th. The table following is a condensed summary of revenue and expenditure.

REVENUE (\$000,000)		
	1939-1940	1940-1941
Income tax	2,125	3,470
Miscellaneous internal revenue ..	2,345	2,967
Customs	349	392
	4,819	6,829
Other receipts	1,106	1,439
	5,925	8,268
Deduct insurance trust funds ..	538	661
	5,387	7,607

The item listed above as other receipts is mostly social security taxes in 1940, and in 1941 social security taxes and a windfall return of funds from Government agencies.

EXPENDITURE (\$000,000)		
	1939-1940	1940-1941
I. General expenditures	7,177	6,564
II. National Defence	1,559	6,048
III. Revolving funds	54	(returns) - 136
IV. Trust accounts	208	234
	8,998	12,710
Net Deficit	3,611	5,103

The general expenditure includes the following major items:—

	1939-1940	1940-1941
Departmental	810	811
Agricultural Adjustment	1,020	968
Interest on public debt	1,041	1,111
Works Progress Administration ..	1,477	1,285
	4,348	4,175

These items include only about two-thirds of the general expenditures. Such agencies as the Civilian Conservation Corps and the Youth Administration add another half-billion, Social Security about as much, and the Veterans' Administration rather more. The other elements are mostly either under the general category of farm aid or public works.

National Defence Expenditures (\$000,000)		
	1939-1940	1940-1941
War Department	667	3,635
Navy Department	892	2,217
Other items	...	196
	1,559	6,048

Among the "other items" is one listed as Defence Aid (Lend-Lease) at \$21 millions. The net increase in the National Defence item for 1941 over 1940 is given as \$4,489 millions. Since total expenditures were \$3,712 millions greater, it appears that one way and another almost \$800 millions was saved elsewhere. Of this, the largest element was the recapture of \$300 millions from the Federal agencies and \$100 millions from the Federal Land Banks;

the bulk of the remainder came from savings on relief, especially WPA and PWA.

The general outline for the fiscal year 1941-42 is estimated as follows:—

	(\$000,000)	1940-1941 (actual)	1941-1942 (estimated)
Defence		6,050	15,500
Other costs		6,650	6,800
Total		12,700	22,300
Revenue		7,600	12,500
Deficit		5,100	9,800
Debt at year end		48,500	57,500

Such figures for the current fiscal year must be taken as being indicative rather than definitive.

The steady step-up of defence costs is shown in round numbers as follows:—

(\$000,000)			
July, 1940	175	Jan., 1941	570
Aug., "	200	Feb., "	590
Sept., "	220	Mar., "	740
Oct., "	290	Apr., "	760
Nov., "	380	May, "	840
Dec., "	470	June, "	825

At the present time armament expenditures are running at about \$1,000 millions a month, and are expected to reach double that figure during the current fiscal year.

The deficit is not identical with the increase in the public debt. The net deficit for 1941 was \$5,100 millions. The gross public debt on June 20, 1940, was \$43,000 millions; on June 20, 1941, \$49,000 millions, or about \$1,000 millions greater—mostly reflected in an increase in the General Fund Balance.

Full figures of the increase in the debt are not yet available, but very roughly one can say that the debt in the hands of the public rose about \$4,000 millions, of which something more than one-quarter was taken by individuals in U.S. savings bonds and about three-quarters by institutions. The Reporting Member Banks showed an increase of \$2,000 millions; the balance mostly has gone to other banks and to insurance companies. The differential would be accounted for by Government agencies, trust funds and the like. Broadly, about half of the actual deficit was met out of individual savings, whether by direct or indirect investment, and the other half by the credit mechanism.

Greater Bulgaria

[BY A CORRESPONDENT]

July 12th

A MAP of "Greater Bulgaria," distributed throughout the country and recently reproduced in the German Press, shows the frontiers of Bulgaria as including Greek territory as far down as Mount Olympus, extending into Albania, and including most of Central Serbia almost up to Belgrade. In actual fact, Bulgaria is not satisfied with the territories of Thrace, Macedonia and Moravia and the access to the Aegean Sea allotted to her after the dismemberment of Greece and Yugoslavia. Her claims to more of these two countries are, however, opposed to Italian aspirations in this sphere. The Bulgarians are particularly anxious to obtain Salonika and are disappointed that Italian troops there are replacing their own. Actually, Germany apparently intends to make Salonika a German free port on the Aegean. The Bulgarians also fear that the Yugoslav Moslems in the Priep, Bitolj and Ohrid districts, now occupied by them, will be incorporated in Albania. Germany, to appease the conflicting appetites of the various claimants, has emphasised that the military occupation of certain zones in the Balkans, and even the installation of civil administrators, do not yet indicate the final solution. It is, however, stressed that Bulgaria will in future be the largest and most influential Balkan State, "thanks to the ability and maturity of the Bulgarian people and the close friendship with Germany." The Bulgarian Press, in its turn, stresses that the fate of Bulgaria has never before been linked up so closely and inseparably with the German Reich.

A number of people have been arrested for spreading subversive propaganda against the Bulgarian army and officers upon instructions from the U.S.S.R. It is, in fact, in the army that pro-German tendencies have always been

particularly strong, whereas the man in the street is pro-Russian, pro-Russian sympathies being perhaps more pronounced in Bulgaria than in any other Balkan State. It will be remembered that it was Bulgaria with whom the Soviet concluded, only last year, the first comprehensive trade agreement, as an indication of Russia's opposition to Germany's advance in the Balkans.

Meanwhile, Germany has lost no time in establishing closer economic relations with Bulgaria. As far back as 1938-39, 63.4 per cent of Bulgaria's total exports already went to Greater Germany, while 57.8 per cent of Bulgaria's imports came from the Reich, Austria, Bohemia and Moravia. An agreement has now been reached between German and Bulgarian industrialists, aiming at co-operation with various Bulgarian industries. The authorities have been advised to reduce their duties for goods imported from the Reich. The extent to which manufacturing within Bulgaria can be promoted will be investigated. This is obviously part of the programme of industrial decentralisation by the Reich. Chemical industries and Bulgarian manganese and lignite deposits especially are to be investigated with a view to effective development. The realisation of these plans will, however, take time. Since the incorporation of the new territories the transport shortage has, moreover, become marked in Bulgaria.

Above all, Germany is endeavouring to increase the production in Bulgaria of those agricultural products which she needs—soya beans, flax, cotton and tobacco. The area under cotton cultivation has, since the annexation of Greek and Yugoslav territory, increased from 47,000 hectares to 70,000 hectares. According to German plans, Bulgaria is to become the greatest cotton producer in Europe. She has also become the greatest tobacco producer. Whereas Greece produced before the war an average of 55,000 tons annually, Bulgaria's tobacco harvest amounted to only 44,000 tons. It increased last year to 50,000 tons, and will probably yield a total of some 65,000 tons this year.

Land Hunger

There are, however, considerable difficulties owing to the structure of Bulgarian agriculture, which neither German assistance nor the acquisition of new territories is able to solve immediately. More than half of all Bulgarian farms are under 3.5 hectares, and to increase them to only 5 hectares, as is envisaged, requires some 2 million hectares of new agricultural land. The incorporation of Greek and Yugoslav territories may have appeased this land hunger, but it cannot possibly satisfy it. A four-year plan, put into operation early this year, aims at improving this situation, but, an amount of 20,000 to 25,000 million leva, or twice the amount of this year's total budget, would be required to realise this programme of agricultural intensification, in which the Germans take a special interest. These problems constitute, incidentally, a permanent danger from the political point of view. The large village proletariat has been and continues to be a source of social tension and unrest. According to a census taken by the Sofia Institute for Economic Research some time ago, one third of the agricultural labour is not employed at all.

Bulgaria's needs for technical equipment, and particularly for agricultural machinery, have greatly increased since the recent annexations. The country is reported to require some 600,000 ploughs, 370,000 harrows and hundreds of thousands of other agricultural implements to intensify her agricultural production. Whether and when Germany will be able to supply such quantities under present circumstances is very uncertain, and it is feared that the clearing system will once again benefit Germany, as the value of Bulgaria's exports to Germany will soon exceed those of imports from Germany. German Press comments, however, endeavour to console the Bulgarians with the argument that "it is the human ties and not goods or capital that bind these two nations together."

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Life Assurance in War

LIFE assurance differs from other forms of insurance in two material respects. First, a life insurance contract carries with it, not a conditional, but an unavoidable, obligation to meet a claim; only the time of payment is left to chance. A life office must, therefore, accumulate funds which, by comparison with the funds required in other branches of insurance, are much bigger in relation to the volume of business transacted. Secondly, while the duration of a life policy normally extends over a period of years, other insurance contracts are usually on a year-to-year basis. A life policy may be for as long a term as an individual life, during which the whole foundation on which the premium structure was built—rate of interest, rate of mortality, cost of conducting business—may not only change, but undergo a whole series of changes. Provided the policyholder is able to maintain his premium payments, or there is sufficient margin in the surrender value to cover these obligations, the life office is bound to the contract. By contrast, if, in other branches of insurance, the underwriter finds cause to modify his original judgment of the risk, he can, with reasonable notice, increase the premium, restrict the scope of the cover, or even cancel the policy. The special problems of the life offices arise from these characteristics. The accumulated reserves, held against

future liabilities, must be invested, and capital values must be maintained, so that there is no deficiency to be made good when liabilities have to be met. Each office must choose between a "safety first" investment policy, with the risk of depreciation at a minimum but a low return, and a more adventurous course designed to offset any capital losses by a high rate of interest. Between these two extremes there is an infinite variety of gradations of policy. British life offices, very wisely, have preferred safety to adventure, and they are now reaping the fruits of their care and caution. Moreover, the serious fall in the value of investments which was a feature of the last war has this time been avoided by strict Government control of the capital market. In view of the dislocation of trade and the destruction of property, life offices could not escape some measure of depreciation in their assets. But too much significance need not be attached to the test of market values, for actuaries know broadly the limits within which they may be called upon to realise investments in any one year, and a high degree of marketability for the bulk of the portfolio is not essential. In support of this contention, it may be mentioned that property investments are recognised as quite suitable for a proportion of life offices' assets, although concentrated interests in large blocks of flats or offices in the centres of cities are clearly in a less desirable category than first mortgages on well-spread residential property. So far, no office appears to have suffered any serious loss; the United Kingdom Provident, for example, which is interested in real estate to the extent of some £10 millions, puts the proportion of properties partly damaged or wholly destroyed by bombs and fires at between 2 per cent and 3 per cent, and the Clerical, Medical and General, with property investments of about £7½ millions, finds war damage to have been less than 1 per cent of book values.

If the offices have not enjoyed complete freedom from anxiety in watching the status of their old investments, they have at least been spared the major part of the responsibility in deciding on the investment of new funds. As one chairman said in his address to the shareholders, the problem of new investment has "assumed a rare simplicity," for there has been a clear duty to lend to the Government, not only the greater part of premiums, but also the proceeds of maturities and of requisitioned foreign securities. Consequently, the holdings in Government securities of the forty offices listed in the first of the three accompanying tables rose from £288 millions at the end of 1939 to £346 millions a year later, and the proportion of such securities to total assets from 20.8 per cent to 24.4 per cent. The increase of £58 millions in their holdings of Government securities is, in fact, considerably greater than the increase of £36 millions in their total assets.

There remains the group of problems arising from the second characteristic of life assurance, namely variations in the three elements entering into the calculation of the premium. Of these the most vulnerable is probably the rate of interest—certainly this is providing most food for thought at the present time. The rate of interest earned on new, as distinct from past, investments is now between 2½ per cent and 3 per cent gross, so that the net rate after deduction of income tax—even allowing for the concession limiting the rate of tax to 7s. 6d. in the £, against the standard rate of 10s., and for the rebate for expenses—cannot be above 2 per cent. Compared with this figure, the most conservative rate for valuation purposes has been 2½ per cent net and, in the past, business has been accepted which assumed that 3 per cent or more would continue to be earned. While, as the second table shows, the average net rate earned on all investments showed a further slight reduction in 1940, it is in most cases still well above the valuation figure; but unless a reversal of present trends is not long

TABLE I.—LIFE ASSETS OF 40 OFFICES AND HOLDINGS OF BRITISH GOVERNMENT SECURITIES

Office	December 31st, 1939			December 31st, 1940		
	Total Life Assets	British Gov't Securities	% of Total	Total Life Assets	British Gov't Securities	% of Total
Mutual Offices:	(£000)	(£000)		(£000)	(£000)	
Equitable	12,889	286	2.2	13,052	986	7.6
Friends' Provident & Century	16,861	1,345	8.0	17,079	1,666	9.7
London Life	29,806	4,648	15.6	29,769	5,199	17.5
National Mutual	7,465	833	11.2	7,459	1,221	16.4
Norwich Union	13,535	1,708	12.6	13,696	2,241	16.4
Provident Mutual	50,492	3,912	7.7	52,639	5,978	11.4
Scottish Amicable	13,252	2,414	18.2	13,699	2,926	21.4
Scottish Equitable	13,599	2,701	19.9	13,705	3,133	22.9
Scottish Provident	12,000	1,260	10.5	12,084	1,699	14.1
Scottish Temperance	25,810	8,319	32.2	25,866	8,331	32.2
Standard	9,041	598	6.6	9,147	872	9.5
Scottish Widows	35,953	7,807	21.7	36,435	8,877	24.4
United Kingdom Prov.	32,559	6,313	19.4	34,362	8,048	23.4
Total	26,968	3,041	11.3	27,399	3,736	13.6
Proprietary Offices:						
Clerical, Medical & General	16,689	405	2.4	16,866	1,818	10.8
Equity & Law	31,973	2,390	7.5	28,826	4,133	14.3
Scottish Life	9,384	1,357	14.5	9,502	1,848	19.4
Sum	47,006	11,653	24.8	48,947	13,481	27.5
Total	105,052	15,805	15.0	104,141	21,280	20.4
Industrial-cum-Ordinary Offices:						
Britannic	34,194	6,498	19.0	35,765	8,377	23.4
Co-operative	34,206	2,148	6.3	37,725	5,092	13.5
Pearl	111,011	33,058	29.8	114,719	39,625	34.5
Provident Association	15,208	594	3.9	15,435	849	5.5
Prudential	346,059	81,320	23.5	356,346	98,097	27.5
Refuge	72,460	26,449	36.5	74,606	30,193	40.5
Royal London	46,018	8,701	18.9	48,679	11,058	22.7
Wesleyan & General	16,742	3,038	18.1	17,212	3,551	20.6
Total	675,898	161,806	23.9	700,487	196,842	28.1
Composite Offices:						
Alliance	26,985	4,694	17.4	26,822	5,019	18.7
Atlas	15,903	790	5.0	16,055	1,418	8.8
Caledonian	8,742	2,070	23.7	8,757	2,433	27.8
Commercial Union	28,408	7,698	27.1	29,280	8,538	29.2
Eagle Star	17,186	4,457	25.9	17,364	4,973	28.6
Guardian	9,396	411	4.4	9,492	424	4.5
Legal & General	50,973	8,113	15.9	54,593	11,697	21.4
Liverpool & London & Globe	14,096	3,265	23.2	13,913	3,150	22.6
London & Lancashire	11,649	2,381	20.4	11,677	2,345	20.1
London	11,038	1,727	15.6	11,230	2,160	19.2
N. British & Mercantile	42,411	12,636	29.8	42,867	13,682	31.9
Phoenix	19,671	4,128	21.0	20,140	4,724	23.5
Royal	30,718	10,357	33.7	30,887	10,222	33.1
Royal Exchange	17,253	2,255	13.1	17,678	2,618	14.8
Total	304,409	64,982	21.3	310,755	73,403	23.6
TOTAL OF ALL THE ABOVE OFFICES	1,385,589	287,878	20.8	1,421,774	346,438	24.4

* The figures of these offices include the non-life assets, which are, however, relatively small.

TABLE II.—NET RATES OF INTEREST EARNED PER £100 ON LIFE FUNDS OF 30 OFFICES.

Office	1939		1940	
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Mutual Offices:				
Equitable	3 16 3	3 15 1	3 15 4	3 11 3
Friends' Prov't.	3 11 5	3 4 1	3 7 1	2 19 4
London Life	3 10 11	3 5 2	3 17 8	3 7 9
National Mutual	3 17 1	3 15 2	3 12 7	3 7 8
Norwich Union	3 15 0	3 11 5	3 13 2	3 6 6
Provident Mutual	3 18 1	3 10 4	3 13 2	3 6 6
Scottish Amicable	3 15 2	3 15 4	3 13 2	3 6 6
Scottish Equit.	3 13 1	3 10 7	3 11 4	3 7 3
Scottish Prov't.	3 11 3	3 6 11	3 11 4	3 7 3
Scottish Widows	3 10 0	3 4 9	3 11 4	3 7 3
Standard Life	3 15 7	3 13 1	3 11 4	3 7 3
United Kingdom Provident	4 11 6	4 8 4	3 11 4	3 7 3
Average	3 14 2	3 12 5	3 11 4	3 7 3
Proprietary Offices:				
Clerical, Medical & General	3 15 4	3 11 9	3 11 4	3 7 3
Equity & Law	3 13 6	3 9 10	3 11 4	3 7 3
Sum	3 16 3	4 4 0	3 11 4	3 7 3
Average	3 14 3	3 14 5	3 11 4	3 7 3
Industrial-cum-Ordinary Offices:				
Britannic	3 15 4	3 11 9	3 11 4	3 7 3
Co-operative	3 15 4	3 11 9	3 11 4	3 7 3
Pearl	3 15 4	3 11 9	3 11 4	3 7 3
Provident Assoc.	3 15 4	3 11 9	3 11 4	3 7 3
Prudential	3 15 4	3 11 9	3 11 4	3 7 3
Refuge	3 15 4	3 11 9	3 11 4	3 7 3
Average	3 15 4	3 11 9	3 11 4	3 7 3
Composite Offices:				
Alliance	3 15 4	3 11 9	3 11 4	3 7 3
Atlas	3 15 4	3 11 9	3 11 4	3 7 3
Caledonian	3 15 4	3 11 9	3 11 4	3 7 3
Commercial Union	3 15 4	3 11 9	3 11 4	3 7 3
Eagle Star	3 15 4	3 11 9	3 11 4	3 7 3
Guardian	3 15 4	3 11 9	3 11 4	3 7 3
Legal & General	3 15 4	3 11 9	3 11 4	3 7 3
Liverpool & London & Globe	3 15 4	3 11 9	3 11 4	3 7 3
London & Lancashire	3 15 4	3 11 9	3 11 4	3 7 3
London	3 15 4	3 11 9	3 11 4	3 7 3
N. British & Mercantile	3 15 4	3 11 9	3 11 4	3 7 3
Phoenix	3 15 4	3 11 9	3 11 4	3 7 3
Royal	3 15 4	3 11 9	3 11 4	3 7 3
Royal Exchange	3 15 4	3 11 9	3 11 4	3 7 3
Average	3 15 4	3 11 9	3 11 4	3 7 3

TABLE III.—WAR DEATH CLAIMS IN RELATION TO NORMAL DEATH CLAIMS. EXPERIENCE IN 1940 OF 22 OFFICES

Office	Normal Death Claims		War Death Claims	
	(£000)	(£000)	(£000)	(£000)
Atlas	332	24	198	14
Britannic (ordinary business)	236	32	370	60*
Clerical, Medical & General	464*	120*	1,065*	100*
Commercial Union	643	50	908*	50*
Equitable	451	46	694*	70*
Guardian	259	32	838	59
Legal & General	1,095	162	389	46
London	260	32	331	23
London & Lancashire	435	13	939	83
London & Manchester (ordinary business)	213	20	643	50
London Life	1,032	122	1,320*	200*
Total of above offices	13,106	1,408†	13,106	1,408†

* Approximate.

† 10-7% of normal death claims.

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delayed the point cannot be far distant at which an actual loss, as distinct from a diminished profit, will become manifest under this head.

Mortality, the next important factor in the equation, affects the situation in marked degree because, for policies issued before the outbreak of hostilities, the offices based their premiums on tables which made no allowance for the war risk, yet did not exclude this hazard from the policy cover; certain industrial policies are the exception, but even here claims are being met as if the exclusion did not appear. Some of the chairmen, in their annual reviews, gave information concerning the cost of this concession; the figures quoted in the third table show that, for the offices in question, the cost of war deaths amounted to £1,408,000, against normal death payments of £13,106,000. How much of this is "strain"—the excess of claims met over reserves carried—cannot be estimated, but the proportion may well be high, since the young lives, on which the reserves carried are small, will be chiefly affected; one office mentions that the "strain" arising from war deaths costing £40,000 is £30,000—a high ratio. A remarkable feature is that most offices were able to declare that, notwithstanding war deaths, mortality has been within expectation; it seems, therefore, that, as with the interest rate, it has in general been a question of diminished profit rather than actual loss, although it would be rash to assume that this will continue. In the realm of expenses a downward tendency, mainly attributable to reduced new business, has been the rule during the past two years, but this may well be reversed if the present upward movement in prices is not arrested.

In view of the uncertainty of these factors, the stress commonly laid on new business figures seems misplaced. With all the elements in the premium calculation in a state of flux, life offices might have been disposed to adopt a wait-and-see attitude pending the clarification of the situation. In fact, such falling away in new business as has been experienced—for ordinary life business, 20 per cent in 1939 and a further 32 per cent in 1940—is due almost entirely to influences beyond the control of the offices. Contenting themselves with increasing premiums—but certainly not to the extent justified by the present return on new invest-

ments—and excluding the war risk, except against additional premium, a policy subsequently abandoned by some offices, new business has been freely accepted; moreover, in recent months, efforts have been made to attract a share of "patriotic" saving accruing from Lord Kindersley's campaign by offering endowment policies, for a term of fourteen or fifteen years, under which the sum insured is payable in savings bonds in lieu of cash. Some of the influences mainly responsible for the fall in new business have been the reduction in sales staffs, absorption of potential *clientèle* into the armed forces, financial stringency resulting from increased taxation; it may be remarked in parenthesis that the recession has been considerably less marked in the case of the industrial offices than the ordinary offices, an indication of an improvement in the position of the working-classes.

If it were asked how it is that life assurance finds itself able to go full steam ahead in conditions of such poor visibility, the answer must lie in the immense strength of the offices' resources and in the confidence engendered during a long history by successful negotiations of many similar patches of bad weather. But as an important contributory factor must be cited the profit-sharing system, a system singularly well adapted to a business in which contracts are made for long periods of years, while the underlying conditions are subject to fundamental and far-reaching changes. Without this system actuaries would need to be far more cautious in their forecasts of future trends. It has served the public well, for during the twenty years of peace between this war and the last, handsome bonuses were paid on participating contracts, the share of the profits taken by shareholders being relatively modest. Now the "shock-absorber" function of the bonus system has come into play and participating policyholders are passing through a lean period. This is as it should be; in those offices, however, where the participating and non-participating funds are merged, and in consequence with-profit policyholders are not only affected by lower profits in their own group but must also absorb a share of any losses on without-profits contracts, these equity holders are entitled to ask that their interests are considered in framing the attitude towards new non-participating insurances.

Efficiency in Production

WHILE the recent debates on production in the House of Commons have left an impression of solid and, indeed, striking achievement, they did not remove the feeling that the war effort on the home front is still not entirely commensurate with the country's resources or with the dangers which have still to be confronted. The Prime Minister's account of the increase in war output since the collapse of France was impressive; but it did not prove, or even claim, that it was the best that could have been achieved in the circumstances. The critics, on the other hand, have tended to confuse the issue. It is impossible, with the scant evidence at the disposal of the public, to measure the extent of any deficiency that there may be in the rate of total output, or, which would be more significant, in the quality of the individual implements of war and the proportions in which the different weapons are being produced. This is *terra incognita*.

Nevertheless, it is possible, on the basis of known facts, to apply three general tests. First, it may be asked whether Great Britain has yet engaged in war production all the resources at its disposal, that is, all except the resources that are essential for the provision of the bare needs of the community. The answer to this question is hardly in dispute. Nobody would suggest that all the able-bodied men and women of Great Britain are at war stations; nobody would claim that the use of materials for civilian purposes has been cut to the bone, that all waste has been eliminated or that there is no further plant and machinery that can be turned over to war purposes. These may be counsels of perfection. But so long as these points can be made, there can be no doubt that war output has not yet reached its maximum, and there can be no grounds for any restraint upon constructive criticism.

Secondly, it may be asked, since there is still this margin of untapped resources, whether the rate of their transfer to war production is as rapid as it could be made. Compared with the first two years of the last war, the rate of the transfer of men, materials, plant and machinery to the production of the goods of war has certainly been speedier this time. It is perhaps worth while to quote the conclusions of a recent comparison of the German and British war efforts made on behalf of the Royal Institute of International Affairs:—

Germany had already attained by 1933-34 the degree of conversion to a war basis which this country had achieved by 1938. By 1938, Germany had reduced civilian consumption to the level relative to national income which was not attained here until the third quarter of 1940, but, by using up our foreign assets and our domestic stocks of materials, we managed by then to give the Government control of goods and services to a higher value (relative to our national income) than had been possible in Germany in 1939. In the last quarter of 1940, again largely by virtue of disinvestment at home and abroad, the Government secured probably as much, in proportion to the national income, as did the German Government at the same time. The proportion which Government purchases of goods and services formed of our national income increased as much between the first and last quarters of 1940—i.e., in about nine months—as did the corresponding proportion for Germany in the two years 1938-40. In view of this far greater rate of mobilisation of resources, it is perhaps not surprising that the mobilisation in our case had to be carried out largely by selling existing foreign assets and using existing stocks of commodities rather than by the far more difficult but ultimately necessary method of adapting the whole machinery of production.

There is of course no finality about this sort of comparison, which is based upon a number of factors which are extraordinarily hard to measure. But, in all probability, it is true that the rate of economic mobilisation at least since Dunkirk has been very high. The point is that the "far more difficult, but ultimately necessary" task of "adapting the whole machinery of production" is now at hand.

As Mr Churchill pointed out in the House of Commons on July 29th, the Ministry of Supply has one-third more people working in its factories than during the Dunkirk period and its output has risen by an equal proportion. But it is none the less true that the actual, physical change-over of the apparatus of production from peace to war work is still not as rapid as it will have to be. For example, it is probable that the training of labour for war work has been far too slow in relation to the actual or prospective increase in the supply of plant and machinery and to the actual or prospective supply of raw materials. It is true that it has been necessary to wait for the building of new factories for

the employment of fresh labour in them; and the supply of imported materials has not been unlimited, easy or really uniform. But there has been—and still is—a shortage of labour for particular tasks, a deficiency which might at least have been minimised by greater foresight and more planning ahead in training; and a number of the justifiable complaints which are heard, especially in aircraft work, about the poor quality of their recruited labour might have been less justifiable if efforts had been made on a wider scale to prepare the new industrial army. Some factories might perhaps have been constructed more quickly and other existing factories, with their workers *in situ*, might have been turned over to war work sooner. It is certain that the process of concentrating the output of consumption goods is taking longer than was originally envisaged by Mr Oliver Lyttelton, and control over the movement of private industry was only instituted towards the end of last month. The committee set up to advise on the concentration of the distributive trades—still the largest reservoir of available labour—has only recently started its deliberations. The use of shipping space and of raw materials for civilian purposes has been very drastically curtailed since June, 1940, but even so, the rate of diversion might have been still faster. Tanker shipping space, for example, which might perhaps be used for the import of edible oils, or left to nourish the American war effort, is still carrying petrol to Britain for otiose uses.

Thirdly, it may be asked whether the labour, materials and plant actually available for the war effort are being used as efficiently as possible. This test is more difficult to apply than the first two without full knowledge of the facts, full appreciation of the technical problems involved and of the difficulties created by air-raids, the black-out, the dilution of labour, the dispersion of factories, the reduction of food supplies, and in the absence of definite and measurable standards of efficiency for each type of work and for each of the multitude of factories that have been enlisted in the war effort. But, at the moment, and in the light of the many detailed criticisms which have been given publicity, this is probably the most important question of all; and for the purposes of this brief analysis the problem of efficiency may be examined under two heads: the intensity of work and the technique of production.

According to the text-books, the full and efficient utilisation of machinery and labour depend on the organisation of production as a continuous flow. Orders must be placed well ahead. The tooling of the factories, the intake of labour and raw materials and the rate of production of the component parts of any mechanism must be carefully planned in order to secure balance and efficiency in output. In times of peace, it may be possible for individual factories to follow the text-books, though even then the ups and downs of demand in the markets upset the industrialists' calculations. In times of war, though demand is concentrated in the hands of a single buyer, the Government, it is often impossible to place standard orders for long periods ahead, to secure an adequate and suitable supply of labour or to ensure the regular delivery of raw materials. During the early months of the war, when the Government rapidly became industry's chief customer and when the much-enlarged staffs of the purchasing departments still had to gain experience in dealing with a multitude of contractors, the efficiency of production inevitably declined by peace-time standards.

A good deal of headway has been made since then and the collaboration between Whitehall and industry is gradually improving. Yet, many experienced industrialists still claim that production is often thrown out of gear and held up by faulty ordering. In particular, the lack of continuity of orders is frequently cited as the main cause of loss of output by individual concerns. In some cases, this lack of continuity can be explained by changes in technique or policy, or even by indecision about the precise types wanted on the part of the fighting Services. But in a number of instances it still appears to be due simply to the lack of appreciation of the processes of production by the Supply Departments. The difficulty of supplying individual concerns with the kind and size of orders which will enable them to employ continuously all their labour and machinery is another problem of the same order; and its consequence is idle plant and labour. The solution for idle plant, which is being worked out, is the "capacity exchange," a clearing house which is designed to enable individual manufacturers who have machinery to spare for given periods to let them out, often

A.M.P.

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Branch Offices throughout the Kingdom. Applications for Agencies Invited



on the spot, to others who may be in need of them. What can be done in this respect has been demonstrated by the London and South-Eastern Area Board which has set up 10 exchanges dealing with something like 15,000 firms owning machinery in its area. The solution for idle labour is bound up with this development. Lack of continuity in orders, by causing temporary stoppages of machinery, also involves unemployment among the staffs of individual firms. And, in view of the general shortage of skilled and experienced labour, many concerns are just as reluctant to put off labour as they are to sell machinery for which they hope to find work after an interval. In any case, the Essential Work Order prohibits the dismissal of labour except with the permission of the Ministry of Labour. The augmented use of capacity exchanges will mitigate this problem of temporary unemployment, but it remains imperative that firms should be encouraged to "lend" their temporarily unemployed workpeople to other concerns in the vicinity, thus increasing the number of "man-hours" worked on munition and ancillary contracts.

These are organisational matters. There appears also to be scope for further improvement in the technique of production. Much has been done in the past year to adapt designs to the need for economy in labour, materials and machinery, and to standardise specifications. But concessions in design—the permission to modify specifications—are probably still not being passed on quickly enough to all the producers of supplies and equipment concerned. And it is certain that not enough has yet been done to correct the naturally uneven distribution of efficient managements between different un-

dertakings by the interchange of experts and the pooling of technical knowledge or to establish still closer collaboration in technical matters between workpeople and managements. For example, it frequently happens that an efficiently managed concern discovers a new method of producing a mechanism which saves labour, materials—and machinery. In present conditions, the knowledge, unfortunately, is not always passed on to concerns producing the same type of equipment. A solution to this problem has been found in the adoption of a system, by which the concerns producing a certain mechanism have formed themselves into a group under a leader and readily exchange technical information, besides arranging for the common purchase of raw materials in order to avoid shortages at any one of the factories concerned.

Despite the difficulty of applying these tests of efficiency and especially the third, there is more than a presumption that the resources actually engaged in the war effort are not being utilised as efficiently as they might be. It would, perhaps, be surprising if they were.

Notwithstanding the remarkable results which have been achieved in the face of many difficulties, production, in fact, is not as high as it might be. Every test reveals deficiencies which can be remedied: there are still additional resources to be tapped; these resources could be enlisted into the war effort with greater speed; and the resources and knowledge in use must be employed more efficiently. These are the "ragged edges" which must be clipped and darned if the endeavours and the willingness of the British people are to match, in results, their ability and their need.

Finance and Banking

Treasury Deposits Again

The temporary tightness in the Treasury ways and means position reflected in last week's resort to borrowing from the Bank of England has been remedied this week, partly by the exceptionally heavy inflow of revenue, partly by the resumption of Treasury deposit borrowing. Though there were no maturities of such deposits this week, £15,000,000 of fresh money was borrowed on these terms, £14,500,000 from the clearing and Scottish banks and the balance of £500,000 from an Empire central bank. Judging by the latest Bank return, the Treasury has found it possible to start repaying ways and means advances from the Bank, the item of Government securities showing a decrease of £2,655,000. At the same time, public deposits have risen by £6,620,000. The counterpart of these movements and of a further increase of £8,591,000 in the note circulation is in the main reflected in a reduction of £23,231,000 in bankers' deposits. But since this contraction in bank cash started from the exceptionally high level of £132,081,000, it has left the credit position thoroughly comfortable. The banks have been keen buyers of bills this week, and there has been a more than adequate supply of funds to meet the requirements of the market. The market obtained the somewhat better allotment of 27 per cent at last week's tender for Treasury bills, but has found no difficulty in disposing of the increased supply of bills thus made available. Now that sterling area funds are being increasingly invested, not only in Treasury deposits but in Treasury bills issued through the tap, the market syndicate hopes that it may fare rather better at the weekly tenders than in recent months.

The Far Eastern Exchange Loopholes

The application of the Treasury freezing order to Chinese assets, and in particular to those of the Shanghai International Settlement, has brought to a head the multitudinous problems which had hitherto prevented the conclusion of a payments agreement with China. Under the compulsion of this order, these problems are slowly sorting themselves out. Genuine Chinese interests are being safeguarded by granting the greatest freedom of operation to the official Chungking Government accounts, and for this purpose the machinery of the old Stabilisation Fund operated from Hongkong is proving extremely useful. The claims of Shanghai as a great international commercial and financial centre have unfortunately had to be trodden on very roughly, and reports from that centre suggest that for the time being

business is at a standstill, immobilised not merely by the freezing order, but also by the export ban imposed by the local Japanese controlled customs authorities. The free exchange market in Shanghai has thus disappeared, since it was fed mainly on the American dollar and sterling currencies in which the Shanghai banks can no longer operate freely. It has thus required this upheaval to stop what has undoubtedly been the main loophole through the system of sterling exchange control. Ever since the institution of that control, and in particular since the disappearance of the free sterling market in New York, sterling has been quoted in Shanghai at an appreciable discount on the dollar rate. In recent months, the cross dollar rate in Shanghai has been around \$3.60. Even if Shanghai quotations for sterling and the American dollar survive the freezing orders, they will be largely nominal, and the opportunities which the Shanghai market will provide for uncontrolled and undesirable exchange operations will be negligible.

Hongkong in Sterling Area

One of the important incidental effects of the British Treasury's freezing order on Chinese assets has been to bring the colony of Hongkong within the sterling area. This does not imply that the Hongkong dollar is for the first time definitely linked with sterling. The link was forged in the closing months of 1935 with the demonetisation of silver in China. The admission of the Colony within the sterling area means that the Defence Regulations defining the control of the exchange market henceforth apply to the Colony with the full rigour with which they operate in other parts of the Empire. Until last week Hongkong, in common with Canada, remained outside the area of sterling exchange control, and from the point of view of that control its currency had been treated as a foreign currency, resident holdings of which had to be sold to the Treasury. The exclusion of Hongkong from the strictest application of the control scheme was largely due to the exceptional position of this Colony as a British outpost in the Chinese Republic (to which, of course, the control could not be applied), living almost exclusively on entrepôt trade between the Chinese mainland and the rest of the world and tied by the closest financial links with the great free market of Shanghai. To have attempted, in these circumstances, to apply to Hongkong the full severity of sterling exchange control, would have been to cut the ground beneath the bulk of the Colony's trade, and on the other hand would have done little to stop this gap in the Empire's exchange control scheme,

since most of the commercial and financial activity thus stopped would have automatically been transferred to the Shanghai market. But with Shanghai brought within the scope of the freezing order, much of the reason for the exclusion of Hongkong from the sterling area disappeared. The main effect of the new order is to compel all residents in Hongkong to make a return of their foreign exchange assets to the authorities, a step which previously was incumbent only on residents of British nationality. Foreign exchange business has been restricted to eleven authorised banks which include the principal British, American, Dutch and Chinese institutions.

Thai Credit in Japan

The first significant indications of Thailand's financial submission to Japanese pressure is afforded by the news that a Thai banking syndicate had granted the Japanese, through the Yokohama Specie Bank, a credit of 10,000,000 bahts (baht and tical are synonymous terms for the Thai monetary unit which is quoted in London at 1s. 10½d.). The baht, originally a full weight silver coin, was given a specific gold content in 1928 providing an exchange rate of 11 bahts to the pound. It left gold soon after sterling and has remained quoted in London at around a nominal parity of 1s. 10d. Most of the trade of the country has been financed in terms of sterling, and the recent freezing order applied against Japan immobilised the normal machinery for the financing of trade between Thailand and Japan. The credit is thus an immediate response to the freezing orders. It is no doubt being granted in large measure by the Thai Commercial Bank, a Government controlled institution which is the only domestic bank of any importance. The implications of the grant of this credit are self-evident. The Thai authorities have taken the initiative in circumventing the effect of the Anglo-American freezing orders on their trade with Japan. Moreover, they have set in motion operations which must tend to link the baht with the Japanese yen.

Dollar Loan Payment

Reports from Washington announce the first disbursement of \$100,000,000 on the \$425,000,000 Reconstruction Finance Corporation loan granted to the British Government. This first instalment was paid against the deposit with the Federal Reserve Bank of New York of collateral consisting of securities listed on the New York Stock Exchange having an approximate market value of \$145,000,000. The balance of the loan will be available to the British Treasury as needed to meet accruing commitments, which is expected to be at the rate of about \$100,000,000 a month. The British Treasury for its part is mobilising the collateral needed for future instalments. It has this week made an Order specifying certain dollar securities held by residents in the United Kingdom which are being borrowed from the owners for use as part of the collateral for the RFC loan. Some 20 securities are included. They will be released when no

longer required by the Treasury, which nevertheless has power to dispose of them as though they had been vested in the normal way.

European Assets in the United States

The American Treasury Order freezing Continental European assets is apparently being operated with great severity. The exemptions granted to neutral States such as Sweden, Switzerland and Spain apply only to the assets of the Government and central banks concerned. Nationals of those countries do not benefit by the exemptions granted by the American Treasury and must receive specific permission for every operation involving disposal of their American dollar assets. The severity of the order is enhanced by the exceptionally wide definition which has been given to the term "national." It includes any person or corporate body domiciled in or a subject of the foreign countries concerned. It thus includes, for example, a Swiss residing in the United States or an American citizen residing in Switzerland. The definition is widened to include any corporate body which is either controlled by a foreign country or in which a substantial part of the capital is owned directly or indirectly by such foreign countries. The net is cast further still to include any person acting directly or indirectly for the benefit or on behalf of any nationals of such foreign countries. There is consequently no transaction with the slightest taint of Axis instigation that could not be held up under the Order.

Marine or War Risk?

On August 5th, the Court of Appeal reversed the High Court's judgment delivered by the Lord Chief Justice on July 4th in the case of the Yorkshire Dale Steamship Company, Ltd., *versus* the Minister of War Transport, raising the question of whether a casualty at sea is for insurance purposes a war risk or an ordinary marine peril. The circumstances of the case were reported in the issue of *The Economist* of July 12th. Briefly, a steamer, the *Coxwold*, was requisitioned by the Ministry on the terms of a charter-party under which the charterer took the war risk and the owners the marine risk, and at about 2.45 a.m. on May 17, 1940, she stranded on the Isle of Skye when in convoy from Greenock to Narvik. The Court of Appeal has allowed the Minister's appeal from the decision of the Lord Chief Justice, which affirmed the arbitrator's award holding that the loss was by a war peril. Lord Justice Scott, in his judgment, said that although the *Coxwold* was engaged in a warlike operation, because she was carrying a war cargo for war purposes, yet the contents of her cargo had nothing to do with the unknown and unexpected set of the tide which drove her on to the rock; that the war character of the vessel's adventure was no more than an irrelevant circumstance; and that there was no chain of causation, much less a direct link, between that character and the stranding. The judge indicated that leave to appeal to the House of Lords would be granted.

Investment

Buying for Income

It is always difficult to distinguish between "emotional" and "rational" motives in any well-marked Stock Exchange movement. How far the rise in ordinary share values during the last three or four weeks has been due to optimistic prognostications about the outcome of the war, and how far to a conscious search for a higher income than the 2½ per cent to 3 per cent obtainable on gilt-edged stocks, few dealers would be prepared to say. Certainly, many institutional investors are finding that the factor of increased "weighting" of their average rate of income by purchases of new gilt-edged stocks is presenting formidable problems whenever long-term engagements, contracted on a higher-interest basis, are involved. Banks are relatively fortunate, since the alternative to the gilt-edged rate, in their case, may be, say, Treasury deposit receipts giving 1½ per cent and not merely advances to customers at around 4½ per cent. But life insurance offices, which issued policies in the past based on a higher net rate than anything obtainable to-day, and investment trusts, with debenture and preference shares outstanding on a 4 per cent and 5 per cent

basis, cannot live on patriotism alone. Actually, for some time past, the gap between gilt-edged and industrial yields, which was unduly wide a few months ago, has been steadily closing. A month before the outbreak of war, the yield on 2½ per cent Consols was 3.78 per cent and that on Industrial shares (according to the *Actuaries' Index*) 5.64 per cent, the margin thus being 1.86 per cent. On the eve of Hitler's attack on Denmark and Norway, the respective figures were 3.37 and 5.98, the margin having thus widened to 2.61. Two months later, when Western Europe had fallen before the German onslaught, the margin was as much as 5.48, with the Consols' yield fairly steady at 3.53, while the industrial share yield had risen to the fantastic average of 9.01. Even by the end of last year, the gap had tended to close appreciably, but at 3.21 it was well above anything which would have been considered even approximately normal in peacetime, and at the end-June last it had narrowed only to 2.91. At the end of last month, however, it was no more than 2.43, which is less than at any time since the war became real and earnest. The gilt-edged rate, throughout, has been fairly steady, with a slightly

THE STOCK EXCHANGES

London

Note: All dealings are for cash.

WITH continued Russian resistance and Far Eastern uncertainty in the background, the search for adequate yields continues. Interest was concentrated on equities until Wednesday, and scarcity of stock led to a steady upward price movement which spread through all sections of the market. The gilt edged market opened quiet, but a strong improvement took place in mid-week. The renewed interest in gilt edged issues was due mainly to persistent rumours of a new issue of National War Bonds on less favourable terms than the present.

The gilt edged market was quiet before the week-end, but absence of sellers resulted in prices remaining unchanged, except for 2½ per cent Conversion which lost ½. At the opening on Tuesday, Conversion 3½ per cent Funding, 4 per cent and 2½ per cent all added ½, and 3½ per cent War Loan ½, but business remained slight. Indian issues were weak, the 2½ and 3 per cent loans losing ½ and the 3½ per cent down ½, but later recovered. In mid-week 3½ per cent War Loan gained ½ in brisk trading.

The foreign bond market closed strongly before the holiday, the main feature being the improvement in European issues, while Chilean bonds were also prominent. Week-end developments led to renewed weakness in Japanese issues, the 5½ per cent stock, 1930, losing 3 points and the 6 per cent, 1924, 2½ points on Tuesday, while S. Manchurian and Siamese 4½ per cent fell back a point each. European issues, however, continued in demand, with Turkish 4 per cent and 3½ per cent and Polish 4½ per cent bonds all rising 3 points.

The home rail market closed on a firm note on Friday last, with LNER senior issues finding support, while Southern preferred rose 1½ and deferred ½. On Tuesday, LMS ordinary repeated Friday's rise of ½, GWR and Southern deferred ordinary both adding ½, while "Berwick" 4 per cent 1st preference rose 1 point. Elsewhere, Canadian Pacific ordinary added ½ and the preference issue ¼. South American issues were rather weak before the holiday, but subsequently there was considerable improvement.

The feature of the week has been the wide range of price increases in the industrial market. Brewery issues were prominent. Ind Coope added a further 1s. on Monday, while Courage and Guinness gained 2s. the next day and Charrington 1s. Iron and steel issues were strong, Swan and Hunter gaining 1s. 6d. before the week-end and Richard Thomas preference 2s. 9d. on the dividend announcement. William Cory was steadily in demand. Textiles improved slightly, and shipping shares were a good feature, Union Castle adding 1s. before the week-end and in the current week there were small gains for P. & O. Defd. and Furness Withy. Among motor issues, Morris and Ford rose 1s. on Friday and Leyland ½. In the current week, Raleigh Cycle Holdings fell back against the trend. Stores were a strong feature on Monday, with John Bakers, 1s. 9d., and Harrods, 1s. 6d. up among smaller increases. Tobacco shares also shared in the general improvement, following Friday's gain of

½. Carreras added ½ on Tuesday, while in the miscellaneous section International Nickel, London Brick Birmid Industries and Cable and Wireless were all strong. Hudson's Bay added 2s. 4½d. over the week-end.

Both before and after the holiday, the kaffir market was strong and enjoyed Cape support, Blyvoors being prominent on Tuesday with a rise of 1s. 9d., while gains of ½ were general. Venterspost added 1s. 6d. on Friday, when Johnnies gained ½ and West Wit Areas ½. In the oil market, before the week-end, Burmah, Anglo-Iranian and Lobitos rose ½, while Shell Transport improved ½. On Tuesday, however, there was little business and prices eased. Anglo-Iranian fell ½, and Lobitos ½. The rubber market finished quietly firm before the week-end and business this week remained at a low level, with prices mainly unchanged.

"FINANCIAL NEWS" INDICES

1941.	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	30 Ord. shares*	20 Fixed Int.†
July 31...	2,891	12,525	75.4	129.8	
Aug. 1....	3,138	12,418	75.8	129.8	
" 5....	3,805	11,857	76.3	129.7	
" 6....	3,158	12,530	76.5	129.7	

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1941 highest, 76.5 (Aug. 6); lowest, 66.8 (Apr. 24). 20 Fixed Int., 1941; highest, 130 (July 21); lowest 126.1 (Jan. 2). ‡ Excluding "Stop Press" bargains.

New York

THE prospects of higher taxation and possible price control continued to overshadow business on Wall Street both before and after the week-end. Throughout the past week, price movements have been narrow and trading generally slack with a tendency for fractional losses to predominate. In mid-week caution was still the dominant market sentiment and prices fell back moderately under the leadership of rail and aircraft issues.

New York Prices

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1941	Low Apr. 30	High Jan. 15	July 16, 1941	July 23, 1941	July 30, 1941
347 Industrials	83.6	69.0	93.4	95.0	94.9	94.9
32 Rails	425.4	428.5	27.8	28.4	28.5	28.5
40 Utilities	67.0	78.7	70.3	70.5	70.1	70.1
419 Stocks	71.9	68.2	79.0	80.1	80.1	80.1
Av. yield*	6.80%	6.11%	6.19%	6.11%	6.12%	6.12%

* 50 Common Stocks. (a) July 30. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 28.

DAILY AVERAGE 50 COMMON STOCKS

July 24	July 25	July 26	July 28	July 29	July 30
102.4	102.1	102.6	103.6	103.3	102.8

1941 High: 105.80, January 10. Low: 90.70 April 30.
Total share dealings: July 31, 850,000; Aug. 1, 680,000; Aug. 2, 360,000; Aug. 4, 630,000; Aug. 5, 640,000; Aug. 6, 580,000.

* Two-hour session.

1. Railroads.	Close July 1941	Close Aug. 1941	Close July 1941	Close Aug. 1941
Balt. & Ohio	44	44	Chrysler	58
Ill. Cent.	27	27	Eastman Kodk.	141
N.Y. Cent.	13	13	Gen. Elec.	32
Northern Pac.	7	7	Gen. Motors	39
Pennsylvania	24	24	Inland Steel	78
Southern	17	17	Int. Harv.	56
2. Utilities, etc.			Int. Nickel	27
Amer. Tel. & Tel.	153	153	Liggett Myers	90
Amer. Wks.	4	4	Nat. Dairy	14
Gen. Light	36	36	Nat. Distillers	22
Pub. Sv. N.J.	22	22	Nat. Steel	56
Sth. Cal. Ed.	23	23	Proct. Gamble	59
United Gas	7	7	Sears Roebuck	72
3. Commercial and Industrial.			Shell Union	15
Amer. Metal	19	19	Soc. Vae.	10
Am. ROLL M.	15	15	Sud. Oil N.I.	45
Am. Smelting	45	45	20th Cen. Fox	6
Anacosta	29	29	U.S. Steel	60
Briggs	19	19	West. Chose. E.I.	92
Calumet & A.	28	28	Woolworth	29
			Yingstn. Sheet	39

Capital Issues

Week ending August 9, 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.†	3,353,428		3,353,428
3% Defence Bondst (s)	2,454,275		2,454,275
2½% Nat. War Bds.† (a)	4,316,467		4,316,467
3% Savings Bondst (b)	7,201,603		7,201,603

† Week to July 29, 1941. Total sales, Nov. 22, 1939, to July 29, 1941, £335,063,197. (s) Total sales to July 29, 1941, £319,972,530. (a) Total sales to July 29, 1941, £263,140,449. (b) Total sales January 2, 1941, to July 29, 1941, £390,192,746.

Year	Including Conversions	Excluding Conversions
1941 (New Basis)	968,040,955	915,906,371
1940 (New Basis)	1,027,097,768	674,142,635
1941 (Old Basis)	964,056,177	914,652,033
1940 (Old Basis)	1,012,123,361	639,368,228

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
41 (New Basis)	912,555,525	3,280,846	70,000
40 (New Basis)	673,379,623	763,012	Nil
41 (Old Basis)	911,752,033	2,900,000	Nil
40 (Old Basis)	639,225,772	142,456	Nil

Nature of Borrowing (Conv. Excl.)

Year	Deb.	Prot.	Ord.
41 (New Basis)	911,965,689	304,460	3,636,222
40 (New Basis)	658,988,417	1,355,005	18,799,213
41 (Old Basis)	911,752,033	Nil	2,900,000
40 (Old Basis)	658,081,596	77,500	1,209,132

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

B. Laporte Limited.—An offer has been made for 20,350 £1 ordinary shares which are part of the unissued capital. The shares would rank *pari passu* with the existing 304,650 shares as from April 1, 1941. A price of 55s. 6d. per share has been offered, which the directors propose to accept, subject to the assent of existing shareholders at a meeting on August 21st to consider the proposal.

Electrolux Corp. of America.—Net profit for 3 months ended June 30th \$460,506 (\$376,136), after taxation \$697,106 (\$612,246). Net profit after tax for 6 months \$893,422 (\$897,560) equal to 72 cents (72c.) per common share.

Bethlehem Steel Corp.—Net inc. for 2nd quarter \$5,651,000 (\$10,807,000); div. of \$1.50 (\$1.25) per common share (no par value), makes year's dividend to date \$4.50 (\$3.50).

Shorter Comments

Canadian Pacific Railway.—Net earnings June, 1941, \$4,068,000 (\$2,923,000), aggregate gross earnings January 1st to June 30th, \$99,840,000 (\$75,385,000), net earnings \$19,919,000 (\$12,636,000).

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Industry and Trade

Committee on Retail Trade

On May 13th Mr Oliver Lyttelton appointed a committee to "examine the present problems of 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." Owing to the many problems involved in the adaptation of the retail trade to war conditions, the decision to appoint a committee was probably sound, though the exclusion from its terms of reference of food shop is difficult to understand. After preliminary consideration, the committee, under the chairmanship of Mr Craig Henderson, K.C., reached the conclusion that there are four main facts which must be faced squarely:—

- The reduction in the volume of new goods available for sale, estimated at about 50 per cent. The full effect of this reduction has not yet been felt owing to the existence of a "cushion" of accumulated stocks, now rapidly shrinking.
- The need for keeping the price level as stable as possible. The Government has recently taken powers in the Goods and Services (Price Control) Bill to exercise a much more drastic control of prices.
- The policy of the Government not to pay compensation for loss of business.
- The diversion of large numbers of workers from retail distribution to the armed forces and to the war industries.

In view of the need for securing the goodwill and collaboration of traders in facing these problems, the committee has decided, before going any further, to ascertain the views of trade associations and other bodies representative of the industry, by means of a questionnaire. The committee holds the view that schemes designed to adapt the retail trade to present conditions may, "almost of necessity, involve the withdrawal, at least temporarily, of a proportion of the existing traders" and "would have to include provision for compensation to those traders who withdraw voluntarily from business." In view of the Government's policy not to provide compensation from the Exchequer, the committee reached the conclusion that it should be possible for compensation to be paid by those who remain in business, "as they would, under the scheme, enjoy an increased share of the available commodities without increase in their overhead standing charges." In principle, this solution of the problem is probably sound—since the alternative of Government compensation is in any case ruled out—but everything will depend on its application in practice.

Waste of Lubricating Oil

A recent statement by Mr Soubry of the Standard Oil Co., to the effect that Great Britain had lost about one-half of her ocean-going tanker tonnage emphasises the need for using every conceivable method for reducing the total quantity of oil to be shipped across the Atlantic. Hitherto the recovery of waste lubricating oil does not appear to have received the attention which it deserves. Though recent statistics are not available, it may be assumed that the total consumption of lubricating oil is somewhere in the region of 600,000 tons per annum. The amount of this which may be recovered as waste oil is difficult to estimate, as at no time in the past has waste oil been efficiently collected, but about a quarter of the consumption might reasonably be expected to be re-used if a national scheme of salvage were adopted. The most difficult problem is the collection of a very large number of small consignments of waste oil. Certain of the large users, such as the motor transport companies and Government services, already possess systems of collection, and in many cases are either themselves working recovery plants or have made arrangements with independent contractors for the treatment of the oil. A certain quantity of lubricating oil is also being recovered by private contractors, and the amount of plant designed specifically for this purpose is increasing very rapidly, so that, apart from any official action, increased oil recovery may be expected within the next year. In contrast to petrol, lubricating oil is not consumed, but the collection of impurities within the oil, particularly carbon, gritty matter and asphaltic matter, produced by the action of air on the oil, and petrol and water, resulting from condensation, make the oil unsuitable for further use until these impurities are removed. Provided suitable

equipment is employed, the impurities present in waste oil are no more difficult to remove, and are somewhat less varied in character, than the impurities present in the crude oil from which the lubricant was originally made, by subjecting the oil to refinery treatment similar to that employed in the original refining of the crude, a finished product is obtainable which is equal in quality to new oil. From the refiners' end, the proposition is simpler than that of making oil from crude, particularly as the quantity of good lubricating oil in waste oil is usually in the region of 85 per cent, whereas the proportion obtainable from crude oil is rarely above 30 per cent. The recovery equipment may be divided into two classes. On the one hand, there is the system specially devised for waste recovery and in which only those refining operations necessary for this class of work are used, and, on the other hand, there is the alternative method of putting the oil through a normal refinery designed for the manufacture of lubricating oil and processing in the manner usually adopted for the treatment of crude oil. These processes may yield equally satisfactory finished products, whilst the former process may to some extent economise by omitting certain stages which are required in normal refineries. The refineries already exist and, if provided with a large enough quantity of oil, they can operate economically on account of their size. While it is impossible to give exact figures, it may not be impossible to save something like 100,000 tons of shipping per annum; some of this saving will be obtained from schemes already afoot, but with the assistance of an officially sponsored campaign it would be considerably increased.

Farm Wages

About two months ago the representatives of the farm workers on the Central Agricultural Wages Board put in a claim for a national minimum wage of 60s a week, a rise of 12s on the present minimum wage. On July 23rd the Board decided to defer the question until November, when, in the opinion of the Appointed Members, the arrangements made as to wages and prices in 1940 will have been worked out in farming costs and returns. With these figures before them in November, they suggested that they would be able to decide what increase in the national minimum wage would be proper and possible. They agreed that some increase may be possible. Their decision, however, has met with strong opposition from the farm workers, and a deputation of the National Union of Agricultural Workers and of the Transport and General Workers Union which met the Minister of Agriculture on July 30th, suggested that if wages were not to be increased forthwith, agricultural workers should be freed from the Restriction on Engagements Order. The Minister reminded the deputation of the reasons given by the Wages Board for their decision, and held out no hope of that decision being reversed or amended. He pointed out, however, that it was open to the Agricultural Wages Committees throughout the country to raise county minimum rates in spite of the decision of the National Wages Board. The deputation was not satisfied with the Minister's reply, and proposes now to approach the Minister of Labour to remove agricultural workers from the scope of the Restriction on Engagements Order.

Tea Quota at 100 Per Cent

For the second time the export quota for the season ending on March, 1942 has been revised. The quota, originally fixed by the International Tea Committee at 90 per cent of the standard tonnages, was raised to 95 per cent on May 26th and to 100 per cent on August 1st, against 92½ per cent for the previous season. This is the first occasion since the inception of the international tea scheme in April, 1933 that the quota has reached 100 per cent. Although reports of a pending increase have been current for some weeks, the actual decision came as a surprise, as it had been semi-officially stated at the middle of July that no change in permissible exports was to be expected and that, in fact, the International Tea Committee was not even contemplating holding a meeting. The new decision may not be unconnected with Japan's latest move in Indo-China and the resulting threat to the chief tea producing countries. Tea is almost exclusively grown in Asia and the only

non-Asiatic production of some promise—that in East Africa—is still in its infancy. Theoretically, a 100 per cent quota should release about 845,000,000 lbs (i.e. 808,428,000 lbs of current season releases and the remainder covering unused export licences carried over from the last season) for export from the three members of the restriction scheme, British India, Ceylon and Dutch East Indies. Another 32,000,000 lbs will come from the East African associate members of the scheme, while outsiders' exports should reach between 100,000,000 and 125,000,000 lbs. A supply of not much less than 1,000,000,000 lbs will be the highest total ever reached and compares with 927,000,000 lbs in each of the last pre-war and first war seasons. Of this quantity, the British Ministry of Food has acquired a total of 503,000,000 lbs under direct agreements with the British and Dutch producing countries. The quantity left for all other consuming areas, therefore, will probably not be much less than 500,000,000 lbs. The countries which still have access to the market consumed only just over 375,000,000 lbs of tea in the last pre-war year. But the demand from a number of countries, with the United States and Australia ranking first, has been very heavy in anticipation of a possible Japanese southward move and has caused a strong rise in tea prices on the Eastern markets. Until recently the International Tea Committee showed no inclination to meet this demand for building up stocks by raising the export quota far beyond the current season's requirements. The latest Japanese move, however, has further intensified the scramble for supplies. It is unlikely, therefore, that market conditions in the producing countries will be altered by the increase in the quota. Neither the British Government nor British consumers, however, will be affected by this scramble, for British supplies are allocated before exports to other countries are released and British buying prices are firmly fixed on a basis arrived at on the average prices for 1936 to 1938, plus certain allowances for war time increases in production costs.

Tin and Rubber Markets

For the past two years prices for tin and rubber have on numerous occasions shown a very strong advance in anticipation of a possible Japanese threat to the chief producing territories in the Far East. As over nine-tenths of the world's rubber and some two-thirds of the world's tin is produced in the Pacific danger area, these reactions appeared not unnatural. With its aggression in Indo-China, Japan has taken virtual possession of the smallest of the Far Eastern tin and rubber producing countries, but at the same time it has taken up a strategical position which can be regarded as a jumping board to any or all of the large Far Eastern rubber and tin producers. Yet, the influence of Japan's southward move on tin and rubber prices has proved slight. In rubber, the total gain of the past fortnight in the London market has not exceeded ½d per lb, raising the price to 1s 1½d, while in New York the net gain amounts to less than one cent, lifting the price to 22.50 cents per lb. In tin, advances to £261 per ton in London and to 55 cents per lb in New York were the first market reaction to the Japanese move, but within less than a week the whole of this gain has been lost, and London prices are back to £256 10s and New York prices to 52.75 cents.

These price movements indicate clearly that both the rubber and tin markets are at present dominated by factors other than the Far Eastern question. In rubber, all imports into the United States and Great Britain, now the only two important buyers, have recently been monopolised in the hands of the respective Governments. These Governments own considerable stocks and control prices, and there is no longer any opportunity for speculators to make use of the present Far Eastern tension. The British tin market is at present influenced by the discontinuation of exports from this country, which is resulting in continuous large offerings by British smelters. As the operations of these smelters are based on Bolivian and Nigerian ore, there is no danger that the British supply position will be directly affected by any Far Eastern development, although, of course, a possible interruption of Far Eastern shipments might induce the British Government to release some tin for the United States' armament programme. Actually, the threat to the Eastern tin industry seems less imminent than it may appear from circulating reports. In Malaya, the industry is well sheltered behind the Singapore defences, and even the Dutch East Indies' tin industry, which is confined to the islands of Banka and Billiton (situated off the east coast of Sumatra), would

only be seriously endangered after a considerable weakening of Singapore. In New York these considerations have had a sobering effect, but, in addition, the United States Office of Production Management has "requested" consumers not to purchase tin for stock until they have used up at least half the reserves accumulated since the middle of 1939. This "request" means a virtual ban on consumers' buying and may well be a step towards the creation of an import monopoly. Meanwhile preparations are being made in Malaya and the Dutch East Indies to export tin and rubber by alternative routes *via* India or Australia if the need arises, while in the United States the recent restrictions on rubber consumption will probably be followed by a similar measure for tin.

Price of Cereals

In order to encourage orderly marketing and storage in stock until next spring, the Ministry of Agriculture has decided to pay a storage charge on millable wheat and on millable and other oats, over and above maximum prices. The following are the prices that will rule during the new cereal season:—

	Millable wheat per cwt.	Milling oats per cwt.	Other oats per cwt.
August, 1941.....			
September.....	14/6	13/9	13/6
October.....			
November.....	14/6	14/	13/9
December.....	14/9	14/3	14/
January, 1942.....	15/	14/6	14/3
February.....	15/3	14/9	14/6
March.....	15/6	15/	14/9
April.....	15/9	15/	14/9
May.....	15/9	15/	14/9
June.....	15/9	15/	14/9
July.....	15/6	14/6	14/6

The price of non-millable wheat will be 13s per cwt throughout the season, but provision is being made which will enable wheat, which can be made millable by treatment, to be sold at the millable wheat price, less a reasonable charge for conditioning. The prices per cwt for other grains will be as follows throughout the season: Rye, 14s 6d; field beans, 14s 6d; feeding barley, 13s 6d; dredge corn, 13s 6d. Seed wheat, oats, and barley, as well as barley sold for malting, will remain free of price control.

The Oil for Germany's War Machine

Germany's campaign in Russia undoubtedly places a heavy strain on her none too plentiful oil resources. While some of the estimates of actual consumption (they range up to the rate of two million tons per month) must be wide of the mark, the quantity required must nevertheless be very considerable. An attempt has been made in the current issue of *Petroleum Press Service* to assess roughly Germany's rate of consumption. On the assumption that the German army operating in Russia consists of 15 armoured divisions, 20 motorised infantry divisions and 150 ordinary infantry divisions, and on the information available concerning their constitution, it is estimated that the number of tanks is approximately 6,300, that of motor vehicles of various kinds, 72,500, and that of motor-cycle combinations, 3,750. The mileage covered per day by each vehicle can only be conjectured, but it has been calculated that the total consumption of these vehicles is at the rate of 104,000 tons per month. An additional 74,000 tons per month is estimated to be needed by the lorries required to supply the fighting forces, put also at 72,500 units. Germany's operational strength in the air is estimated to be 4,000 aircraft, equally divided between two-engine and single-engine units, and their total fuel consumption is given as roughly 60,000 tons per month. An additional 10,000 tons per month is considered to be required by transport services ancillary to the *Luftwaffe*. On this basis, the monthly rate of consumption would be in the neighbourhood of about 250,000 tons, but if allowance is made for other requirements, including those of German naval forces operating in the Baltic, Germany's total oil expenditure in the Russian campaign is probably well over 300,000 tons per month. While these estimates can only be in the nature of very rough approximations, they suggest that, if account is taken of the reduction in Germany's supplies through the bombing of Roumanian oil fields and of Roumanian and German refineries, it may be difficult for the Nazis to stand the strain for any prolonged period.

COMPANY MEETINGS

AMALGAMATED PRESS

VERY SATISFACTORY RESULTS

The annual general meeting of the Amalgamated Press, Limited, was held, on the 6th instant, in London.

Viscount Camrose (the chairman), who presided, said that last year he had said that their problem was entirely one of raw material—namely, paper. While they had not, of course, been able to secure anything approaching their pre-war consumption, they had been able to rely on the allotted ration and were able to take steps to accommodate themselves to that ration. To cite out the supply they had had to resort to extremely stringent measures, such as the reduction in the size of some of their periodicals, the amalgamation of others, and in several cases the suspension of publication for the time being. In addition, they had made many adjustments and economies. The figures presented reflected the result of all those efforts, and the balance-sheet for the year revealed a most satisfactory state of affairs from the shareholders' point of view, allowing always for the critical days in which they were living.

The profit and loss account showed that the profit for the year amounted to £593,555, or almost exactly £90,000 more than for the preceding period. They recommended that £100,000 should be added to the general reserve, bringing that fund up to £1,350,000 and that a dividend of 6 per cent. be declared on the ordinary shares. With the payment on August 23rd next of six months dividend on the preference shares the dividend was brought up to date. They sincerely hoped that they would never have to postpone the payment of any such dividend in future.

ORDINARY DIVIDEND RESTORED

It was a great pleasure to the directors to be able to recommend a distribution on the ordinary shares again. As he had emphasised last year, it was only the abnormal times through which they were then passing and the uncertainty of paper supplies that had compelled them to proceed so cautiously last year in respect of dividends not only on the ordinary shares, but also on the preference shares. They had been very painful decisions, particularly so as they had made sufficient profits to have acted otherwise. Their main care then, as indeed it must always be, was to conserve the assets of the company so as to be strong enough to face any crisis. The balance-sheet now presented showed a much healthier liquid position and justified them in facing the future with confidence.

While the profits for the year must be considered very satisfactory indeed, he thought it only right to say that they had not been helped by any dividends from their two principal subsidiary interests. The Imperial Paper Mills, Limited, in which they held all the ordinary shares and a large proportion of the preference shares, had had an extremely difficult year and had not been able to pay a dividend on its ordinary shares. Equally, too, Kelly's Directories, Limited, had been seriously affected by the war and had had to pass the dividends on both preference and ordinary shares. He could make no prophecy in regard to the former company, as in common with other paper-making companies, it was only working to a small proportion of its normal output. With regard to Kelly's Directories, Limited, the outlook had improved considerably, and next year should show distinctly better results.

RESULTS WELL MAINTAINED

Shareholders would not expect him on the present occasion to enter into any detailed statement concerning their periodicals and other activities. Everything about them must necessarily depend on the progress of the war effort. However, as far as their present financial year had gone—now approaching six months—the results achieved in 1940-41 had been well maintained. It was an extremely risky thing to make any prophecy about the future, and he confined himself to saying that, subject always to the times in which they lived, they had reason to hope that they would do as well this year as last. They would have the advantage this time of the profits of Weldon's, Limited, which was purchased after the close of their last financial period. Weldon's was one of the oldest-established fashion-publishing houses in the country and its journals of practical instruction were in great demand to-day.

The report was unanimously adopted.

BUKIT IJOK (SELANGOR) RUBBER

HIGHER PROFIT

The thirtieth ordinary general meeting of the Bukit Ijok (Selangor) Rubber Company, Limited, was held, on the 1st instant, at 19 Leadenhall Street, London, E.C., Mr H. B. Yuille (chairman of the company) presiding.

The following is the chairman's review of the financial year ended December 31, 1940, circulated with the report and accounts:—

You may remember that for nearly seven months in 1939 we suspended tapping, with the result that the output of rubber during the year only amounted to 169,545 lb. During 1940 the estate was in tapping throughout the whole period and we were able to harvest some 476,000 lb. It is this larger crop, offset to some extent by increased expenditure, which is mainly responsible for our operations showing a higher profit this year, but out of this heavy provision for taxation has to be made.

You will notice that we have transferred the sum of £1,057 from the reserve account to a new account designated "provision for deferred replanting," and I will explain briefly the reason for this alteration. As you may be aware, there is some shortage of labour in the East and also uncertainty as to the position of estate staffs in relation to military service. In these circumstances your directors have decided to hold up the replanting programme. They feel, nevertheless, that it is only prudent to make some provision towards the cost of resuming the programme at some future date.

The recent reports show that the estate is in a satisfactory condition, and the work taken in hand during the year in order to maintain your property included the manuring of almost the whole of the mature area.

It will be observed from the notice convening the general meeting that it is proposed to convert the issued shares of the company into stock. The reason for the change is given in the directors' report, and there is no need for me to go into further details except to remind you that it will only be necessary for the existing share certificates to be sent in to the company if and when a member desires to transfer stock held.

The report and accounts were unanimously adopted.

PATALING RUBBER ESTATES

The twenty-first ordinary general meeting of the Pataling Rubber Estates, Limited, was held, on the 7th instant, in London, Mr H. Eric Miller (the chairman) presiding.

The following is an extract from the chairman's statement which was circulated with the report and accounts:—

Working profits for the year were £121,856, compared with £58,369 in the previous year—more than double; but the former figure is reduced to £65,856 by the provision which has to be made to cover our excess profits tax liability, estimated at £56,000 as against £3,000 for 1939. The increased profit is due to the larger accountable crop, which was nearly 1,270,000 lb. higher than in 1939, and sold for nearly 1½d. per lb. more, while the unit cost was fully ½d. per lb. less as a result of the higher output. The amount before us for disposal to-day is £75,428, and we are asking you to approve the transfer to taxation reserve of £12,000 needed to cover the estimated income tax liability on the profits earned to December last; also the transfer to reserve for cultivation and replacement of £10,000, which will bring that reserve up to £37,182, a useful sum to have in hand to meet present and future rejuvenation commitments; and the transfer to contingencies reserve of £5,000. You will no doubt approve these proposals and our recommendation to pay a final dividend of 7½ per cent., less income tax, making with the interim dividend of 5 per cent. a total of 12½ per cent. for the year (against 12 per cent. for 1939), leaving the carry forward at £25,542.

It may interest you to know that actual results from the experimental area of Kuala Ketil largely planted with Prang Besar material are very satisfactory. The clonal seed areas at six years old yielded at the rate of 900 lb. per acre, and we are told that an outstanding feature of these trees is their rapid bark renewal.

Our 1941 operations should make a good showing, but the incidence of excess profits tax limits your interests in the profits, except that you will, I am sure, share our feeling of satisfaction at being able to make a substantial contribution to the war effort on the successful issue of which all our hopes for the future depend.

The report was unanimously adopted.

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; Java, of June 22nd; Latvia, of June 23rd; Estonia, of Oct. 26th; Mellie Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Reichsbank, of Feb. 15th; Egypt, of May 10th; U.S. Federal Reporting Member Banks, of June 7th; International Settlements and Hungary, of July 5th; Australia and Sweden, of July 26th; India, Argentina, Canada, Prague, Switzerland and Turkey, of August 2nd.

U.S. FEDERAL RESERVE BANKS

Resources	July 17, 1940	July 24, 1941	July 31, 1941	July 31, 1941
Gold Certs. on hand and due from Treasury	18,114	20,308	20,303	20,303
Total reserves	18,507	20,603	20,612	20,612
Total cash reserves	380	283	293	293
Total U.S. Govt. secs.	2,450	2,184	2,184	2,184
Total bills and secs.	2,452	2,196	2,197	2,199
Total resources	21,744	24,036	23,862	23,806

LIABILITIES	July 17, 1940	July 24, 1941	July 31, 1941	July 31, 1941
F.R. notes in circ.	5,223	6,774	6,771	6,829
Excess mr. bank res.	6,570	5,340	5,180	5,160
Mr. bank res. dep.	13,565	13,223	13,117	13,097
Govt. deposits	643	849	954	921
Total deposits	15,535	15,865	15,830	15,766
Total liabilities	21,744	24,036	23,862	23,806
Reserve ratio	89.2%	91.0%	91.2%	91.2%

BANKS AND TREASURY RESOURCES	July 17, 1940	July 24, 1941	July 31, 1941	July 31, 1941
Monetary gold stock	20,367	22,655	22,664	22,673
Treasury & bank currency	3,020	5,157	3,161	3,163
LIABILITIES				
Money in circulation	7,854	9,645	9,634	9,697
Treasury cash and dep.	2,872	3,158	3,274	3,251

NATIONAL BANK OF BULGARIA

Assets	Apr. 1940	Feb. 1941	Mar. 1941	Mar. 1941
Gold holdings	2,006	2,006	2,006	2,006
Balances abroad, etc.	2,319	2,347	3,510	3,571
Discounts and advances	1,058	1,945	1,907	1,958
Advances to Treasury	3,393	3,353	3,353	2,853
LIABILITIES				
Notes in circulation	4,214	6,682	7,510	7,328
Sight liab. and deposits	3,743	3,317	3,624	3,366
Cover	26.8%	28.7%	25.4%	28.1%

BANK OF GREECE

Million drachme

Assets	Mar. 1940	Feb. 1941	Mar. 1941	Mar. 1941
Gold and foreign exchange	4,272	17,960	19,411	19,411
State sec. in for. exch.	123	123	132	132
Bills discounted	689	9,406	9,419	9,419
Advances	12,229	16,525	11,994	11,994
State debt	4,081	5,221	5,221	5,221
LIABILITIES				
Notes in circulation	8,967	16,460	17,041	17,041
Deposits and current a/c's	13,658	19,171	20,182	20,182
Foreign exch. liabilities	492	2,536	2,536	2,536

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

Assets	Mar. 1940	Mar. 1941	Mar. 1941	Mar. 1941
Gold and foreign exchange	1,111	1,111	1,111	1,111
State sec. in for. exch.	1,111	1,111	1,111	1,111
Bills discounted	1,111	1,111	1,111	1,111
Advances	1,111	1,111	1,111	1,111
State debt	1,111	1,111	1,111	1,111
LIABILITIES				
Notes in circulation	1,111	1,111	1,111	1,111
Deposits and current a/c's	1,111	1,111	1,111	1,111
Foreign exch. liabilities	1,111	1,111	1,111	1,111

BANK OF JAPAN

Million yen

Assets	June 1940	May 1941	May 1941	May 1941
Gold & Bullion	31.5	590.8	576.2	574.1
Foreign exch. fund	300.0	300.0	300.0	300.0
Discounts & advances	541.0	547.0	526.1	535.9
Government bonds	2610.1	5486.6	5411.0	5375.0
Agency accounts	230.7	273.0	328.8	308.3
LIABILITIES				
Notes issued	3188.9	5357.7	5368.8	5362.7
Deposits: Government	673.0	848.3	882.7	852.7
Other	101.3	462.7	356.5	444.0

SOUTH AFRICAN RESERVE BANK

Million £'s

Assets	June 1940	June 1941	June 1941	June 1941
Gold coin and bullion	36.66	51.44	52.88	51.79
Bills discounted	1.66	0.86	0.94	0.79
Invest. and other assets	25.12	41.01	41.65	40.66
LIABILITIES				
Notes in circulation	22.76	23.87	23.30	25.76
Deposits: Government	1.30	2.98	3.91	2.80
Bankers'	53.29	55.11	54.80	52.76
Others	8.12	7.22	8.80	8.70
Reserve Ratio	52.5%	57.8%	58.1%	57.7%

BANK OF PORTUGAL

Million escudos

Assets	Apr. 1940	Apr. 1941	Apr. 1941	Apr. 1941
Gold	920.6	1269.8	1269.8	1269.8
Balances abroad	854.4	1189.8	1214.6	1242.2
Discounts	414.0	342.6	343.9	340.3
Securities	197.8	329.4	329.4	329.4
LIABILITIES				
Notes in circulation	2325.4	2838.3	2882.1	2865.9
Deposits: Government	457.7	411.3	453.4	463.4
Bankers'	681.0	1358.6	1302.4	1362.4
Others	55.0	198.1	204.7	200.7
Foreign commitments	254.4	276.7	254.8	254.2

NATIONAL BANK OF ROMANIA

Million lei

Assets	Apr. 1940	Mar. 1941	Apr. 1941	Apr. 1941
Gold and gold exchange	20.93	32.39	32.14	32.14
Foreign exchange	4.13	5.48	5.60	5.64
Commercial bills	18,020	24,727	24,862	24,862
Treasury bills issued agst. losses on credits	4.45	4.23	4.18	4.18
Advances on sec.	9.91	5.79	5.89	5.89
State debt	5.72	5.54	5.54	5.54
Secs. and Participations	2.28	4.38	4.13	4.13
LIABILITIES				
Notes in circulation	48,657	68,886	69,463	70,077
Other sight liabilities	11.19	18.56	18.18	17.76
Long term liabilities	6.84	2.05	3.84	3.54

MONEY MARKET

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between Aug. 2nd and 8th. (Figures in brackets are par of exchange.)

United States. \$ (4-36½) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-46½) 4-43-47; mail transfers 4-43-47½. Switzerland. Francs (25-22½) 17-30-40. Sweden. Krona (18-159) 16-95-95. Argentina. Peso (11-45) 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 (12-11) 7-58-62; mail transfers 7-58-64. Portugal. Escudos (110) 99-80-100-20. Panama. \$ (4-02-04) 4-02-04; mail transfers 4-02-04. Manila. Peso 8-09-12; mail transfers 8-09-13.
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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 (110) 520. Italy. 71-25 lire.

Market Rates

The following rates remained unchanged between Aug. 2nd and 8th.
Finland. Mark (193-23) Nominal. Egypt. Piastres (97½) 97½-8. India. Rupee (18d. per rupee) 17½-18½. Hongkong. 14½-15½d. per \$. Japan. Yen (24-58d. per yen) July 25th, 13½-14½; July 26th-Aug. 8th, Unquoted. Singapore. \$ (24d. per \$) 28½-29. Colombia. Peso 6 (sellers). Belgian Congo. Francs 176½-177. Shanghai. Aug. 1st-6th, 21-24d.

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. 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 Aug. 2nd and 8th:—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, 1½-1½%; Treasury Bills: 2 months, 1½%; 3 months, 1½%; 4 months, 1½-1½%; Short Loans, 1½-1½%. Bank deposit rates, 1½%. Discount deposit at call 1½%; at notice, 1½%.

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
July 31	25½	25½	Aug. 1	25½	25½
Aug. 1	25½	25½	Aug. 2	25½	25½

PROVINCIAL BANK CLEARINGS (£ thousands)

Working days	Aug. 1940	Aug. 1941	Aug. 1941	Aug. 1941
Birmingham	2,764	2,673	1,744	1,841
Bristol	1,996	2,601	50,476	68,815
Cardiff	2,525	1,833	50,476	68,815
Leeds	731	837	24,363	19,722
Liverpool	894	857	25,706	29,583
Manchester	5,432	6,073	179,388	163,297
Nottingham	12,946	14,718	356,261	360,697
Southampton	91	130	...	...
Total	...	...	...	...

NEW YORK EXCHANGE RATES

New York on	July 31, 1941	Aug. 1, 1941	Aug. 2, 1941	Aug. 3, 1941	Aug. 4, 1941	Aug. 5, 1941	Aug. 6, 1941
Cables:							
London	403½	403½	403½	403½	403½	403½	403½
Paris	2.34	2.33	2.34	2.34	2.32	2.32	2.32
Montreal, Can. \$	88.425	88.625	88.625	88.750	89.000	89.000	89.000
Zurich	23.40	23.45	23.45	23.45	23.40	23.40	23.40
Shanghai, \$	5.45	5.45	5.45	5.45	5.45	5.45	5.45
B. Aires, Pto. (mkt. rate)	23.83	23.83	23.83	23.83	23.83	23.83	23.83
Brazil, Milreis	5.05	5.05	5.05	5.05	5.05	5.05	5.05

* Official rate 29-74. † Commercial bills. § Offered.

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.	
		£	£	£	£	£	£	%	£	£	£	£	%	
Breweries, &c.														
Gartside (Brookside) Brewery	Mar. 31	44,199	...	13,393	35,575	8,750	3,750	5	...	893	29,000	14,791	5	
Groves (John)	May 31	69,580	6,620	23,142	32,895	10,000	10,500	7	...	2,642	59,317	23,283	7	
Nuttall's Breweries	June 30	173,604	1,500	71,754	91,072	42,000	24,000	6	...	5,754	132,986	78,786	6	
Parker's Burslem Brewery	June 2	296,092	...	39,357	74,392	7,766	29,776	14	...	1,815	228,026	47,365	14	
Wells' Watford Brewery	Apr. 30	10,088	1,731	2,981	9,021	2,796	...	...	...	185	10,330	3,061	Nil	
Coal, Iron and Steel														
Powell Duffryn Steam Coal	Mar. 31	224,170	...	142,561(b)	179,580	23,063	150,747	5(1)	...	31,249	300,952	297,215	7½	
Welsh Associated Collieries	Mar. 31	180,552(d)	...	178,389(d)	181,215	74,382	101,560	4(6)	...	2,447	135,957	136,616	1½	
Financial, Land, &c.														
Central Commercial Properties	June 30	95,905	...	15,882	27,773	...	...	...	8,500	7,382	105,529	23,009	2½†	
Eastern International Rubber Trust	June 30	11,911	...	9,582	14,918	...	11,015	5	...	1,433	12,467	10,337	10	
McDonald's Trust	June 30	201,340	...	201,340	241,660	50,000	149,867	10	...	1,473	201,551	201,551	10	
New South Wales Land, &c.	Jan. 31	2,433	...	Dr. 2,312	Dr. 1,861	...	2,614	4	Dr. 5,000	74	5,395	705	4	
South American Assets	Mar. 31	2,896	...	1,245	16,060	...	...	...	Dr. 5,000	1,245	2,053	865	Nil	
Trust & Mortgage of Iowa	Feb. 28	39,489	...	Dr. 18,786	114	...	...	...	...	13,386	9,378	Dr. 3,917	Nil	
Oil														
Anglo-Egyptian Oilfields	Dec. 31	2,332,516	155,691	236,254	377,502	...	233,500	12½	...	2,754	1,331,661	223,941	12½	
Rubber														
Caledonian (Selamun)	Mar. 31	33,547	1,479	7,303	11,205	...	7,641	9	...	338	21,554	7,634	9	
Dangin	Dec. 31	14,288	...	9,557	13,230	25	7,734	5	1,500	298	12,721	9,496	5	
Emerald	Jan. 31	46,326	1,000	31,776	31,776	...	19,350	10	1,000	663	29,053	19,747	8	
Khota Tampun	Jan. 31	8,706	350	960	960	...	900	3	...	60	4,628	699	2½	
Mount Austin (Johore)	Mar. 31	79,261	3,136	22,139	86,692	...	18,000	6	...	4,139	50,382	48,333	Nil	
Stagbrook	Dec. 31	13,745	1,000	4,023	4,933	...	4,235	5	...	212	8,970	4,361	5	
Sungei Krian	Dec. 31	44,874	...	9,492	36,069	...	7,610	10	2,000	118	29,121	6,987	10	
Shipping														
India General Navigation	Dec. 31	160,976	102,279	43,256	58,364	14,642	29,501	4½	...	887	164,706	53,051	5	
Tankers Limited	Mar. 31	43,865	...	32,310	37,457	28,934	...	...	...	3,376	22,045	Dr. 183	Nil	
Shops and Stores														
Lovell & Christmas	June 7	153,707	...	81,606	176,749	45,000	45,000	6	...	8,394	169,802	110,202	6	
Tea														
Derby	Dec. 31	11,936	1,828	843	12,109	608	2,594	10	...	2,359	13,099	4,567	10	
Isa Bled	Dec. 31	18,163	1,631	3,467	7,887	500	3,112	12½	...	245	18,868	4,169	12½	
Jetinga Valley	Dec. 31	12,759	...	6,601	8,820	3,068	3,866	6	...	333	117,310	7,494	6	
Nedum	Dec. 31	86,711	14,250	14,082	21,392	8,269	10,564	6	...	4,751	77,078	19,368	6	
Vellikelle	Dec. 31	5,788	...	2,466	3,430	208	2,440	10	...	182	6,468	3,098	10	
Textiles														
Tootal Broadhurst Lee	June 30	221,184	...	70,036	169,670	10,250	55,364	12½	...	4,422	264,429	117,237	12½	
Trusts														
Edinburgh & Dundee Invest.	June 30	148,849	...	51,415	72,076	16,740	19,223	7½	15,000	452	150,810	40,109	7½	
Other Companies														
Henn Bros	June 30	80,205	200	26,827	35,575	4,805	18,867	12(a)	...	3,155	73,472	23,675	12(a)	
Hills (F.) & Sons	Mar. 31	50,647	12,879	8,521	10,225	...	7,500	10	...	+	34,414	10,158	10	
Jones Sewing Machine	May 31	11,020	...	10,521	16,308	1,999	2,902	6	...	5,620	11,168	10,727	6	
Metal Box Co.	Mar. 31	575,362	...	199,706	317,110	39,815	135,848	17½	...	24,043	609,555	287,496	17½	
Sanders & Co.	Mar. 31	49,214	...	16,466	25,439	...	7,500	15	8,459	507	24,822	11,152	15	
Santa Rosa Milling	Dec. 31	21,547	...	3,174	4,679	...	...	...	...	3,174	37,036	4,07	Nil	
Victoria Wine Co.	Feb. 28	57,330	...	21,854	35,294	20,000	7,500	5	...	5,646	66,574	46,249	7	
Walton Brothers	Mar. 31	39,139	2,434	3,091	3,091	2,391	700	7	...	...	44,695	13,686	7	
Totals (000's):														
Year to Aug. 9, 1941	39	5,665	398	1,581	2,181	416	1,135	...	26	7	4,322	1,908	...	
Jan. 1 to Aug. 9, 1941	1,141	251,900	19,118	121,941	188,125	25,337	80,327	...	11,632	4,247	244,412	139,602	...	

BRITISH WHOLESALE PRICES

CEREALS AND MEAT		July 29, 1941	Aug. 5, 1941
GRAIN, etc.			
Wheat	s. d.	s. d.	
No. 1 N.Mt. 496 lb. f.o.b. Mont.	31 9	31 11	
Eng. Gaz. av. per cwt. (e)	14 8	14 11	
Flour per 280 lb.			
Straights d/d London	25 6	25 6	
Barley Eng. Gaz. av. per cwt. (e)	23 6	23 2	
Oats (e)	15 3	15 3	
Maize, La Plata, 480 lb., f.o.b.	13 7 1/2	13 7 1/2	
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	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	
COCONA (per cwt.)—			
Accra, g.f.	45 0	45 0	
Grenada fine	81 0	81 0	
COFFEE (per cwt.)—			
Santos Supr. c. & f.	Nom.	Nom.	
Costa Rica, medium to good	170 0	170 0	
Java (per 120)—English	22 6	22 6	
LEADS (per cwt.)—Imported	64 0	64 0	
POTATOES (per cwt.)—			
English, new	7 3	7 0	
SUGAR (per cwt.)—			
Centrifugal, 96% prpt. shipm.	49 10	49 10	
c.i.f. U.K./Cont.	31 2	31 2	
REFINED LONDON—			
Granulated, 2 cwt. bags, domestic consumption	47 4	47 4	
West India Crystallised	50 10	50 10	
TORRADO (per lb.)—			
Indian stemmed and unstemmed	0 8	0 8	
Rhodesian, stemmed and unstemmed	0 10	0 10	
STEMMED	2 4	2 4	
TEXTILES			
COTTON (per lb.)—			
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 yards, a. d.	27 9	27 9	
16 x 16, 32's & 50's	39 9	39 9	
36 in. Shirtings, 75 yards			
19 x 19, 32's & 40's			
TEXTILES—continued			
COTTON continued			
Cloth, 38 in. ditto, 38 yards, s. d.	s. d.	s. d.	
18 x 16, 10 lb.	14 8	14 8	
39 in. ditto, 37 1/2 yards, s. d.	s. d.	s. d.	
16 x 15, 8 1/2 lb.	13 7	13 7	
FLAX (per ton)—			
Livonian ZK	Nom.	Nom.	
Pernau HD	Nom.	Nom.	
HEMP (per ton)—Manilla, spot	30/0/0	30/0/0	
JUTE (per ton)—			
Dalsee 2/3 c.i.f. Dundee, July-Aug. (new)	38/10/0	38/10/0	
Common 8 lb. cops. (per spindle)	4 4	4 4	
10 1/4 Hessians, per yd.	0 6	0 6 1/2	
8/40 Hessians, per yd.	0 4 1/2	0 4 1/2	
10/40 Hessians, per yd.	39 6	40 6	
Dec. 100 yds.	30 3	31 3	
71/40	30 0	30 0	
Sisal (per ton)—African, July, September—No. 1	s. d.	s. d.	
Wool (per lb.)—			
Lincoln wethers, washed	19 1/2	19 1/2	
Selected blackfaced, greasy	14 14	14 14	
Australian scrd. fleece 70's	37	37	
Cape scrd. average snow white	39 1/2	39 1/2	
N.Z. scrd. 2nd pieces, 50-56's	24	24	
TOPS			
64's warp	45	45	
56's super carded	39	39	
48's average carded	31	31	
44's prepared	29 1/2	29 1/2	
MINERALS			
COAL (per ton)—			
Welsh, best Admiralty	31 7	31 7	
Durham, best gas, f.o.b. Tyne	32 4	32 4	
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	
Tinplates (home, i.c. 14 x 20)	29 9	29 9	
NON-FERROUS METALS			
Copper (c) Electrolytic	62/0/0	62/0/0	
Tin—Standard cash	258/10/0	256/10/0	
Three months	259/0/0	259/15/0	
Lead (d)—Soft, foreign, cash	26/0/0	26/0/0	
Spelter (d)—G.O.B., spot	25/15/0	25/15/0	
Aluminium, ingots and bars	110/0/0	110/0/0	
Nickel, home delivery	190/0/0	190/0/0	
Antimony, English, 99%	195/0/0	195/0/0	
Wolfram, Empire	102/10/0	102/10/0	
Platinum, refined	2/10/0	2/10/0	
Quicksilver	9/0/0	9/0/0	
Gold (per fine ounce)	48/0/0	48/0/0	
SILVER (per ounce)—			
Cash	168 0	168 0	
1 11 1/2	1 11 1/2		
MISCELLANEOUS			
CEMENT, best Eng. Portland, d/d site, London at in paper bags or jute sacks 20 to ton	s. d.	s. d.	
4-ton loads and upwards per ton	49 6	49 6	
CHEMICALS			
Acid, Oxalic, net	60/0/0	60/0/0	
Tartaric, English, less 5% lb.	s. d.	s. d.	
Ammonia, Sulphate	3 3 1/2	3 3 1/2	
Nitrate of Soda	10/2/0	9/11/0	
Potash, Sulphate	15/10/0	15/10/0	
Soda Bicarb.	11/0/0	11/0/0	
Soda Crystals	5/0/0	5/0/0	
5/5/0	5/5/0	5/5/0	
COPRA			
(per ton) S.D. Straits	12/10/0	12/10/0	
HIDES			
Wet salted Australian	40/50 lb.	0 6 1/2	0 6 1/2
Queensland	0 7	0 7	
Cape, 1 lb. Ord.	0 7	0 7	
Dry Copes, 18/20 lb.	0 7 1/2	0 7 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			
Sole Bends, 8 1/4 lb.	2 0	2 0	
Shoulders	1 0	1 0	
Insole Belles	2 0	2 0	
Dressing Hides	2 0	2 0	
PETROLEUM PRODUCTS			
Motor Spirit, England & Wales	1 9	1 9	
(b) Kerosene, Burning Oil	0 11 1/2	0 11 1/2	
Vaporising Oil	1 0	1 0	
(b) Automotive gas oil, in bulk, ex road tank waggons	1 6 1/2	1 6 1/2	
Fuel oil, in bulk, England and Wales	0 8 1/2	0 8 1/2	
Furnace Diesel	0 9 1/2	0 9 1/2	
ROBIN			
(per ton)—American	Nom.	Nom.	
RUBBER			
(per lb.)—			
St. ribbed smoked sheet	1 1 1/2	1 1 1/2	
SHELLAC			
(per ton)—TN Orange	142/5/0	140/0/0	
TALLOW			
(per cwt.)—London/Town	22/10/0	22/10/0	
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	12/7/6	12/7/6	
La Plata (new)	20/0/0	20/0/0	
Calcutta			

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The Eastern Fringe

HITLER'S "new order" is generally admitted to be the Nemesis that has overtaken a disordered Europe. While it is obvious that the new system is very much worse even than the anarchy it followed, most people are agreed that there can be no return to the Europe of the twenties and thirties. Hitler's "new order" is a sign and a portent as well as a disaster. People will sacrifice some prosperity for stability; many of the states, when run on the lines of untrammelled sovereignty, were not—and never could be—viable; there is no such thing as "national defence" for a small or an under-industrialised country; and, as a corollary, a large and highly industrialised state will inevitably occupy a predominant position for good or ill. The problem is how to reconcile these realities with the traditional rights and liberties of Europe. The reaction of the nations to the "new order" settles once and for all the query whether Hitler has solved the problem; and, "at sea," the President of the United States and the Prime Minister of this country have squarely faced the need for a solution. They have declared the principles: no territorial changes without the freely expressed wishes of the peoples; the right of the peoples to choose their rulers and the form of their rule; economic collaboration and the enjoyment by all nations, great and small, victor and vanquished, of access to the riches of the earth; and the abandonment of force. It now remains, as stage by stage Nazi tyranny is destroyed, to translate these principles into plans of action.

The solution is most discernible in the west. The nations of the "western fringe" have—with the exception of the Iberian peninsula—the same political traditions, a similar economic framework, world-wide interests and a seafaring tradition. Geographically, they are well-knit and could easily form part of a common defence scheme. The United States, too, is part of the Atlantic world, and could conceivably be interested in some organisation

of their political and economic life. Above all, Britain, as the most powerful industrial nation in this grouping, and thus its power centre, has shown itself capable of combining leadership with respect for national rights.

The problem of Eastern Europe is far more formidable. It seems a long way off to a Britain that made only a very half-hearted attempt to keep its frontiers on the Rhine and treated Czechoslovakia as a distant land "about which we know very little." Democratic statesmanship will continue to depend upon "what Jones will swallow," not only immediately after the war but ten years later, when its terrors are forgotten. Will Jones swallow a frontier on the Vistula, the Bug or the San? The political realist says "No." Certainly, the natural tendency of free countries to apathy in foreign affairs must condition foreign policy; and there are other difficulties—profound differences in social and political structure, enormous geographical obstacles to common defence, different economic orientation. Nevertheless, it was Eastern Europe that finally brought Britain into this war, just as it was South-Eastern Europe that brought it into the last; and it must not be forgotten that three of Britain's specific war aims are already concerned with Eastern Europe: the restoration of Poland, the curbing of German strength, and the encouragement of European—including German—prosperity.

The problem is more formidable in the east than in the west because Russia and not Britain—with or without the United States—is the power centre. Those who are most enamoured with the "inevitability" of Great Power domination see a solution in Russian leadership. But Russia has so far given little evidence that the fate of a state closely associated with her would be anything but absorption—absorption into an ideological framework quite incompatible with Europe's traditional conception of freedom. "Realism" must not be used to gloss over

AMERICAN WHOLESALE PRICES

GRAINS (per bushel)		July 29, 1941	Aug. 5, 1941
Wheat			
Chicago, Sept.	107	113 1/2	
Minneapolis, Oct.	75 1/2	74 1/2	
Oats, Chicago, Sept.	75 1/2	76 1/2	
Rye, Chicago, Sept.	38 1/2	40 1/2	
Barley, Winnipeg, Oct.	65 1/2	69 1/2	
METALS			
Copper, Connecticut	12.00	12.00	
Tin, N.Y., Straits, spot	53.50	52.00	
Lead, N.Y., spot	5.85	5.85	
METALS (per lb.)—cont.			
Spelter, East St. Louis, spot	17.25	17.25	
MISCELLANEOUS			
Cocoa, N.Y., Accra, Sept.	7.67	7.59	
Coffee, N.Y., cash	9.00	9 1/2	
Rio, No. 7	12 1/2	13 1/2	
Santos, No. 4	17.64	17.24	
Cotton, N.Y., Am. mid., spot	16.79	16.39	
Cotton, Am. mid., Aug.	11.90	11.50	
Cotton Oil, N.Y., Sept.	10.30	10.12 1/2	
Wool, Chicago, Sept.			
MISCELLANEOUS			
Petroleum, Mid-cont. crude, per barrel	117	117 1/2	
Rubber, N.Y., smoked sheet spot	22 1/2	22 1/2	
Sugar, N.Y., Aug.	22 1/2	22 1/2	
deq. spot	3.60	3.65	
Sugar, N.Y., 96 deq., No. 4	1.40	1.61 1/2	
Lob. Cuba, Sept.			
Moody's Index of staple commodities, Dec. 31, 1931	100	212.9	

TRANSVAAL GOLD OUTPUT

Statistics for July 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.
Anglo-American Corporation					Central Mining—Rand Mines—cont.				
Anglo-American	40,000	£ 260,891	£ 98,208	s. d. 104 9.7	Finis				
De Beers	164,000	392,014	225,070	71 7.1	New Modder	205,000	£ 27,138	£ 66,356	s. d. 119 9
De Beers Consolidated	183,000	185,049	73,204	101 7.3	Rose Deep	84,000	16,636	33,263	128 4
East African Land	20,000	277,527	153,980	74 10.2	Transvaal G.	88,000	13,579	28,356	126 5
De Beers	165,000	372,147	193,031	80 10.8		31,900	4,981	4,529	148 7
De Beers	90,000	162,681	58,198	106 11.2	General Mining				
General Mining—Rand Mines					Van Ryn	63,000	£ 59,924	7,003	151 8
De Beers	115,000	26,385	70,565	114 9	W. Rand Cons.	240,000	375,963	162,022	98 11
De Beers	215,000	33,158	57,011	134 0	Goldfields				
De Beers	374,000	82,501	299,713	95 8	Venterpost	122,000	£ 23,041	57,473	118 3
De Beers	208,000	37,869	107,572	111 5	Simmer and Jack.	158,000	29,550	64,105	125 2.7
De Beers	230,000	46,542	120,012	116 11	Robinson Deep.	129,500	27,350	85,394	105 11.5
De Beers	71,500	8,970	15,219	134 5	Sub Nigel	69,000	42,817	237,456	57 2.5
De Beers	10,000	3,107	8,208	115 5	Vogelstruisbuit	79,000	20,159	64,247	105 0.3
De Beers	93,000	16,792	64,011	87 3	Rietfontein	37,000	5,610	17,707	104 11.7
De Beers	142,000	23,459	82,382	97 11	Luipaards Vlei	30,000	18,522	44,280	120 3.7
Union Group					"Johnnies"				
E. Geduld	166,000	£ 47,727	£ 263,778	s. d. 57	E. Champ D'Or	35,000	74,931	39,102	80
Grootvlei	118,000	28,042	121,715	81	Govt. Areas	270,000	435,953	170,169	103
Mariévale	128,000	35,020	146,098	84	Langlaagte	129,000	142,799	10,163	157
Modder Deep	51,000	13,541	37,229	113	Randfontein	129,000	254,255	122,123	88
Van Dijk	51,000	6,374	11,241	134	Van Ryn Deep	400,000	484,663	140,244	120
					Witwatersrand	111,000	117,980	15,129	147
						89,000	110,558	18,197	142

the fact that the fate of the Baltic States is exactly what Britain is fighting to prevent.

Again, the Russian economy—a centralised planned system of national autarky—is much nearer to *Wehrwirtschaft* than to the type of co-operation between free economies which can perhaps be developed in the west. The difference between Nazi and Soviet planning in trade and production has been the verbal difference between Four Years and Five. Externally, the danger of Russian economic "leadership," unless a radically new economic policy were to be adopted by the Soviets, would be an isolation of Eastern Europe from the markets and resources of the world as effective as their present attachment to German self-sufficiency. The peoples of Eastern Europe have the right to plenty as well as to order; and Russian planning in its present form would leave Eastern Europe, like Germany yesterday and German Europe to-day, in the position of being blockaded by its own policies. Internally, Russian leadership in the agrarian east of Europe would carry with it a programme of collectivisation. It is not that Britain has any interest at all in preserving a system of feudal estates and landless peasantry. But neither can it be British policy to forward enforced collectivisation under autocratic and centralised control. In economics, or in politics, the aim of British policy must be to avoid the facile "either-or" of rival ideologies—and there are working models of a middle way in the land-holding and co-operative farming of Denmark or Croatia before the Teutonic deluge.

The assumption of unlimited Russian leadership is not only incompatible in the long run with Britain's pledges. It is inexpedient now. It throws doubt upon the honesty of British intentions and on the seriousness of Britain's desire to build a better Europe after the war. It raises the question in a number of minds whether, if the issue is between German and Russian domination, the known evil is not preferable. Europe is struggling and hoping, not to exchange tyrannies, but to be free—a fact that was confirmed by the violent reaction in some quarters to the hint of Russian leadership which appeared in the *Times*. The Russians themselves are not so naive. The themes of their propaganda are freedom and self-determination; and at least one broadcast from Moscow has assured the German people that they need have no fear of the bolshevisation of Germany when Hitler goes.

Belief in the "inevitability" of Russian hegemony is a species of inverted Munichism. Isolation is isolation whether Germans or Russians are dominating Eastern Europe, and isolation is a policy which has brought Britain into two major wars, the United States into one and into the toils of another, in the course of thirty years. It is not as though the "either-or" of German or Russian leadership is absolute. From the Baltic to the Balkans runs a separate bloc of Slav peoples, with Turkey to the south and Scandinavia to the north. Can it be established as a common interest of Britain and Russia that this bloc shall be strong, independent and economically prosperous? Britain's interest is obvious and a measure of direct economic contribution in the shape of credits and gifts would bring in ample returns if new, expanding markets

could be set up in Europe's principal distressed area. And Russia? It can at least be said that, while the last two years have thrown the gravest suspicions on Soviet policy, the direction of Soviet diplomacy over the stretch of twenty years from the Civil War to the German Pact is far from discouraging.

After the first phase of diplomatic isolation and "world revolution," Russia made a strong effort to counter Hitlerism by swinging over to the support of collective security and the "popular front." The territorial occupations of the last two years, although they were naked aggression, accompanied by political and economic assimilation, were primarily and cynically strategic in their purpose; and, if they prove anything, it is that Russia greatly gains by having a protective glacis of strong, friendly states. The policy pursued since June 22nd suggests a return to the earlier conception of collective security. The recognition of Czechoslovakia on July 18th, the Russo-Polish Pact of July 30th, and now the reassurances to Ankara that Russia has no designs upon the Straits, respects Turkey's integrity and is prepared to defend it, are signs of a new temper. M. Maisky has voiced his hope of a "firm and solid friendship" between Russia and Poland "when the time comes to build up a new Europe after the war . . . on the principle of the self-determination of nations." More recently, M. Tolstoi spoke to the representatives of the Slav nations gathered together in Moscow in terms of "equal partnership."

The test of Russia's sincerity towards an independent East European bloc will undoubtedly be Finland. Whether Finland would have actively co-operated with Germany if Russia had not first attacked her is certainly open to doubt. Now Finland is officially the enemy of both Russia and Britain. Yet if any state had proved its ability to exist independently as a civilized community and to develop its national economy, it is Finland.

On the ideological front, it should be possible for Britain to urge the Soviets to stabilise their propaganda at least in its popular front form. There is a lie in the heart of a diplomacy which, while professing to accept the integrity, prosperity and independence of its neighbours, is nevertheless engaged upon an underground campaign to sap and split them. The antics of the Communist parties abroad have helped to discredit them. It ought not to be beyond the compass of British diplomacy to urge that support from Moscow should now be withdrawn. Communism will continue, naturally, to be propagated so long as it finds converts. Moscow's fiat can make no difference here. But Britain can fight Communism in Europe—or Nazism or Fascism or any other false gods—by destroying its breeding grounds—poverty, land hunger, unplanned industrialisation, economic nationalism, unemployment. The attitude of those who simply attack the rank and file Communists is as unscientific as those who hope to end malaria by swatting the mosquitos instead of by draining the swamps. The ideological issue is whether Britain can generate a keener faith and create a better system in Europe than any of the totalitarian new orders. If she can, then, neither strategically nor ideologically, has she much to fear.

Social Security

EVEN in wartime propaganda for a better post-war world there is little need to apologise for England. It is a fault in the most-heard and most-read reformers in this country that they seem unable to advocate social improvements without painting the present over-blackly; and it comes a little oddly to hear American journalists putting the seal of their friendly approval upon England's "new" determination to be "democratic" and set society to rights. On Monday next week an important book by Mr Seeborn Rowntree will be published about poverty and progress in York in the last forty years. It will indeed serve as a blue-print for fresh and urgent reforms in the social services; but its first lesson will be the dramatic changes for the better that have taken place in the conditions of the working classes in a single generation.

Twice Mr Rowntree has made a house-to-house social survey of York, one in 1899 and again in 1936. It is almost impossible to make an exact statistical comparison between two single years so far apart. The first was a year of almost full employment in York and the second one of widespread unemployment; and the mode of work and habits of life of the citizens had altered radically between the two dates. But any judgment on the figures must be reserved for a formal review; their precise implication may be debated, but their general meaning not at all. The point that is indisputable is the improvement which such a comparison must show. In 1899, going on for a sixth of the working-class population of York had incomes below a level which left no margin for more than their bare physical needs; in 1936, a year of bad trade, less

than a fourteenth were in this abject state. The real wages of male heads of working-class households, their actual power to buy goods, rose by a third between 1899 and 1936. A quarter of the working-class population in 1936 were living in better houses than the very best working-class houses of 1899; and whereas in the earlier year a tenth of the working-class in York were living with more than two persons to a room, in 1936 the proportion crowded in this way was not one in 25. In 1898-1901 the annual death rate in York was 17.2 per thousand; in 1936-38 it was 11.6 per thousand—and the infant mortality rate had fallen by two-thirds.

York is not unrepresentative. This improvement within a lifetime is solid achievement, and the fact that the standard of living, in real terms, has risen in this period by something approaching a third should be the point of departure for any consideration of the great deal that remains to be done. In 1936 Mr Rowntree adopted a "poverty line" for his survey which was much more generous than the "primary poverty" line he used in 1899—which was bare subsistence level. The line in 1936—43s. 6d. a week for man, wife and three dependent children—allowed sufficient, not only for physical efficiency, but also, within narrow limits, for clothing, heating, lighting, transport, beer, tobacco and recreation. Over a third of the working-class population of York were £1 or more a week above this line, and a seventh were between 10s. and £1 above it. But nearly a third were below it; going on for a fifth had less than 10s. to spare; and one in fifteen was in "primary poverty." These facts personify the measures that have still to be taken to straighten out the front of social advance.

The Causes of Poverty

In a speech a few weeks ago, Mr Rowntree said that he had analysed the causes of the poverty of those who fell below his 1936 line. Three-quarters of it was due to three causes—a third to insufficient wages, between a quarter and two-fifths to unemployment and a seventh to old age; and it is an indication of the part played by social services, which did not exist in 1899, in warding off at least the worst aspects of poverty that four-fifths of the income of the unemployed poor and two-thirds of the income of the aged poor came from unemployment benefit, health benefit, pensions or public assistance. Even when the changed value of money is allowed for, between 25 and 30 times as much money was paid out every week on these services in York in 1936 as was paid out in poor relief there in 1901. It remains a fact, however, that the aid of these payments did not suffice to raise these people above a line which, though much more liberal than the level of "obvious want and squalor" which Mr. Rowntree used in 1899, still unmistakably represents poverty according to the criteria of to-day. It is further true that the largest single class of poor in York in 1936 were neither unemployed nor aged, but simply underpaid; that those who were poor because of insufficient wages received less than a fiftieth of their total incomes in social payments; and that, in all categories of the poor, it was the biggest families with most dependent children who bulked most largely. Over half of the working-class children in York under one year of age are estimated by Mr Rowntree to be in poverty, according to his definition; and nearly half can expect to be in poverty for five years or more.

On Thursday, the Declaration of Principle announced across the Atlantic from Mr Roosevelt and Mr Churchill laid down social security as a first peace aim and the right of all free countries. The strategic and political settlements that will be the subject of the next peace conference may be impossible to define exactly, because the state of the world and the wishes of the peoples after the war are yet untested. But this more domestic peace aim is definite enough—for England at any rate. It is not the war that has made social security necessary or desirable or possible; it is only that the war and its aftermath of reconstruction afford a special chance to take further steps to achieve it. Mr Rowntree's figures

are pre-war figures, but conclusions like his make a practical foundation for war and post-war reforms. When workers fall out of work, through no fault of theirs, they and their families fall into poverty. When they fall ill, are injured or grow old, the same happens. In spite of social insurance and public assistance, which are intended to maintain them in their misfortune, they still find it more than difficult to keep themselves and their families in full health and fitness for any length of time; and their difficulty is in direct proportion to the number of their dependent children.

The Test of Need

To institute a national minimum income per head which would enable every man, woman and child to be maintained above an accepted level of poverty would introduce no radically new principle. It would simply round off a generation of development. The social services are the heirs of the old poor law; insurance against unemployment and sickness were introduced before the last war to eliminate the causes of poverty; and the trade boards which were established to set wages in low-paid industries had a similar purpose. The point is that this attempt to break up and solve the problem of poverty has not yet succeeded. The old poor law lives on in its relic, the local public assistance committee, which still has to fulfil its statutory obligation to relieve destitution. The Assistance Board came into being to fill the gap left when workers were unemployed too long and fell out of insurance benefit. Insurance was a great advance, but it was not enough, and insurance-cum-assistance is not enough. It is not a question of starting again, but of finishing the job; and it is important to appreciate this continuity. The outstanding problems and the data for their solution are equally well known. The basis of insurance against unemployment has been broadened by successive stages until workers with incomes up to £420 a year, as well as agricultural workers, are included; but it is obvious that, as a defence against poverty, it will remain inadequate so long as the unemployment of any appreciable section of the insured tends to last longer than the actuarially determined period of benefit. It is widely understood that health insurance provides neither insurance nor maintenance for dependants; and the need for means to maintain all children is common opinion. More and more, the view is accepted that, whatever the cause of a citizen's poverty, whether it is unemployment, sickness, accident or old age, it should be met by payments to make up his or her income to the level needed to house, clothe and nourish the entire family efficiently.

The trouble is that the "break up" of the poor law has so scattered the administration of the anti-poverty services that this problem of maintenance is never seen as a single problem. The Ministry of Health is responsible for health insurance, public assistance and contributory pensions; the Ministry of Labour for unemployment insurance and, through the Assistance Board, unemployment assistance; the Home Office for workmen's compensation; the Ministry of Pensions for pensions for members of the armed and civil defence forces; and the Customs and Excise department for non-contributory pensions and pensions for blind persons. The public assistance committees of local authorities apply a household means test for allowances; Customs and Excise officials apply a test of personal property and fixed income for pensions; and, for its allowances, the Assistance Board applies a test of personal income, with account of the contributions that might be expected for board and lodging from other members of the household. Whereas the basic needs of men, women and children plainly do not differ appreciably according to the cause of their distress, the payments made for maintenance by these various authorities vary startlingly; they depend in practice, not on actual need, but upon the administrative pigeon-hole into which the applicant may chance to fall.

There is nothing controversial about the remedies for this state of affairs. It is the result, not of deliberate policy, but of historical accident; and it would put no strain on any political faith to "codify" these mainten-

ance services under the control of a single Ministry of Social Security or to administer them, according to a uniform set of principles and a common measure of need, through a single Maintenance (or Assistance) Board. It is true that there are still some people who argue that to remove entirely the "spur of poverty" from economic life by establishing a "national minimum" would fatally enervate the nation's enterprise. But this argument was debated and democratically settled, in principle, long ago. The various agencies that have been described in this article are intended to prevent or cure poverty, and to oppose their reform on this ground is simply to claim, disingenuously, that it is better to have the social services working inefficiently than to make them efficient for their avowed purpose. Nor can there be much patience with an argument which maintains that to set a level below which no family shall fall—say, Mr Rowntree's 43s. 6d. a week for a family of five, adjusted upwards for the rise in prices since 1936—would destroy initiative.

Wartime Urgency

Still less can there be any patience with the easy dictum that wartime is no time for social reforms. In fact, the basic social reforms are forced on by war conditions. It may be true that large-scale revisions, such as the definitive overhaul and extension of health insurance or workmen's compensation, are ruled out by the inescapable preoccupations of total war. But it is also true that the fundamental need on the home front in wartime is the necessity of distributing an inevitably short supply of civilian goods evenly through the population, so that no citizen and no citizen's family need go without a basic ration. The establishment of a "minimum" and the institution of a guarantee that no child, whatever the circumstances of his family, shall go without—these are part and parcel of the wartime problem of distribution. There was a time when Mr Rowntree hesitated to produce the results of his second York survey while the war was on. But, happily, he was over-persuaded on the unassailable ground that certain of his conclusions—the need for a "minimum" and for family allowances—are matters of wartime urgency. The method of applying these recommendations may necessarily be an interim one; but there can only be one directive to the Government on them, and that is "act at once."

There remains the wider task of post-war reconstruction. It is not simply a matter of establishing a "national minimum" and setting up a single Ministry of Social Security; nor even of deciding, where insurance is the method chosen of protection against poverty, that even though it may be expedient to retain an actuarial relationship between normal contributions and normal benefits, it may still be necessary, in order to secure the "family minimum" in every case of unemployment, sickness and disability alike, to subsidise the schemes in special in-

stances. It is not simply that the question must be finally asked whether efficiency and uniformity can be achieved in the social services, while the traditional system of approved societies attempts to reconcile the principles of private business with those of social progress. The test of social services is their results; and the obligation to maintain those in misfortune is only the first aim. The real objective, as distinct from the financial, is to re-employ the workless, to cure the sick and to rehabilitate the injured. Proper treatment and restored health are more important than cash payments; and it is perhaps not too much to hope that the special quality of social reform after the war will be its concentration on these "real" aspects of prevention and cure. A Ministry of Social Security is only one half of the work; the other will be a true Ministry of Health.

The present Ministry of Health is a post-war creation, set up after the last war to replace the Local Government Board; and it might well have become a true Ministry of Health if the scores of reports that poured in from official commissions and committees between 1919 and 1939 had been embodied in its practice. As it is, it has largely remained a Local Government Board, with a notable record in the environmental task of housing betterment. In 1920, the Holman Gregory Committee on Workmen's Compensation and the Parmoor Committee on Industrial Assurance; in 1928, the Royal Commission on Health Insurance; in 1937 and 1939, the Interdepartmental Committee on the Rehabilitation of Persons Injured by Accidents—inquiries like these have made as plain and complete as can be the financial and administrative reforms that are needed for a positive policy of health and welfare. Now a new Commission on Workmen's Compensation has been two years in being; and yet another Interdepartmental Committee has been set up this year to survey the social services.

But there is little need for fresh research and new inquiries. The work has been done. The deficiencies and the solutions are known. What is needed is the action that has been so strangely inhibited hitherto. In part, the obstacle to reform has been stupidity—the stupidity which has refused to see that financial, medical and surgical questions cannot be considered separately without the means and the end being divorced, and failed to understand that health insurance, workmen's compensation and rehabilitation are all aspects of a single problem. In part, the obstacle has been interest—the interest of companies and professional men who have a stake in the present anomalous and inefficient "system." It will be the mission and the responsibility of Sir William Beveridge's Committee to put forward a plan of action that will set a term to this endless procession of solemn pronouncements about facts that are well known and remedies that by now are commonplaces. As peace aims, social security and national health have the uncommon virtue of being as easy to attain as they are important.

The Future Debt Burden I

It is already abundantly clear that the cost of this war, measured in millions of pounds sterling, is higher than that of 1914-18, and people are understandably asking themselves whether its financial legacy will similarly be heavier. In the last war, income tax went up from a sum that now seems childishly small in 1914 to 5s. in the £ at the end of the war and to 6s. in the £ soon after, and though the extremity of the burden was relieved in the post-war years, taxation remained at a level far closer to that of war than of peace. Is this experience likely to be repeated? Can a permanent income tax, if not at 10s. in the £, then at 8s. 6d., be expected?

The higher level of Government expenditure, and consequently of taxation, after the last war was not entirely due to the war—at least not directly. The proportion of the gross national income (at market prices—Mr Clark's estimates) taken by the Government and

spent on different purposes were, very roughly, as follows:—

	National Debt Service	Defence	All Other Expenditure	Total Expenditure
1911-13.....	%	%	%	%
1924	1	3½	3	7½
1929	8½	3	6½	18½
	8	2½	7	17½

There was thus a considerable rise in the spending that was neither preparing for future wars nor paying for those that had been won, and this new expenditure (the bulk of it for social services) cannot be said to be due to the war, except to the extent that it arose out of the quickening of social progress which began in the war years. But the biggest factor in the rise in Government expenditure was the cost of the swollen national debt. Accordingly, a first approximation to the

budgetary problem of the post-war years should be obtainable if the future of the national debt were known. This is a subject in which prophecy is more than usually difficult and dangerous, but since the Chancellor of the Exchequer permitted himself some references to it in his Budget speech, it may be permissible to explore the ground a little farther.

The first point to be realised is, of course, that the net burden of the national debt has not increased since the beginning of the war by the full amount of the Budget deficits. There are two sources of the funds open to the Chancellor of the Exchequer which do not increase the net debt of the State. One is the utilisation of capital assets already belonging to the State, of which the assets of the Exchange Equalisation Account are the most important. Their departure is, of course, an economic loss to the nation of considerable magnitude; but they were bringing in little or no financial income and their sale puts no new financial burden on the Exchequer. The second source is the accruing income of such public funds as the Unemployment Insurance Fund and now the War Damage Commission. These are, in all but form, additional tax revenue. It is true that in both these varieties of cases, Treasury bills are issued. In the first case, to replace the foreign assets of the Exchange Equalisation Account; in the second case, to represent the assets of the Unemployment Fund, etc. The gross total of the national debt is therefore swollen; but that is mere accounting procedure and the net burden on the State is not increased thereby. Thus in the first eighteen months of the war the gross budgetary deficit was £2,756 millions, but the net increase in the national debt was only about £2,097 millions. In the current financial year, the Chancellor estimates a gross deficit of £2,420 millions (excluding all lease-and-lend operations, which are similarly excluded from all the figures in this article). But if the extra-Budgetary receipts of public departments continue at the recent rate, the net increase in the debt will not be more than about £2,250 millions.

These are capital figures and what really matters is the annual interest charge. It is here that the biggest difference between this war and the last is apparent. Sir Kingsley Wood has stated that borrowing is now being done at an average rate of interest of less than 2 per cent. Even if a full 2 per cent is taken for the purpose of calculation, the recurrent cost of the debt incurred in the first eighteen months of war is about £42 millions per annum and that of the debt to be incurred this year (if the Chancellor's estimates of expenditure are not exceeded) about £45 millions. Thus in 2½ years the State will have increased its debt by a capital sum about 60 per cent of the 1914-18 increase; but the interest charge will only be about 30 per cent of that incurred in the last war.

Sir Kingsley Wood's recent Budget speech implied, in many of its passages, a belief that there would not be much further increase in the cost of the war. An attempt is to be made to stabilise the value of money and prevent any further rise in prices; and the rise in expenditure due to expanding physical output of munitions was only put at some £500 millions. Reasons have already been given in *The Economist* for questioning both assumptions—the former for over-optimism, the latter for over-pessimism. But if the Chancellor's estimates are accepted for the purposes of calculation, it is possible to form some idea of the total cost of the war. For example, let it be assumed that this war lasts as long as the last—that is, 4½ years, or for two more financial years after the present one. Let it further be assumed that the deficit rises by £500 millions in each of these subsequent years. Then the net debt incurred over the whole period will be £2,100 millions in the first eighteen months, plus £2,250 millions in 1941-42, plus £2,750 millions in 1942-43, plus £3,250 millions in 1943-44, or say £10,000 millions in all. At 2 per cent the interest charge will be £200 millions per annum. It is hardly necessary to say that these figures are in no way predictions either of the length of the war or of its

cost; they are merely illustrations of the order of magnitude involved. They should be set against the actual figures of the last war—an increase in principal of about £7,000 millions and in annual cost of about £290 millions.

How heavy a burden will £200 millions a year be? There is one very frequently forgotten circumstance which considerably reduces the burden. This is the fact that payments of interest on the national debt are subject to income tax and surtax, while holdings of principal are subject to death duties. When there is a great increase in the National Debt, there is a similar increase in the taxable incomes of the individuals who compose the community. This does not mean, of course, that the real wealth of the community is increased and in computations of the national income, debt interest is usually deducted. But an increase of debt does increase the total of incomes that individuals return for income tax, and it does increase the amount of money that will be brought in by a given rate of income tax.

It is important, however, to realise in exactly what circumstances it does so. If the debt is created by borrowing current savings, or by borrowing created credit, the proposition just set out holds good. But if the debt is created merely to replace other forms of income-producing capital, the case is different. National debt of £1,000 issued to purchase £1,000 worth of American securities leads to no increase in the total of incomes assessed to tax: the interest on the debt merely replaces the dividends on the securities—and may not do so completely. It is important, therefore, to estimate what proportion of the debt to be created during this war falls into each category. In the first eighteen months of the war, just over £1,000 millions was raised by liquidating foreign assets, and £300 millions by drawing on domestic capital. But not all these capital assets were income-producing. Of the foreign assets, £388 millions were the gold and foreign exchange in the Exchange Equalisation Account, which yielded virtually nothing. Of the domestic £300 millions, a large part must represent the depletion of traders' stocks, which again yield nothing. It may be guessed that only about £800 millions of income-producing capital was drawn on in these eighteen months; this is about 40 per cent of the net increase in the debt. For 1941-2, by a similar calculation, it seems probable that rather over a quarter of the net increase in the debt will be of this nature. Over the war as a whole, if the net debt increases by £10,000 millions, probably £3,000 millions will be in replacement of income-producing capital. On this amount, therefore, the net burden on the Budget will be the same as, or even greater than, the rate of interest paid.

In respect of the remaining £7,000 millions, however, the total of taxable incomes will be increased by the full amount of the debt interest paid. What deduction should be made on this score? Much depends, of course, on the post-war scale of taxation, and to some extent the answer to the whole conundrum must be anticipated in order to answer one part of it. But the sum can be worked out in terms of pre-Hitler taxation—that is, income tax at about 5s. in the £, and corresponding levels of surtax and death duties. Some debt holders pay less than the standard rate of income tax, some pay surtax, at varying rates. In the case of companies, only the standard rate of tax is payable, but the individual wealth of their shareholders is indirectly enhanced through the companies' receipts of debt interest. It is obviously impossible to make an exact estimate without knowledge of the post-war distribution of debt holdings. But for the purpose of giving an order of magnitude it may be guessed that, with income tax at 5s. in the £, the effect of taxation would be to reduce a gross rate of interest of 2 per cent to a net rate of 1½ per cent. The net burden of a £10,000 millions debt would therefore be the full 2 per cent on £3,000 millions plus 1½ per cent on £7,000 millions, a total of £147½ millions.

This is not a very large sum. If the level of prices after the war is the same as it was in 1936, when income tax stood at 4s. 9d. and total tax revenue was £750

millions, it will require an all-round increase of nearly one-sixth in the rates of taxation—that is, income tax at about 5s. 6d. in the £. But, of course, it is very unlikely that prices will return to the level of 1936. If they settle down at one-sixth above the 1936 level, the 1936 taxes can be expected to bring in £150 millions more. This would probably not be enough, since a higher level of prices would increase other items of the Government's expenditure. But the problem is clearly soluble, and there is nothing in the way in which the National Debt is now increasing to prevent a return after the

war to approximately the pre-war levels of taxation. This is a gratifying conclusion. Both Right and Left, it would appear, can breathe freely again. The rich man is not going to have all his possessions taken away from him—not by the inevitable aftermath of war borrowing, at least—while the poor man need not fear that there will be nothing left for social services. It is important, however, to remember that the conclusion rests on certain provisos—especially those relating to the level of prices and the rate of interest. These will have to be examined in a second article.

NOTES OF THE WEEK

Atlantic Meeting

Twice in just less than three years a Prime Minister of Britain has flown abroad in search of peace. The first flew east and found his peace, in 1938, at Munich—a poor, evanescent thing, peace by capitulation. Mr Churchill went westward, and there is no surrender in the peace that he and the President of the United States have defined for the whole world. The first premise is resistance to "domination by world conquest" and the destruction of Nazi tyranny. The second is aid to every State and people who are resisting—and the main theme of the discussions at sea between British and American officials and of Lord Beaverbrook's mission to Washington has been the flow of war supplies to the forces of Britain, the United States and Russia. After victory, the real peace can be built upon the Declaration of Principles that the two great democratic leaders laid down: no aggrandisement; no changes in territory or in government except by the will of the peoples freely expressed; equality of economic opportunity for every nation; collaboration between the nations in the establishment of labour standards and social security. They are principles which comprehend everything that all ordinary people long for—freedom from fear and want and liberty to travel the seas without let or hindrance. The Declaration states plainly its belief that, from "realistic as well as spiritual motives," all nations must come to the "abandonment of force." But first the war has to be won. The Atlantic Meeting is not only a milestone because it brings a standard and a hope for a free, peaceful and prosperous world to come; its first object was to tighten the cordon around Hitler's Germany and "the other Governments associated with it"; and its result will be more weapons for freedom and more powerful measures to preserve the world. The President could not speak for Congress as Mr. Churchill could for Parliament. He could make no binding pledge to fight—in any part of the world; or even commit his country to implement these principles. The danger in the Far East was not mentioned by name, and American action there must still wait upon more complex motives than the simple statements of this Declaration. Words will win neither the war nor the peace. But here is a great beginning which, in terms of power, cannot but dismay the dictators, the tools and the jackals and which, in terms of welfare, offers men and women everywhere the outline of their salvation and security.

Pacific Powder Keg

The "powder keg of the Pacific" is waiting for the spark to set it ablaze. That Japan will supply that spark seems almost certain, for the simple reason that Japanese troops are now massed on the Thai frontier in the south and the Russo-Manchurian frontier in the north, and whenever a local Japanese army commander gets near a frontier, he has sooner or later to cross it. It is a temptation which, in the ten years which have elapsed since the real beginning of the "China Incident," Japanese army commanders have never been able to resist. On almost every occasion the Government at Tokyo has had misgivings, and would have been glad to hold its hand. Here, again, the situation is running true to type. Although such warlike preparations as the application of the National Emergency Mobilisation Act have been made, there are signs that Prince Konoye's Cabinet is perturbed by the hornets' nest they have stirred up in the south, and, after a week end of flamboyant troop landings in Indo-China and of

rumours of the full mobilisation of the Japanese Fleet, there has been, if not a lull or even a slackening of tension, at any rate a perceptible pause, as of a man drawing breath. The hesitation is reasonable enough. The Japanese hoped to find Thailand as complacent as the lackeys at Vichy. It must have been with the astonishment of a Goliath that they watched Thai troops mobilise on the Indo-Chinese frontier and listened to the Thai Government declaring its determination to offer unlimited resistance to aggression, to adopt a "scorched earth" policy and—last, fantastic touch—to use poison gas if necessary. There are some 50,000 Japanese troops in Indo-China, probably enough to overwhelm the Thais; but, with Thailand's message of defiance, has come serious doubts whether, if the Thais were attacked, they would fight alone. Mr Eden has stated bluntly that an attack on Thailand would menace the security of Singapore, and the Japanese Ambassador to Washington, Mr Wakasugi, has warned the Japanese people that the United States will meet every new Japanese advance by new counter-measures. At Tokyo the British and American Ambassadors have made a number of joint *démarches*. The step that might finally confirm Japan's hesitations would be an unequivocal statement that in the event of one more act of aggression, the British and Dutch Empires, the United States, Russia and China would act together. But it is still doubtful whether American opinion is readier for shooting in the east than in the west.

Northward Bound?

It is hard to believe that the Japanese Government seriously envisages an attack in the north. Besides the strong and autonomous Far Eastern Red Army, there is a serviceable army attached to Outer Mongolia, trained and partly officered by Russians, and the Japanese experience at Nomonhan in 1937, when the Japanese troops were annihilated by Russia's mechanised divisions, is still an uneasy reminder of the risks involved. There are perhaps 100 submarines in the harbour at Vladivostok, and Soviet bombers would be in range of Japan's overcrowded, wood and paper built industrial towns. Nevertheless, reinforcements have undoubtedly gone north, and the Japanese Press is taking up the question of American supplies reaching Vladivostok. It is difficult to see what steps the Japanese could take to blockade Vladivostok without accepting the risk of war, unless their Navy chiefs still argue that in no circumstances will the American Navy shoot. Naturally, as long as the Americans remain uncommitted to any line of policy, the Japanese have a gamble upon which to bet. Possibly the Konoye Government is less inclined to gamble now than a week ago. There would be more chance of peace in the Pacific if the same hesitations could infect the commanders on the spot.

After Eight Weeks

According to official German claims, the German line in Russia after eight weeks' fighting stretches from Narva and the Baltic coast through Soltsa to Kholm, then from Kholm to Nevel and the Smolensk bulge. South of Smolensk, where the Russians have admitted, the line skirts Roslavl, where fighting continues, passes through Korosten, goes west of Kiev to Byelaya Tserkov and Uman, and in the south runs east of Kishinev to the mouth of the Dniester. These are considerable gains, and, in the course of the fighting in the last fortnight, the Germans have undoubtedly straightened their line; the Russian defences

must be very taut and the Smolensk salient is an ugly bulge into the Russian line. Nevertheless, from the Baltic to the Kiev sector there has been no break through, and the Germans appear for the time being to have halted the drives on Leningrad and Moscow—which may just possibly mean abandoning them for the whole winter, since the bad weather will begin in the northern sectors in another four or five weeks. The weight of Germany's third offensive is directed against the Ukraine, and the Germans claim to have isolated Odessa and to have reached the Black Sea by a drive south from Uman. The Russians report nothing, and it is still too early to judge whether a real break through is taking place. The Germans should be able to make use of combined land and air activities on this front, landing men from the air on the coasts to synchronise with drives southwards by the land armies. The towns thus encircled, Ochakov, Nikolaiev, Kherson, Perekop, could be reduced at leisure, and the peninsula of Crimea seems an obvious target for operations on the model of those in Crete. The defenders of the Ukraine are in an obvious dilemma. If they stand to defend the Black Sea ports, they risk encirclement, and they throw open the Kiev-Kharkov area, from where, if the Germans struck north as well as east, the line might be turned below Smolensk. These are critical moments in the campaign, and they rebuke the facile optimism which is still going its irresponsible way in this country.

The Way to Victory

General Smuts has stated his faith in victory by the air arm without the use of large land forces; and this view is common among the people of this country—and, increasingly, in the speeches of Ministers. Like the view that this is not a physical war at all, but an entirely moral one, in which the right propaganda will just deflate Germany like a balloon overnight, this is the natural view of a belligerent which, until the Germans chose Russia to be an extra foe, was heavily outmanned; and it remains probable that, whatever may happen on the Eastern front, the enemy will have a clear advantage in men in the West. It was reported that, before he left Cairo, General Wavell told a representative of the *New York Times* that, without the aid of American man-power, victory on land was impossible. Actually, in both popular and Ministerial thought, the issue seems to be confused. The land, air and sea arms are spoken of as if they were separate and alternative weapons, while, in fact, the only way in which a decision in the West can be won, by the Allies or by the Germans, is by the striking power generated from a combination of all three—a truth which has always appeared more evident to the German strategists, in spite of their superiority on land, than to their opponents. Those who deduce from the balance of man-power that this country should not attempt to have an offensive army at all are as beside the mark as those who would still pin their entire faith to victory by foot-slogging, in the hope that, by some miraculous means, the superior fighting qualities of the British soldier will by itself suffice to outweigh his inferiority in numbers and weight of metal. It should not be necessary to tell Englishmen, the bombers *par excellence* of this war, that air bombardment is not likely to win wars—any more than artillery bombardment from the ground is. It will be a severe trial for the German people, and a serious restraint on their production, if they are bombed from both West and East in the winter; tentatively but ominously, Berlin has already been between two fires. It is an ill promise for the economy and morale of German Europe that British bombers can now carry out stiff raids well inland by day, like Tuesday's fierce pounce on Cologne and Emden. This is the artillery preparation which will grow in strength and, with British and American output and Russian aid, it should be brought as close as possible to the quality of "drum fire." But Napoleon said that the moral was to the material in warfare as three to one, not three to none; and the striking forces to drive back the shaken enemy and the holding forces to take his territory will be soldiers, and they will come by sea. The respective strengths and weaknesses of the two belligerents mean that the proportions of the respective amalgams they make of land, sea and air forces must differ. Plainly, naval might and power in the air, as well as heavier equipment and armour on land, must be developed and deployed to compensate for Britain's lack of numbers. This is presumably British policy—to build up the most effective ratio of men to material, within each arm and between them, and to work out a strategy according to the size and character of the forces available. All Europe is washed by sea, with the air above; and there will be a score of points

for the "indirect approach" to Germany's heart. But when the final battles come to be decided, no arm will be dispensable. To beat Britain the Germans must have their navy; the British army is needed to beat Germany; and victory will fall to neither side like a ripe plum, unfought for.

The Use of Men

A good many of the general admonitions levelled at the Government about the need for workers to make tanks rather than for soldiers to fight without them are off the target. It can be argued, of course, that there are still far too many people who are neither in the forces nor in the factories; and it is astounding that the Government should only now have decided to take the obviously common-sense and fruitful step of combing-out domestic servants. But, on the general issue of policy, it can be assumed that the Services and the Supply departments are now working to a programme of recruitment and production which recognises the scarcity of men and the necessity of having no bigger army than can be better equipped, armoured and trained—and better supplied with aircraft support—than the enemy's. The faults are rather in detail, and often the details are important. It has, for instance, proved a fantastic mistake to have deprived building and coal-mining of so large a proportion of their heavy labour—and in some respects agriculture may be in the same category. It was not as if there were not a margin to draw upon of men who are neither building houses nor digging coal nor growing food. The quantitative approach of the authorities to the distribution of man-power between fighting and working has been less in error than the qualitative. The trouble is that the principles of reservation upon which the process of recruitment has been based have been hopelessly over-generalised. The principles are, first, that young men are more fitted for military service than older ones; secondly, that certain broad categories of industry are more important than others; thirdly, that skilled men are more important than unskilled; and, fourthly, that brains are more important than brawn. To a point, these principles are obviously sound. But they require constant checking in detail, and two further questions need to be asked: first, whether a particular job (as distinct from a category of work) is indispensable; and, secondly, whether the particular man holding the job can be replaced by another man—or woman. The introduction last spring of a new category of protected industries and protected work was at least a move in these directions; and it was generally believed that the Kennet Committee on the calling up of civil servants was going to ask these questions. But, in its interim report, the Committee merely recommends that the age of reservation should be raised for administrative and executive grades from 25 to 30 and for clerical and analogous grades from 30 to 35; and, although nominally 8,000 more civil servants will be released, the real job of combing-out jobs and job-holders is, in effect, left to the departments—the recommendation that deferment of calling-up should be abolished in 30 months' time is tempered by the proposal that they should be replaced by temporary and special deferments. Obviously, Government service can be war work of the first importance; the war effort is driven and held together by administration. But, equally obviously, it is absurd that, say, scholarly keepers of the public records should be reserved to firewatch in a mostly evacuated Record Office—or, outside the civil service, that a whole host of professional men and office workers should be reserved in dispensable work—while men are taken from the pits to fight. It is a snobbish delusion to suppose that brains (which normally means education or social status) are always more important than brawn; and it is what a man does and not what he is that should count in this matter.

Australia Quickens

The tension in the Far East has fanned the claims of Australia to be represented in an Imperial War Cabinet; it may also lead to the formation of a real War Cabinet in Australia itself. The present Cabinet has asked Mr Menzies to return, as soon as possible, to London, where "decisions of great importance for Empire policy and strategy would inevitably be reached," so that the British War Cabinet might be continuously given first-hand views of the Dominion most directly concerned with Japan's moves. His colleagues consider that Mr Menzies should return to London still in his position as Prime Minister, but that if events necessitate a prolonged stay, he should either be replaced by

another Minister, or else relinquish the Premiership, and accept some special status appropriate to his mission. But whether they envisage him as an Australian Lyttelton posted in London or merely as a Duff Cooper, the Australian Cabinet are surely not wise in insisting that the envoy must be Mr Menzies. There must, or should be, other Australians who can inform the British Government on Australia's views, and if the Commonwealth is to be plunged into a new war near at hand, the proper place for a Prime Minister, especially one of Mr Menzies' calibre, is in his own country. It may be, of course, that they consider a Prime Minister is less easy to override than someone with lesser stature. Mr Menzies himself appears willing in principle to make the journey, but he has called an emergency meeting of Parliament first, for the matter to be discussed with all parties. Mr Curtin, the Labour leader, has agreed to the early summoning of Parliament; he has also conferred with Mr Menzies, after which he issued a statement calling on all Australians to fight or work. There is, as yet, no indication that any moves for a coalition are afoot, but Mr Curtin and Mr Menzies must surely see that claims to be represented in an Imperial War Cabinet come a little oddly from a country which in such a crisis is still politically divided within itself.

The Fire Guard

So far from being intimidated by the attitude of the trade unions over compulsory fire-watching in business premises, Mr Morrison has now decided that the Civil Defence Duties (Compulsory Enrolment) Order is to be applied in all areas in which the Fire Prevention (Business Premises) Order is, or may be, in force. The purpose of the Order is to enable local authorities to carry out their obligation to provide satisfactory fire prevention arrangements for residential areas, including small shops not covered by the Business Premises Order and unoccupied and miscellaneous buildings. It has already been applied in parts of London and elsewhere where the number of volunteers for home fire guarding has been too small for the local authority to make satisfactory arrangements; but since the Business Premises Order has been applied to the whole of the London region, nearly all the industrial areas and most of the big non-industrial towns of the country, fire-watching, either at home or at work, will now be compulsory for a big proportion of the civilian male population—though there are, of course, certain exempted classes. This should strengthen Mr Morrison's hand in the struggle with the trade unions, for they can no longer contend that compulsion in practice only falls on the workers. But, from the point of view of civil defence, the most satisfactory part of Mr Morrison's new measures is the attempt to make the fire watchers—or Fire Guard, to give them their official new title—efficient, whether they are conscripted under the new system or volunteers under the old. The Fire Guard will be an essential part of civil defence, with its own paid officers who will form part of the wardens' service and will be responsible for the training of fire guards individually and in parties, the preparation of duty rotas, the mustering and allocation of fire guards, sleeping and feeding arrangements and so on. What is aimed at is a disciplined and efficient service instead of a collection of frequently, half-trained, half-hearted—and half-asleep—householders.

Hard Labour

Lord Woolton's announcement last week that the meat ration would probably not be increased for the duration of the war was good news, not bad. There are better and more economic uses to which home and imported resources can be put than the feeding of more animals to produce meat. There is, for instance, the pressing need to raise the supply of milk, which threatens to be uncomfortably short in the winter months. The announcement was welcome in yet another way. The Minister of Food went on to say that, if any extra meat became available, it would be reserved for people engaged in heavy work. It is only a fortnight since the Prime Minister told the House of Commons that one of the two most important checks to production was the insufficient diet of heavy workers; and, since war production should be paramount, this statement seemed to establish a case for reducing the ordinary meat ration still further, if it was necessary, in order that sufficient might be made available for war workers. In Germany, there are three grades of rations—for ordinary workers, for heavy workers and for very heavy workers.

It might not be necessary here to adopt these differentiations within the coupon system. The method should be to use the workers' canteens in order to ensure that extra supplies of meat and cheese and other protein foods should reach the workers most in need of them. This, of course, is already being done, and Mr Bevin has made it plain for many months that the function of the canteen is to provide cheaply the food that workpeople need. But, unfortunately, in one sense, there are too many canteens, and, in another sense, there are too few. There are too many because canteens at offices and factories where work is light are treated on a par, in the quantity of supplies, with canteens for heavy workers. There are too few because, in many of the industries which need extra food most, there are few or no canteens. Coal mining is the prime example. There is no doubt that one of the chief difficulties in restoring the output of British coal is the fact that miners, by comparison with their normal diet, are going hungry; and it should be a prior charge on the resources of the industry and the Government to provide feeding centres and more solid food for the workers in the pits.

The Middle East: Diplomacy in Action

Now that Germany's offensive is turning south, with the immediate objective of the Donetz basin and the ultimate aim of securing Russia's Caucasian oil supplies, the importance of stabilising and developing the Middle Eastern front is trebled. Turkey is still paralysed, on the one hand by the German and Bulgarian armies deployed on her Thracian frontier and, on the other, by her fears—assiduously exploited by the Nazis—of what Anglo-Russian collaboration may mean in terms of territorial concessions at her expense. Happily, this week has seen some improvement, for the Germans have received a sharp rebuff in their trade talks in which they tried to bluster the Turks into a virtual monopoly of foreign trade and public works contracts. At the same time, the joint British and Russian guarantee to respect the integrity of Turkey, together with the Straits Convention agreed on at Montreux in 1936, and to go to Turkey's assistance if attacked, has created the best possible impression, especially as verbal assurances given at the same time explained in the most precise way the friendly attitude of the two Governments, and pointed out the extent to which Nazi propaganda had sought to mislead Turkish public opinion. Further east, the position is less promising, for the Iranian Government has chosen to disregard the official representations of Britain and Russia about the activities of German agents, and there is evidence that more German officials are on their way to Teheran. Iran, of course, has unhappy memories of the division of Persia into Russian and British spheres of influence before and during the last war, but the policy of both States has always been perfectly correct towards Shah Riza Pahlavi's Government, whereas German activities most palpably are not. It is in Germany's interests—either by threats or blandishments—to keep Turkey and Iran neutral until such time as the German army decides to invade. It is admittedly a trying situation for the Allies to be held apart by territory which the Germans will not scruple to use as a high road when the day comes.

Decline and Fall at Vichy

The shadows are deepening at Vichy round the muddled, unhappy old man who, flattered into believing himself the sole source of authority in France, has been led and bullied and worried by Darlan further and further into the German entanglement. Now he has seen fit to make this unscrupulous man of Darlan to be Minister of National Defence undoubtedly marks a decisive step downwards in the decline and fall of Vichy. On the home front, it is to be accompanied by a series of measures which will bring the civil life of the community more into line with that of its German masters. The police force will be strengthened, and special commissions will investigate the loyalty of government servants and the activities of "secret societies." So France is to have a Gestapo. Furthermore, all opposition groups and leaders are to be split up or removed, and the Marshal is empowered to impose punishment without trial. So France is to have its concentration camps. And to crown this picture of the "quiet of old men dropping to the worm," the Marshal ended a broadcast to the French people—in the course of which he had chided them for misjudging Darlan, "who

has never ceased to help me with his loyalty and courage"—with the words: "In 1940 I put an end to our rout. To-day I am going to save you from yourself"—but not, apparently, from the Germans. In yet another ministerial reshuffle—the number must be well up to a dozen by now—the more upright members of the Cabinet, such as M. Chevalier, have been dropped. Those who remain are the Anglophobes, a Barthelemy or a Bouthillier, or the supporters of Axis co-operation, a Lucien Romier or a Caziot. This reorganisation at home no doubt foreshadows new measures abroad. Weygand has returned to North Africa. There is no reason to suppose that he is any more friendly than before to the project of surrendering Dakar and Casablanca; but he is now a man under authority—Darlan's authority, and Darlan's plans for the empire are dictated in Wiesbaden and Berlin. Whether the next step is the adherence of France to the Tripartite Pact is still uncertain, but Germany is undoubtedly preparing for some new diplomatic "triumph." In these circumstances, it is essential that Britain and the United States should be at one in their policy *vis-à-vis* Vichy and North Africa, and that being at one should not mean the reduction of their joint policy to the lowest common denominator of the State Department. If the Nazis act in North Africa, they will act quickly. The democracies must be ready to act more quickly still.

Marketing Colonial Produce

In an important debate last week the House of Lords discussed the problem of the disparity between the prices paid to the producers of colonial products and those paid by the consumers. This problem raises issues far too wide to come within the scope of a single debate on colonial policy, and the Lords confined themselves to the effect of low prices on the colonies' material and social development and the question of whether the disparity could be lessened by international—or intercolonial—regulation schemes and by improved marketing arrangements within the colonies themselves. Lord Moyne mentioned the regulation—he appeared to boggle at the word restriction—schemes for rubber, tin, tea, sugar, copper and diamonds, and claimed that they have provided a better standard of life for "those engaged in production without causing difficulties to the consumer." But in the case of tin, copper and diamonds, production is carried on by companies operating on capital provided from outside the colonies concerned. Therefore, higher prices only benefit the colonial communities if they are reflected in higher wages—which is certainly not bound to follow. In the case of rubber, sugar and tea, too, production is frequently carried on by foreign-owned capital, or by European planters whose prosperity, owing to the present system of colonial finance, only indirectly benefits the natives, if at all. Probably, international schemes for controlling the production of native-grown and native-owned crops, even if they were desirable, would be impossible to operate. On the other hand, improved marketing arrangements within the individual colonies are both practicable and desirable. The most obvious example is West African cocoa, the marketing of which, as the Commission appointed to inquire into the growers' hold-up reported in 1938, is extraordinarily inefficient and wasteful. Its recommendations, which were not accepted then, that growers should be organised to sell their cocoa on a co-operative basis, and that the Association thus organised should also be used for improving agricultural methods and grading the cocoa, might be extended in principle to other colonies and other crops. But it should be remembered that colonial poverty will not be overcome by higher export prices alone. As Lord Moyne pointed out in the debate, doubling the value of Nigeria's exports—in 1938 18s. 10d. per head—would provide a very inadequate basis for a rise in social standards. Moreover, the great majority of colonial peoples are still far more dependent on subsistence agriculture and on local sales than on exports. By comparison with export trade there is, to quote Lord Moyne, "unlimited scope for the increase of wealth by internal exchange." Both for agricultural and industrial products, the colonies' best markets may well be found within the colonies themselves.

Damage to Property

The contributions fixed by the War Damage Act in respect of damage to property during the period ending on August 31, 1941 (with the exception of certain categories) are calculated to bring in some £200 millions in five

annual instalment. If the damage during this period exceeds this sum the Exchequer will pay the whole of the excess up to a further £200 millions; after that, the State and the contributor will share the burden equally. Since the period covered by the original Act has now almost run its course, it is interesting to speculate on how much damage has, in fact, been inflicted upon property. In the natural absence of any official data, any estimate must, of course, be purely conjectural. A recent analysis, based on "Rates and Rateable Values in 1938-39," a computation issued by the Ministry of Health, shows that the value of "immovable property" (excluding site values) was roughly as follows:

Greater London	700,000,000
County boroughs	2,000,000,000
Non-county boroughs, urban and rural districts	3,300,000,000
Total	6,000,000,000

It is reported that a company with interests in Greater London has suffered war damage amounting to between 3½ and 3¾ per cent of the total value of its property; and if the experience of the country as a whole has been similar to that of this company the total damage sustained at the rate of 3½ per cent would amount in value to about £210 millions. In actual fact, however, the extent of the air-raid damage in the country as a whole must have been considerably less than this. True, the damage suffered by certain towns such as Coventry, Southampton, and Bristol, has been very severe; but in many other large towns the damage suffered has been insignificant. The rate of damage in London is not applicable to the whole country; and, on the assumption that the total damage sustained was at the rate of, say, 2 per cent in the first two years of the war, the loss, in terms of pre-war values, would only amount to about £120 millions.

Government Borrowing Technique

An interesting change in the technique of Government borrowing was announced towards the end of last week. The issue of 2½ per cent National War Bonds, which have been available on tap, was suspended from August 14th; and "until further notice," Sir Kingsley Wood stated that he would revert to the earlier practice of relying on one market issue. This issue will be that of 3 per cent Savings Bonds, of which some £280,000,000 are now outstanding, against the £433,000,000 total of the National War Bonds, 1946-48, now suspended. These changes do not in any way affect the plans for tapping the small man's savings, and the issue of National Savings Certificates and of 3 per cent Defence Bonds—both of them subject to limitations of individual holdings—will continue unchanged. It is, however, in the issue of National War Bonds and Savings Bonds that the "big money" has in recent months been collected by the Government. One of the reasons for suspending the tap issue of 2½ per cent National War Bonds



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Rationing and Price Control

AMERICA'S rearmament programme has now reached the stage where its further unimpeded progress involves the deliberate curtailment of the production of consumers' goods, and where a rapid upward movement in prices can only be avoided by immediate and decisive official intervention. The problem is urgent because, in anticipation of a reduction in the supply of consumers' goods, the demand for durable commodities has increased by leaps and bounds in recent months.

Hitherto the American Government's approach to the problem has been very similar to that of the British Government. It has tended simply to tackle the difficulties as they arose. As in Great Britain, industry has been allowed to minister to the private consumer until a point was reached when the demands of both its defence and civilian sectors could no longer be met in full. Wherever this point has been reached, the American Government has asserted the prior claims of the war industries, though not always in time to prevent hold-ups in production.

The latest instance is steel. Although America's steel makers are operating virtually at capacity—the output of crude steel has recently been at the rate of about 75 million tons per annum—they have been unable to meet all the growing requirements of the defence and civilian sectors of industry. Hence, on August 10th, the Office of Production Management ordered steel producers to give priority to the needs of the war industries, regardless of deliveries already promised to other users under existing contracts. The balance is to be allocated "in accordance with such a programme as the Office of Price Administration and Civilian Supply may determine."

This policy has naturally retarded the application of "bulk rationing"—the allocation of new supplies of materials for different purposes in accordance with a system of priorities—the first step in the control of the distribution of scarce materials. But the consumption of a number of materials—such as steel alloy metals—for civilian purposes has already been restricted, and there are indications that events will soon compel the Government, not merely to curtail the total quantity of materials used for civilian purposes, but also to determine their distribution between the manufacture of motor cars, typewriters, refrigerators and other household goods. Indeed, America will soon have to issue "limitation of supply orders"—which have been familiar to this country since the spring of last year, setting definite limits to the output of different kinds of civilian goods.

The approach to the problem of prices, too, has been similar to Great Britain's. Until recently, all that seemed necessary was to prevent a speculative rise in raw material prices; in this the Government has been fairly successful, though Moody's index of the prices of staple commodities is now 40 per cent higher than a year ago. The need for a comprehensive system of price control seemed remote, for, with a few exceptions, available resources were adequate to meet demand. Despite the growth of industrial activity since the spring of 1940, wholesale prices and the cost of living showed remarkable stability. Thus, between April, 1940, and February, 1941, when the Federal Reserve Board's index of industrial production rose by 27 per cent, the index of wholesale prices calculated by the Bureau of Labour Statistics showed an increase of only 2.5 per cent. Since then, however, the upward movement in wholesale prices has tended to quicken; and on June 17th the official index was 7.6 per cent above the February level. Similarly, the cost of living index compiled by the National Industrial Conference Board showed little variation until last spring; the index for May, for example, showed a rise of only 2.6 per cent from the figure for the corresponding month in 1940. Wage rates appear to have risen faster than the cost of living, for, according to the National Industrial Conference Board, average hourly rates in industry last April were 6.8 per cent higher than a year earlier. But America is now entering a period of scarcity, when sharp

upward movements in prices are inevitable unless timely steps are taken to prevent them.

The British Government has found a practical solution of the scarcity problem by increased taxation, price control *cum* subsidies, and the rationing of individual consumers. America, too, has imposed increased taxation. But the increases sanctioned for the year ended June, 1942, will do little to curb the increase in spendable incomes, still less to reduce them—though the Treasury has now recommended further impositions to the Senate Finance Committee. On August 11th, President Roosevelt issued an Order designed to curtail instalment purchases which account for a large proportion of new purchases of consumers' goods. Under this Order regulations will be issued by the Federal Reserve Board, acting in collaboration with a special committee consisting of the Secretary of the Treasury, the Federal Loan Administrator and the head of the Office of Price Administration and Civilian Supply.

The second defence against inflation is the commodity Price Control Bill now before Congress. In its present form, the Bill empowers the President to fix, either by himself, or by delegation, maximum prices for commodities on the basis of the level of July 29th. But special provision has been made to prevent the President, or his delegate, from fixing maximum prices for agricultural commodities below 110 per cent of "parity" as determined by the Secretary of Agriculture, on the basis of the ratio between the prices of agricultural and industrial goods in the period 1909-14, or below the market prices ruling on July 29th. Public utility charges are not covered by the Bill, and rents are included only within the defence areas.

Moreover, the Bill follows the British precedent in excluding the control of wages and salaries from its scope. The Government appears to have no illusions concerning its probable contribution to the stemming of the advance in prices. On August 5th Mr Leon Henderson, in charge of the Office of Price Administration and Civilian Supply, pointed out that his country was faced with "a most strong and pronounced increase in the cost of living," even if the Bill became law immediately.

Increase in Production

The expansion in America's total industrial activity between June, 1940, and June, 1941, is reflected in the table below. Only part of the rise in the index, however, is due to the increase in the output of the goods of war:—

BUSINESS INDICES (Unadjusted for Seasonal Variations)			
1935-9=100 for industrial production and freight car loading 1923-5=100 for other series			
	June, 1940	May, 1941	June,* 1941
Industrial production (total)	121	153	156
Manufactures (total)	122	157	161
Durable	134	185	192
Non-durable	112	134	135
Minerals	118	128	131
Construction contracts (total)	86	121	130
Residential	76	104	105
All other	93	136	151
Factory employment (total)	103.1	124.8	—
Durable goods	99.8	131.2	—
Non-durable goods	106.2	118.7	—
Factory payrolls (total)	99.5	144.0	—
Durable goods	101.4	163.0	—
Non-durable goods	97.4	122.7	—
Freight car loadings	110	131	136
Department store sales	87	105	98
Department store stocks	64	76	—

* Preliminary.

Further progress was made in July, when the Federal Reserve Board's index of industrial production, adjusted for seasonal variations, was 34 per cent above the level for June and July, 1940. According to a statement made by the Director-General of the Office of Production Management on August 8th, defence production will reach 50 per cent of the maximum planned for at the beginning of 1942 and will be at its peak by the summer or autumn of next year.

THE WORLD OVERSEAS

Economic Changes in Palestine

(By a Correspondent)

July 23rd

FROM the 1940 Statistical Abstract of Palestine, which has just been published, a good picture can be obtained of how Palestine has fared in the second year of war. While agriculture is still the mainstay of Palestine's economy, and the cultivation of oranges and grape-fruit was the principal form of agriculture until the war, important changes have taken place both in agricultural and industrial life to meet the new conditions. The export of citrus fruit has been drastically curtailed; and, at the same time, the production of wheat, of vegetables and of dairy produce has been greatly increased, particularly in the Jewish settlements. At the outbreak of war, more than half the wheat flour, 80 per cent of the butter, 35 per cent of the eggs and 10 per cent of the vegetables consumed in Palestine were imported. Palestine has been made to a much greater extent self-sufficient in food products. The 1940 vegetable crop is estimated at about 150,000 tons. One of the country's greatest assets is its possession of a number of first-rate men of science, who are applying their knowledge to agriculture and industry. The scientists have devised ways for using the unexportable orange crop, partly in the production of alcohol, partly in the extraction of sugar, and partly in a dried and shredded form as a fodder for animals. The Botanical Department of the Hebrew University of Jerusalem has discovered a means of storing seed potatoes which will not only make the country independent of imports of this kind, but should enable it to export potatoes. In the first three months of the present year, the Jewish production of potatoes amounted to 2,000 tons, which compares with 287 tons in the corresponding period of 1940. The change in the position of dairy produce is illustrated by the fact that to-day only 20 per cent, instead of 35 per cent, of the eggs required have to be brought from outside. Another change brought about by the war is the development of Palestine fisheries. Before the war, only a quarter of the fish consumed was caught locally off the coast. But in the last two years Jewish settlers have established a number of fishing villages.

Industrially, the most striking development has been the use of the mineral resources of the Dead Sea. The Palestine Potash Company has been steadily increasing its output; and now its export takes the principal place in foreign trade. Potash, bromide and magnesium, which are extracted in the Dead Sea works, are all required by the British Commonwealth, and it is possible to export to countries in the east. The development of electric power production, which has also steadily increased during the last two years, is an index of growing industrial enterprise. The sale of electricity rose in 1940 to over 100 million kilowatt-hours; and more than half the power sold was used for industrial purposes and irrigation. At the outbreak of war, Palestine local industries were stimulated by the demand of Syria, where the needs of a large army had to be supplied. For a year after the *débâcle* in France commercial intercourse between Palestine and Syria was almost cut off. But the recent occupation of Syria by the British forces will renew the opportunity for exports and imports.

The steel forging and casting and tool-producing trades in Palestine are now employing over 1,000 workmen, and there is every sign of further expansion. It is also worth mentioning that, while the ports of Palestine, Haifa, Jaffa and Tel Aviv have been affected by the reduced foreign trade, some of the workers formed a most valuable unit for the British military authorities in the Middle East. About 2,000 longshoremen and boatmen have been recruited, and the port of Tobruk is almost entirely manned by them. There is a Jewish marine school in which some 400 youths are being trained.

The Government finances are in a favourable position. Total revenue for the fiscal year ended March 31, 1941, was £5,184,000, which exceeds the figure of the preceding year by £830,000, and the estimate by nearly a million pounds. Ordinary expenditure amounted to £5,613,000. This includes charges for defence, and the British Government made a grant-in-aid for this purpose to an amount of £3,300,000; the greater part of this grant was for extraordinary expenses, particularly the building of permanent police posts in all parts of the country. As a result of the British Government grant there was a balance of nearly £1,000,000; and the total surplus of the Palestine Treasury has increased during the past two years by £1,175,000, and now amounts to £4,000,000. The finances of the Government are, therefore, again approaching the position of the years of prosperity when a surplus of £6½ millions was accumulated.

Inevitably, the cost of living is rising. The wholesale price index in 1940 rose by 43 per cent over the level of 1936, and the retail price level by about 30 per cent. But though life in Palestine, as elsewhere, is to be simpler and luxuries are discarded, the constructive energy of the people is not affected, and the development of fresh resources during the war should have a permanently healthy effect on the country's economy.

Higher Agricultural Production in Eire

[FROM OUR DUBLIN CORRESPONDENT]

August 3rd

THE changes that have taken place in Irish agriculture during the last ten years are shown in official figures published in the *Irish Trade Journal*. In 1939-40 the physical volume of agricultural output reached the 1929-30 level for the first time in ten years.

INDEX NUMBERS OF VOLUME OF AGRICULTURAL OUTPUT
(1929-30=100)

	1929-30	1937-8	1938-9	1939-40
Livestock and livestock products	100	89.8	93.5	95.9
Crops and turf	100	123.7	115.4	122.3
Total Output	100	95.2	97.0	100.2

The changes in the manner of disposal of the agricultural output are shown in the following table:—

	Percentage of Value of Total Output 1929-30 1937-8 1938-9 1939-40			
Consumed by persons on farms	27.1	33.6	33.0	32.6
Other home consumption	21.5	31.4	29.2	30.0
Exported	51.4	35.0	37.8	37.4
Total Output	100	100	100	100

The trends disclosed by these figures are a growing concentration on the production of tillage crops and an increasing reliance on the home market. The proportion of Irish agricultural output that is exported has never recovered to its pre-depression level, but it is to be hoped that a further expansion of production and export will take place in the future.

All the available evidence indicates that production has been increased during the current year. The preliminary returns of crops and livestock issued by the Department of Agriculture prove that the tillage drive has been conspicuously successful.

	June, 1940 000 acres	June, 1941 000 acres
Wheat	305	491
Oats	681	778
Barley	132	169
Potatoes	367	437
Turnips	191	159
Mangels	93	97
Sugar beet, cabbage, etc.	94	116
Total root and green crops	705	809

	No. (000)	No. (000)
Cattle	4,023	4,178
Pigs	1,049	781
Sheep	3,070	2,959
Poultry	19,975	17,039

The area under wheat is the largest ever recorded since the beginning of the Irish Agricultural Statistics in 1847. In 1851, the area under wheat in the twenty-six counties now forming Eire was 428,705, after which it decreased yearly until it was stimulated by the compulsory tillage order during the last war. In 1918 it reached 236,882 acres, but rapidly declined after the war, the lowest point being reached in 1931, when it sank to 28,848 acres. No such recession will take place after this war, since the encouragement of wheat growing is part of the Government's long-term agricultural policy.

The Future of Transport

The Reports of the Transport Tribunal, which was appointed in 1938 and completed its proceedings in 1939, have been published. The terms of reference of this Tribunal were to examine the position of public transport, excluding air transport; the causes of the unfavourable position of the railways; and the measures necessary to ensure an efficient system of public transport. The Majority Report recommends the establishment of a National Transport Council to review all trends of transport for five years, at the end of which a final decision could be made about the future working of the railways. The existing board of the Great Southern Railways should be replaced by a smaller board assisted by two expert controllers. Financial resources would be needed for the acquisition of competing road transport concerns, the extension of road services and additional working capital. The Government should guarantee a debenture issue of £1,250,000 at 4 per cent, and additional taxes should be imposed on private motor vehicles, the proceeds of which would be available to make up any deficiencies in the company's fixed interest obligations. A pooling arrangement is proposed for traffic in the Dublin area.

The Minority Report, signed by Dr. Henry Kennedy, Secretary of the Irish Agricultural Organisation Society, which approaches the problem from the standpoint of the consumer of transport services rather than from that of the railway companies, expresses strong disagreement with the proposals to limit the competition of road services and to impose additional taxes on private motor vehicles. Agriculture, the predominant industry in the country, has much to gain from the flexibility of independent transport services. The Great Southern Railways should be owned and operated by the State, the existing proprietors being suitably compensated. Any deficits that arise should be met out of taxation, which can be distributed in a manner calculated to do less harm to economic development than higher transport charges. The Great Northern Railway, the greater part of which is in Northern Ireland, should receive a subsidy. The final decision regarding the future of this railway needs the co-operation of the Dublin and Belfast Governments. Needless to say, the transport problem has been greatly changed by the war, and will need further investigation when normal conditions are restored.

The annual report of the Electricity Supply Board indicates that this great undertaking continues to progress in spite of the difficulties of the times. The gross revenue for the year was £2,082,522, an increase of £124,021 on the previous year, and the sales of electricity at 345,230,808 units were 26,679,152 higher. The average price per unit was 1.44d, compared with 1.84d five years ago, but rising rates may necessitate an upward revision of charges in the near future. Owing to the growth in the consumption of electricity, an increasing proportion of the demand is

supplied by the Dublin coal-generating station, and the Board makes a very strong appeal for economy in the use of current owing to the shortage of coal. If the Shannon had not been hydro-electrically developed, the country would be threatened with a stoppage of the total supply of electric light and power. The experience of the war emphasises the need to complete the development of the Liffey, which is well advanced, and to study the possibilities of other rivers such, for example, as the Erne.

Restricting Consumption in Canada

(FROM OUR OTTAWA CORRESPONDENT)

July 21st

THE past fortnight has witnessed no material change in the general business situation as the data given below about the weekly economic index of the Bureau of Statistics and some of its components reveal:—

Week Ended	Carloadings	Wholesale Prices	Bank Clearings	Weekly Index
July 13, 1940	93.7	81.7	84.9	102.4
June 28, 1941	104.2	90.4	117.0	113.7
July 5, 1941	104.9	90.3	106.8	113.0
July 12, 1941	103.6	90.6	105.3	112.9

There has been the usual summer recession in some lines of manufacturing industry, such as the women's clothing industry, but the great majority of Canadian plants and factories are maintaining a higher scale of operations than in any recent summer. The primary iron and steel plants are hard pressed to meet the unprecedented demands for their output.

The Department of Munitions and Supplies has disclosed that it and its predecessors between June, 1939, and June 30, 1941, had awarded more than 135,000 contracts involving total expenditure of about \$1,931 millions, of which \$1,096 millions were placed on Canadian account and \$815 millions on British account; contracts in connection with land purchases and contracts in connection with the Commonwealth Air Scheme absorbed nearly \$20 millions. There has been an increase in the rate of contract placing which, in the quarter ended June 30th, attained its peak figure with a monthly average of 12,759, compared with 7,093 in the preceding quarter and 4,051 in the same quarter of 1940. The total outlays on new plants, plant extensions and their equipment was up to May 31st \$511.1 millions, of which 35 per cent was on Canadian account, 26 per cent on British and the remaining 35 per cent on joint account. Of the manufacturing capacity of these new plants, 22.7 per cent is being devoted to chemicals and explosives, 22.3 per cent to guns, munitions and carriages, 10.4 per cent to shells, 4.6 per cent and 26.6 per cent to miscellaneous goods.

It has been clear for some time past that for a further expansion of the national war effort there would be required an additional diversion of industrial equipment and labour, now devoted to the production of civilian goods, to the manufacture of war materials; and forecasts have been emanating from Ottawa that the Government is planning an extension of the present system of controls and priorities and also intends to exact sacrifices, by means of severe restrictions on consumption, on a much larger scale than is now demanded from the civilian population. A beginning has been made with petrol and other oil products for the purpose of meeting a threatened shortage occasioned by the withdrawal of oil tankers, which have been conveying oil to Canada for the needs of Britain. The sale and delivery of petroleum and allied products is now banned from 7 p.m. to 7 a.m. on week-days, and completely on Sundays; and the price of oil has been raised a cent a gallon. The object of this increase is to stimulate domestic oil production, which happily has shown a steady rise. The output of the oil-fields in Alberta for the first half of 1941 amounted to 4,784,000 barrels, an increase of 1,204,000 barrels over the figure for the same period of 1940, but domestic production still only furnishes a fraction of Canada's requirements. The public has been asked to curtail the use of private cars by 50 per cent, and it has been warned that if it does not co-operate, a rigid rationing system will be applied.

Sawfly after Grasshopper

The latest reports about the wheat crop of the Prairie provinces describe conditions as satisfactory in Manitoba, south-eastern Saskatchewan, south-western Alberta and the Peace River region, but only fair in west-central and north-east Saskatchewan, and decidedly poor in central and western Saskatchewan and eastern Alberta, where rain is urgently needed to check further deterioration. The grasshopper plague is not serious this year, but considerable damage has been done by another kind of insect pest, the

Letter to the Editor

Member of Parliament

TO THE EDITOR OF THE ECONOMIST.

SIR,—I have only had the opportunity on my return to London this afternoon to read in the issue of my last week's *Economist* your first article under the above title. I venture to suggest, with much respect and in all sincerity, that the extravagant attack which you make upon the dignity and prestige of the House of Commons is wholly unworthy of the high tradition and the quality and character of your great national weekly review. To employ the misguided actions of a single Member of Parliament as a pretext for a savage assault upon the whole *personnel* of the House of Commons is, I submit, not merely a violation of the decencies of responsible journalism, but an ill-considered effort to undermine the whole structure of democratic representative government, which, with all its faults, has borne the stress and strain of 800 years.

What useful, helpful, wholesome purpose does *The Economist* hope to serve in the presentation of a united Parliament fighting for the freedom of humanity and the maintenance of Christian civilisation as if its outstanding features were collective ineptitude with something of an approach to intellectual imbecility? Is this the contribution *The Economist* desires to make to world public opinion on the value of democracy as the form of government for the continuity of which the Allied nations are engaged in bloody conflict?

Members of the House of Commons cannot pretend to reach the exalted intellectual level of *The Economist*, but they can at all events claim the discharge of exacting duties in circumstances where sound judgment, intelligence and self-sacrifice are the essence of public service. The picture drawn by *The Economist* of the process of the selection of candidates is a grossly unfair travesty of the facts. During nearly 21 years in Parliament I have never known an instance in which the adoption of a candidate could be with justice included in the category of nepotism upon which *The Economist* expends so much picturesque invective. Local constituency committees are completely free in their choice of their representatives, and if more efficient and effective procedure can be made operative those who quarrel with the method should produce an alternative.

The Economist has rendered outstanding service to the nation and to the British Commonwealth for nearly a century in clarity of thought and vigour of exposition on economic, social and political affairs, but it renders a poor service in these days of "blood and sweat and tears" in its diatribe upon the competence and capacity of the greatest democratic assembly in the world.—Your obedient servant,

PATRICK HANNON,
M.P. for Birmingham (Moseley).

Carlton Club, S.W. 1.

[Sir Patrick Hannon has plainly not yet had time since his return to London to read this article with care. When he does he will see that, so far from being an attack on the dignity, prestige and tradition of the House of Commons, it was a plea on their behalf; and that, so far from being a criticism of the freedom that has broadened in Parliament for the last 800 years, it was an expression of regret at the way in which it has been narrowed by unworthy heirs in the last ten. So far from ignoring the fact that local constituency committees have free choice of the candidates, the gravamen of the charge made in this article was the irresponsible way in which that freedom has been used, and the pernicious criteria that have been applied to test the worthiness of possible candidates. The fact that there are misgivings in the Conservative Party itself on

saw-fly. In Ontario the drought has been broken by a series of rainfalls which have greatly improved growing crops and pastures, but they arrived too late to be of much benefit to the hay crop and the early grains. Pastures still remain deficient in most districts. The output of cheese for June was satisfactory; it was 25½ million pounds for the whole of Canada, compared with 16½ million pounds in May and 24 million in June, 1940. In Quebec heavy rains have benefited the crops, which, except hay, are well up to the average, and the outlook for the harvest in the maritime provinces and British Columbia is quite satisfactory.

these scores is familiar; and *The Economist's* concern for and belief in free Parliamentary institutions is too well known to need any exposition or defence. This is by no means the first time that *The Economist* has ventured to criticise on these grounds the *personnel* of the Baldwin-Chamberlain Parliaments, who opposed Mr Churchill in the critical pre-war years; and it will probably not be the last.—EDITOR.]

Books Received

- Vansittart's Gift for Goebbels.* By H. Fraenkel. Tract Series No. 254. (London) Fabian Society. 16 pages. 2d. net.
- The Red Army Moves.* By G. Cox. (London) Gollancz. 278 pages. 16s. net.
- Einzelhandel und Mittelstandspolitik.* By R. Büchner. (Zurich) Verlag von Schulthess and Co. 91 pages. Sw. frs. 2.85.
- Italy's Interests and Policies in the Far East.* By F. M. Tamagna. (London) Allen and Unwin. 91 pages. 5s. net.

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THE BUSINESS WORLD

Aircraft Shares

THOUGH the recent incipient renewal of activity in ordinary shares generally has not entirely by-passed the market for shares in aircraft manufacturing companies, it is still true to say that equities in the industry on which, more than all others, the nation's safety depends, are still priced to give an income yield commonly associated with pre-defaulted foreign bonds. A year ago, the five aircraft manufacturing shares in *The Actuaries' Index* stood at 40.2, to yield no less than 14.6 per cent. By the end of 1940, their price index had risen to 50.1 and their yield had fallen to 11.4 per cent. In the first quarter of this year, they tended to lose ground again, but after declining to 46.3 in February, they were back again last month at a higher level than that of December, 1940, with a price figure of 53.0 and a yield of 10.96 per cent. On the same day, July 29th, the average yield on the 159 ordinary shares in the complete *Actuaries' Index* (which represent a fair cross-section of the whole of British industry) was 5.63 per cent. It is not unfair to say, therefore, that the attitude of investors towards the prospects of the aircraft industry remains a little less than hostile, but more than sceptical.

Such a state of affairs would seem wholly paradoxical if, in this war of 100 per cent EPT and moral dividend limitation, the investor's distrust of war industries *per se* had not become a commonplace. No industry has shown greater expansion since pre-rearmament days than the aircraft industry, and in no other instance has the administrative machinery for "taking the profit out of war" reached so advanced a state of efficiency. Investors feel themselves in an unenviable position, between the respective swords of Jehu and Elisha; for surplus profits, which escape the severe control of contract prices imposed by the accountants of the Ministry, have short shrift from Sir

Kingsley Wood. Nominal rates of dividends are high—that result follows from the sheer volume of production and the fact that, unfavourable as is the industry's EPT standard in relation to contemporary activity, air re-armament started early enough in this country to allow of some increase in earnings before the end of 1937. And, for various reasons, the industry has financed its subsequent needs for increased working capital, for the most part, by means other than the issue of ordinary shares.

Since air re-armament began, indeed, the dividend policy of the leading aircraft concerns has been distinctly conservative. The following table, which shows, for each year from 1935 to the latest date available, the profits, percentage equity earnings and dividends of seven important companies, suggests that current dividend rates are not very much higher than they were in 1935-36, and that they have certainly not increased in the same proportion as total profits. It is true that, in one or two instances, there were bonus share issues before the war, but these represented merely the capitalisation of resources already accumulated and employed in the businesses, and, in one case at least, there had been an earlier writing down of capital in days of depression:—

EARNINGS AND DIVIDENDS

Co. and Date of Accounts	1935	1936	1937	1938	1939	1940
Profit (£000)						
Bristol (Dec. 31)	303	388	537	688	990	...
De Havilland (Sept. 30)*	77	72	112	143	185	231
Fairey (Sept. 30)	40	55	249	396	249	210
Handley Page (Dec. 31)	196	272	552	490	952	...
Hawker Siddeley (July 31)	...	503	783	822	812	818
Parnall (July 31)	...	Dr. 48	27	93	135	185
Rolls-Royce (Dec. 31)	353	393	396	483	468	503
Earnings for Ord. (%)						
Bristol	45.6	30.1	36.6	14.9(a)	15.1	...
De Havilland	19.3	14.5	15.6	19.9	28.9	40.9
Fairey	4.0	9.4	16.2†	25.7†	24.1†	20.4†
Handley Page	51.1	72.0	69.5(c)	48.8(c)	85.6	...
Hawker Siddeley	...	44.5	47.7(c)	46.8	43.8	43.9
Parnall	...	Nil	7.9	17.6	12.8	12.1
Rolls-Royce	31.6	26.8(c)	25.1	29.1	17.7	17.6
Paid on Ord. (%)						
Bristol	22.5	22.5	25.0	15.0(b)	10.0	...
De Havilland	10.0	10.0	12.5	12.5	12.5	12.5
Fairey	5.0	10.0	12.5†	15.0†	12.5†	10.0†
Handley Page	15.7(c)	50.0	30.0(c)(d)	30.0(c)(d)	30.0(d)	...
Hawker Siddeley	...	30.0	42.5(c)	42.5	32.5	32.5
Parnall	...	Nil	Nil	7.5	12.5	10.0
Rolls-Royce	22.5	22.5(e)	22.5	25.0	20.0	20.0

* Earnings available for dividend are given. † Free of Tax.
(a) On capital increased by bonus issue of 3 shares for every 4 held. (b) 7.5 per cent on old capital and 7.5 per cent on new. (c) On capital increased by bonus issues. (d) 10 per cent subject to tax and 20 per cent tax free. (e) Of which 15 per cent paid on capital increased by bonus issue of one in four.

The table shows, clearly enough, that earning power was rapidly growing up to the outbreak of war. If the aggregate profits of the seven companies for accounting periods ending in 1936 be taken as 100, the corresponding figures are 161 for 1937, 189 for 1938 and 231 for 1939. The returns for the first full year of war are still incomplete, but those already published suggest, broadly, that the pace of the advance in profits has appreciably slowed down. In two out of five cases, the rate of dividend was reduced. One would probably not be unduly conservative in assuming that the latest figures represent the highest dividends shareholders are likely to receive during the war, and that the tendency will be, if anything, to "shade" them as the war proceeds.

The unpopularity of aircraft shares, however, is much less a function of any fear of a serious falling off in divisible earnings during the war, than of their virtual collapse when hostilities cease and the Royal Air Force returns to peace-time establishment. With 100 per cent EPT, plus capacity working, the return on particular contracts has become a secondary matter. The industry agreed with rela-

tively good grace to the lower profit percentages allowed by the Air Ministry in 1939, and the extent to which any given company is liable to hand over its profits to the tax-gatherer is to-day of much more immediate moment to shareholders than any question of gross earnings. The table shows that some concerns are decidedly more fortunate than others in their EPT bases. Rolls-Royce, for example, is fairly well placed, Hawker Siddeley moderately well placed, and Parnall, De Havilland and Fairey unfavourably placed. At the beginning of June, indeed, Parnall announced the omission of an interim dividend owing to the incidence of EPT and income-tax.

Even 100 per cent EPT, however, has its silver lining. It is unlikely to necessitate any really severe further cut in aircraft dividends as a whole, and it spares shareholders undue anxiety through the fact that, so long as the war lasts, national reasons will prevent their knowing much about actual working conditions in their industry. They have no longer any but a deferred interest in the volume of production or in profits over the EPT standard, except in so far as the 20 per cent remission of tax, promised by the last Finance Act, will tend to ease the problem of transfer to a much reduced basis of eventual peacetime activity. Even that, however, is of limited importance beside the main problem, which, more than anything else, explains the high yield on aircraft shares to-day. Where will post-war demand come from? And how great will it be? Until those questions are answered, there is no actuarial basis for valuing aircraft shares, however high the income which shareholders receive during the war.

Obviously, any estimate of service requirements in the post-war world, or of the rate at which civil aviation or export trade in British aircraft is likely to develop, must be, from the nature of things, a leap in the dark. A more profitable line of approach for investors, who realise the inevitability of post-war contraction of output, may be to endeavour to ascertain how far, in fact, the companies have actually extended their scope and financial commitments now. That may be a measure of their vulnerability later. The next table has a direct bearing on this question, for it shows, for each of the seven companies included in the preceding table, three indices of "financial extension"—namely the growth since 1938 of the balance-sheet figures of fixed assets, stock-in-trade and capital. The absence of complete figures for 1940 again somewhat detracts from any conclusions which may be drawn, but the general impression given by the returns is moderately reassuring. The companies appear to have financed a considerable increase in current output with a less than proportionate growth in their commitments on the capital side. Between 1938 and 1939, the valuation of the stock-in-trade and work-in-progress of six companies rose by 50 per cent, while between 1938 and 1940 the same figure for four companies showed a rise of 66 per cent. But (comparing 1939 with 1938) the growth, in book values, of fixed assets was only 13 per cent for six companies, and the increase in total issued capital was only 29 per cent for seven companies. Between 1938 and 1940, the respective increases for four and five companies were 19 per cent and 43 per cent. Presumably, devices like the Government shadow factory help to limit the financial hostages which the companies are required to give to fortune. Whatever the reason, however, there is at least *prima facie* evidence that, when the time for post-war "slimming" arrives, the

ASSETS AND CAPITAL
(000 omitted)

	1938	1939	1940
Total Fixed Assets			
Bristol	2,172	2,714	...
De Havilland	864	894	1,059
Fairey	1,332	1,113	1,464
Handley Page	229	238	...
Hawker Siddeley	*	*	*
Parnall	289	376	432
Rolls-Royce	1,003	1,260	1,193
Stock-in-Trade and Work in Progress			
Bristol	2,489	4,678	...
De Havilland	1,346	999	1,546
Fairey	571	875	1,160
Handley Page	854	1,153	...
Hawker Siddeley	*	*	*
Parnall	208	752	1,139
Rolls-Royce	889	1,061	1,165
Total Capital (Deb., Pref. and Ord.)			
Bristol	3,900	3,900	...
De Havilland	800	800	800
Fairey	1,232	1,237	1,225
Handley Page	572	572	...
Hawker Siddeley	5,456	8,956	8,779
Parnall	450	850	1,000
Rolls-Royce	1,110	1,132	1,132

* Holding company.

amount of financial flesh which the industry will have to lose will be appreciably less than proportionate to the cut in physical production.

All in all, while really conservative investors may tend to steer clear of aircraft shares until such times as they can put a firmer value on the unknown quantity in the post-war equation, the more enterprising type of investor may feel that the shares of a selection of the biggest companies, at least, offer a prospect which current prices do not value over-generously. As the final table shows, current Stock Exchange prices are near—and in some cases below—the lowest levels touched between 1935 and 1939.

Company	Share or Stock	Highest Price, 1935-39	Lowest Price, 1935-39	Present Price	Yield at Present Price (%)	
					On Earnings	On Last Dividend
Bristol	Ord. 10/-	80/6	13/6	10/9	14.05	9.30
De Havilland	Ord. 1/-	83/-	27/6	34/4½	23.79	7.27
Fairey	Ord. 10/-	44/6	13/6	13/6	15.11†	7.41†
Handley Page	Ord. 5/-	63/3	13/9	18/3	23.45	13.64
Hawker Siddeley	Ord. 5/-	47/-	9/-	13/6	16.25	12.04
Parnall	Ord. 5/-	17/-	4/6	4/4½	12.68	11.43
Rolls-Royce	Ord. Stk. 1/-	167/6	80/-	80/-	4.40	5.00

* Ex dividend.

† Tax free.

It may be reasonable to surmise that, whatever the terms of any eventual Peace Treaty, this country will not revert to an air force of anything like the small dimensions of the 1920's and early 1930's. Commercial aviation has itself great possibilities in the post-war world, which war developments will tend, generally, to hasten. Export trade may be extensive, though highly competitive. Broadly, while some of the smaller firms will have difficulties of their own to meet, the larger concerns may have a reasonable hope of obtaining and maintaining sufficient orders to afford a not unreasonable, if not over-generous, return on their capital, provided they can continue to keep its wartime extension within reasonable bounds.

Finance and Banking

Tighter Credit

The credit situation this week has been influenced mainly by the last minute rush of applications for 2½ per cent National War Bonds. Whether made for the banks' own accounts or for customers, these considerable subscriptions have eaten into the available volume of bank cash and supplies of credit have been correspondingly short throughout the week. On the whole, the banks have been very niggardly buyers of bills from the market, which at last week's tender for Treasury bills obtained a 30 per cent allotment on its quota application. There has consequently been a fairly good demand for money, and the rate for non-clearing bank loans has at no time dipped below 1 per cent.

The need to seek the help of the special buyer has at times appeared imminent, but the necessity for such operations has been removed in each case through fair buying of bills from one or other of the clearing banks. Such help has perhaps been made possible by special transactions between the clearing banks concerned and the Bank of England. The Bank has given some help to the cash position, as is shown by the increase of £6,085,000 in Government securities and of £2,060,000 in other securities shown by the latest Bank return. Despite this assistance, bankers' deposits have fallen by £12,723,000 to the low level of £96,127,000, while the reverse side of the position is shown in a rise of £19,766,000 in public deposits. The expected post-holiday

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reflux of currency has not occurred, and the Bank return shows a further £1,153,000 expansion of the circulation over the week to last Wednesday, a movement which reduced the reserve of unissued notes to barely £12,000,000.

Banks and War Bonds

The suspension of the issue of 2½ per cent National War Bonds is of immediate concern to the banks and the discount market. These bonds with their five to seven years life are short enough to be eligible for banking and discount houses' portfolios, and there can be little doubt that a substantial proportion of the £440 millions subscribed to the last series represented the investment of banking funds. The 3 per cent Savings Bonds, whose final maturity date is 1965, are too long to be eligible for banks and discount houses except in small amounts, and while they remain the only available tap issue the flow of banking funds to the Exchequer will be somewhat disturbed. The general expectation is that within the next few weeks the Treasury will launch another issue of stock designed to appeal to the market and that in the meantime there may be greater reliance on Treasury deposit receipts. That reliance should, however, be minimised, first, by the fact that what should prove to be a good revenue period is now beginning, and, secondly, by the heavy subscriptions to the National War Bonds made in the final days of their tap sales. Notice of the suspension of their issue was given almost a week before the tap was turned off, and during this period banks and other institutional investors appear to have applied heavily for the issue. This anticipatory investment of banking funds will be reflected in the August clearing bank returns. It should minimise the dependence on Treasury deposits for a week or so, but it cannot postpone for much longer the need for another short to medium term issue.

Clearing Bank Statements

The expansion of banking credit is no longer interrupted by the customary seasonal influences; in the normal course, some contraction would be expected in July following the inflation of the June 30th figures. But the latest clearing bank statements reveal a further expansion of £44,862,000 in deposits. This movement understates the true expansion in bank credit last month, since cheques in course of collection and other transit items have over the same period fallen by £38,370,000. The outstanding factor in the credit expansion in July has been the rise in the banks' holding of bills, the movement totalling £81,545,000. This increase, occurring over a period when the Treasury bill issue rose by no more than £15,000,000 and when the

In £ millions						
	July 1940	Mar. 1941	Apr. 1941	May 1941	June 1941	July 1941
Capital and reserves	139.7	140.1	140.2	140.2	140.2	140.2
Acceptances, etc.	122.8	100.5	104.9	107.8	106.2	98.6
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts	2,454.0	2,764.3	2,828.6	2,824.0	2,945.9	2,990.7
Total liabilities	2,717.9	3,006.3	3,075.1	3,073.4	3,193.7	3,230.8
Cash	262.0	287.9	298.4	293.1	310.8	306.3
Cheques, balance, and items in transit	87.6	120.6	113.9	112.7	151.6	113.2
Money at call	145.8	131.8	137.4	128.4	142.9	138.6
Discounts	415.3	194.2	187.8	172.8	193.0	274.5
Treasury deposit receipts	26.0	374.0	461.0	469.0	482.0	476.0
Investments	657.8	821.0	819.7	848.3	880.2	902.5
Loans and Advances	931.9	908.1	883.7	873.0	859.2	853.4
Investments in affiliated banks	23.6	23.7	23.8	23.8	23.8	23.8
Over for acceptances, premises, etc.	167.9	145.0	149.4	152.3	150.2	142.5
Total assets	2,717.9	3,006.4	3,075.1	3,073.4	3,193.7	3,230.8

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

discount market was none too successful at the weekly tenders, raises some interesting questions—whether, for example, there may not have been some special direct sales of bills to the banks. The other outstanding increase in assets has been in investments which continue their steady expansion. Last month, this amounted to £22,228,000, and there is now only one of the 10 English clearing banks whose advances are not exceeded by their investments. Against these increases, Treasury deposits have fallen by £6,000,000 and advances by £5,789,000.

Doubts About Silver

Mr Morgenthau is reported to have announced this week that "he would raise no objection to the abandonment of the American silver purchase programme." In the immediate pre-war years, this announcement would have knocked the bottom out of the silver market. It has been received with complete indifference by the London market where the spot price for the metal recovered momentarily to 23½d. So much for the insulation of a market in which the turnover has become negligible and which is closely hemmed by the restrictions on the free import and export of the metal. It is not surprising that, after eight inglorious years, the silver purchasing programme should have lost the sympathy of the United States Administration. Its monetary significance was lost many years ago. Its importance in the domestic politics of the country has likewise dwindled. As long as the American Treasury continues to pay a subsidised price for domestic silver, the abandonment of the rest of the purchasing programme would probably raise no single cry of resentment in the United States. The interests of China in the programme have largely disappeared since the Chungking Government have probably shipped most of their reserves of demonetised silver to the United States, and such metal as now makes its way out of the country is in most cases looted silver exported with Japanese connivance and destined ultimately to strengthen Japanese exchange reserves. Mexico is vitally interested in the silver programme, but the disposal of her important production is already being handled through a bilateral Mexican-American agreement and not under the general provisions of the silver purchasing programme. Though the market has ignored Mr Morgenthau's remarks, it should be evident that if the silver programme is abandoned, and if the United States Treasury no longer publishes a price at which it will buy imported metal, the anchor to which the world price of silver has for many years been tied will be removed. The subsequent adjustment of the world price is a phenomenon about which no confident prediction is possible. Much must, in any case, depend on the policy of the American Treasury, which, as the holder of the world's largest stock of the metal, will, whether it likes it or not, be the arbiter of the metal's fate. If it refuses to buy, there may be an appreciable slump in the price. If it attempts to sell, the word "slump" would be quite inadequate to describe the movement in the quotation.

Shanghai Dollar Fluctuations

The rate of the Shanghai dollar has plumbed new depths this week. In terms of sterling it has fallen to 2½d.-3½d. though there has since been a modest recovery to 2½d.-3½d. The market is still in the greatest uncertainty concerning the interpretation of the freezing order on Chinese assets and on those of the International Settlement in particular, but by dint of almost continuous negotiations between the interested parties in Chungking, New York and London, the position is gradually clearing up. There is reason to hope that the new Chinese Currency Stabilisation Board may before many days provide the effective freed dollar and sterling resources of the Chungking Government. The composition of the Board has at last been completed with the appointment, as British representative, of Mr Edmund Leo Hall-Patch, Financial Commissioner in the Far East. That fact was largely responsible for the slight recovery in the Shanghai rate in mid-week.

Instalment Credit in the United States

American concern at the inflationary potential in that country and at explosive material in the defence programme ready to convert that potential into an inflationary conflagration is evident in the moves taken this week to control instalment credit. The Federal Reserve Board has been

authorised by the President to take any lawful steps necessary to bring such control immediately into being. The obvious intention of this move is to curtail the sales of durable consumption goods such as motor cars, refrigerators and vacuum cleaners, which provide the main civilian competition for steel and industrial capacity increasingly required for defence needs. It is estimated that there are about \$5,000,000,000 of instalment finance debts outstanding in the United States and that about half this figure represents amounts owing in respect of motor car purchases. The method of controlling such credit has not yet been announced, but it is clear that the most direct and likely approach to the problem will be a tightening of the facilities for discounting and re-discounting instalment finance paper by the Federal Reserve system. It is also expected that the authorities will issue instructions to member banks

on the question of personal loans. Such instructions will probably be similar to those issued soon after the outbreak of the war to British banks, to discourage any accommodation that was not directly or indirectly linked with the war effort. The need for such preventive anti-inflationary measures in the United States is greater than it was here because of the absence of specific rationing schemes, and the presence of a huge mass of surplus bank cash.

Marine or War Risk—A Correction

The date of the stranding of the *Coxwold* was May 7, 1940, not May 17th, as was stated last week. On May 8, 1940, different provisions came into force which would have affected the question of liability if the casualty had occurred after that date.

Investment

A Hesitant Market

Uncertainty regarding the future of Government loan policy was probably a more potent influence in restraining the volume of business this week than uncertainty as to Russian capacity to stem the drive to Odessa. With obscurity still clouding Japanese intentions toward Thailand and the U.S.S.R. and the foreign bond market goaded to alternate waves of optimism and pessimism, it is small wonder that investors last week were in general content to bide their time and to absorb larger holdings of 2½ per cent National War Bonds 1946/48 before the "tap" was turned off at the close of dealings on Thursday last. The following table indicates the movements in a relatively stagnant gilt edged market in the interval between announcing and carrying through the discontinuation of the second issue of 2½ per cent War Bonds.

GILT-EDGED MOVEMENTS						Change since Aug. 7
	Aug. 7	Aug. 8	Aug. 11	Aug. 12	Aug. 13	
Conversion 5% 1944/48	106½	107	107	107	107½	+ ½
Nat. Def. 2½% 1944/48	101½	101½	101½	101½	101½	—
Conversion 2½% 1944/48	100½	100½	100½	100½	100½	—
Nat. War 2½% 1946/48	100½	100½	100½	100½	100½	—
Nat. War 2½% 1948/50	101½	101½	101½	101½	101½	—
Conversion 3% 1952/57	98½	98½	98½	98½	98½	—
Funding 2½% 1952/57	100½	100½	100½	100½	100½	—
Nat. Def. 3% 1955/59	101½	101½	101½	101½	101½	—
War Loan 3% 1955/59	100½	100½	100½	100½	100½	—
Savings Bds. 3% 1955/65	94½	94½	94½	94½	94½	—
Funding 2½% 1956/61	100½	100½	100½	100½	100½	—
Funding 3% 1959/69	100½	100½	100½	100½	100½	—
Funding 4% 1960/90	111½	111½	111½	111½	111½	—
Victory 4% 1952/57	110½	110½	110½	110½	110½	—
Consols 4% 1952/after	105½	105½	105½	105½	105½	—
War Loan 3½% 1961/after	106½	106½	106½	106½	106½	—
Local Loans 3% 1912/after	95½	95½	95½	95½	95½	—
Consols 2½% 1923/after	81½	81½	81½	81½	81½	—
F.N. fixed interest index	129.8	130.0	129.9	129.9	129.8	—

The effect of the announcement was to promote interest in the remaining short and medium term issues, coupled with a movement away from 2½ per cent War Bonds 1945/47. Long term and undated issues remained under a cloud, though it is probable that a recovery is by now overdue. Shortage of stock in the industrial sections of the market raised the prices of many industrial equities, among which the brewery group continued to hold a prominent place. Outside the gilt edged market, the prevailing opinion reason for comparative quiescence, the prevailing opinion that a critical phase of the war is about to be reached prevented large scale business from developing.

Turning off the Tap

Sir Kingsley Wood's announcement on August 7th that the issue of 2½ per cent National War Bonds, 1946-48, was to be discontinued as from the close of the dealings on August 14th was received with surprise by the market. The general expectation that a new series of bonds would be issued immediately has proved incorrect, and the Government is, for the present, to revert to the practice of relying on only one tap issue for the absorption of current savings where maximum holdings of Savings Cer-

tificates and 3 per cent Defence Bonds have already been acquired, namely the medium-term 3 per cent Savings Bonds, 1955-65. The winding up of the second issue of 2½ per cent National War Bonds brings the total yield to £433,618,720 at August 12, 1941, whereas the total yield of the first issue, 2½ per cent National War Bonds, 1945-47, amounted to some £444,440,000. Three per cent Savings Bonds, however, in the whole period of their currency of thirty-three weeks, have yielded only £279,824,779. The implications of the decision from the standpoint of general financial policy are discussed in a Note on p. 197 of the current issue. The Treasury decision, in fact, appears to be more important for its method than for its content. There can be little doubt that a new Government issue will be made before long, but it is not clear whether the Treasury will choose to make an offer of the old style or again to make use of the tap. By cutting off the source of short-dated tap issues, an attempt is, however, being made to tickle the investor's appetite for more Government loan by creating a relative scarcity. From the market angle, this means that there is, for the first time, a real market in the second 2½ per cent War Bond issue, as there has been in the first issue since it was discontinued and replaced on slightly less favourable terms at the beginning of the year. In the second place, it means that the would-be investor in tap issues is driven to a rather later maturity date. The decision to increase the maximum currency, but not the maximum individual holding, of 3 per cent Defence Bonds from September 1st next tends in the same direction; to necessitate investment for a longer period, when it may be assumed that, on the whole, long-term holdings at low rates are not in the investors' favour, and thus to whet the appetite for new shorter-dated issues. A minor consideration is that the yield on 3 per cent Savings Bonds, which has so far been relatively neglected, will presumably be raised to a more respectable total. In short, the Treasury appears to have decided to prepare the field for the next issue by subtlety rather than by force. The only question which remains is the date at which the next issue may be expected.

Commonwealth Mining Reorganisation

Far reaching amendments to the original schemes for re-organisation of the De Bernaldes group of Australian mining companies which were approved by meetings of shareholders somewhat hastily convened at the end of December last, have now been put forward as joint recommendations of shareholders' committees and the boards of the companies concerned. The original schemes proposed, in effect, that the British companies should be reduced to two in number which should control the Australian companies amalgamated into one concern. The latest amendments propose that the Australian mining companies shall be acquired by an existing Australian company, Emu Gold Mines, which has recently changed its name to Australian Gold Production. The Australian companies, Comet and Yellowdine, are, however, to be omitted from the re-organisation, and their shares are to be distributed among the shareholders in the British companies interested, the seven British companies being placed in voluntary liquidation. Finally, certain assets of the De Bernaldes family companies

are to be acquired for cash. Thus, under the new scheme, shareholders will hold direct interests in the three Australian companies, Comet Gold Mines, Yellowdine Gold Development and Australian Gold Production. Application is to be made to the stock exchanges in London and Australia for permission to deal in the shares of these three companies. It is clear that the new proposals in no way affect the basic profit-earning capacity of the group. Whether or not the shareholders would ultimately benefit from the change depends upon the character and soundness of future management rather than upon the form in which the enterprise is cast. It cannot be assumed automatically that Treasury approval will be forthcoming for a scheme which will, in effect, transfer the group to Australia, since Treasury sanction was withheld for a similar proposal by Great Boulder Proprietary, another De Bernales company. It is also unclear whether the London Stock Exchange will accede to the request for a resumption of dealing in the shares of the group. On the detail of the latest scheme, it may be suggested that the transfer of assets of the De Bernales family companies to Comet Co. and Australian Gold Production should be placed on the same paper transaction basis proposed in the case of the transfer of shares in Comet and Yellowdine to the British shareholders, unless, of course, there is some adequate reason for the course proposed.

Reactions to Rule 92a

The denial of London Stock Exchange facilities to Messrs Cyril Nicholson and Company, of Sheffield, under Rule 92a, which was discussed on page 178 of *The Economist* last week, has had the reactions, so far, which might have been expected. As Parliament is not sitting, no questions, criticising by implication the policy of "the Throgmorton Street Stock Exchange" can be put, and the most influential voice which has publicly been raised in protest against the Committee's decision has been that of Mr. K. Milliken Smith, chairman of the Birmingham Stock Exchange. In a letter to a daily financial newspaper, Mr. Smith reiterates the well known fact that the Associated Stock Exchanges, operating in large towns and cities in the provinces, were not unanimous in supporting the "non-member jobbing" rule, but were swung round by the action of the four largest. On the London Stock Exchange itself, opinion is determined rather than enthusiastic; for even the appearance of restraint of trade is repugnant to most members. The consensus of view, however, is that the Committee's decision was implicit in the new rule when it was passed, and that the matter had best be squarely fought out once for all. The efficiency of Nicholson's, by far the largest firm of outside jobbers in the country, is recognised ungrudgingly, even in the "House" itself. It is believed that it will continue to transact a widespread business under the new conditions, and may well succeed in devising a technique for extending its own "self-sufficiency" in jobbing to many securities and dealings in respect of which it would normally have drawn on London's facilities. If London's action tended merely to introduce a species of tariff and quota element into national security dealings, it would be deplorable, and the argument that London has acted only in self-defence does not entirely meet this implied criticism. The only ultimately satisfactory reply would be the use of the advantages brought by the new rules as a whole (including those reducing the scales of commission rebates to outside agents) to improve the Stock Exchange's own facilities to its clients—particularly by way of a reduction at the first opportunity in the general level of commissions. The corollary to the "protection" which the Stock Exchange claims for itself is receptiveness to all feasible suggestions for raising the quality and lowering the price of the services which the Stock Exchange alone can provide.

Associated British Picture Deal

The terms on which the sale of approximately half Mrs John Maxwell's holding in Associated British Picture Corporation to Warner Brothers has been concluded appear to be satisfactory from the national as well as from the personal standpoint. Mrs John Maxwell, who formerly held rather more than half of the corporation's £2,000,000 issued ordinary capital, has disposed of only some 2,000,000 5s. ordinary shares, or approximately one-quarter of the total ordinary capital. The transaction will be made against

dollars, which will in consequence form a welcome addition to Treasury holdings, and not against blocked sterling balances. It is stated that the terms of the sale ensure that full freedom of action remains with the corporation. Representative directors are to be appointed to the board by Mrs John Maxwell and Warner Brothers. Associated British Pictures is interested both in production and distribution, owning Associated British Cinemas, Pathé Pictures and British Instructional Films and controlling Union Cinemas. As the corporation occupies a leading position in both branches of the British film industry, it is satisfactory that control will remain in this country. The infusion of an American interest may well serve to improve technique and administration. Last year, no dividend was paid on the ordinary shares of the corporation, which received 20 per cent in 1938-39, business having been severely prejudiced by war conditions. Despite this inevitable setback, market confidence in the future of the concern is indicated by the current price of the 5s. ordinary shares, which now stand at 7s. 7½d.

Company Notes

Courtaulds' Sacrifice

In view of the feeling among many of the 80,000 stockholders in Courtaulds that an early statement should be made about the prospects of negotiations, formal or informal, on the question of compensation for the sale of the American Viscose shares, interest attaches to certain estimates of the probable capital value of Courtaulds' sacrifice which were made this week by *The Financial News*. A survey of American Viscose profits for the last ten years brings out the fact that any reasonable capitalisation of average earning power (say, on the basis of ten times the mean profit of the decade) would give a figure differing hardly at all from the cash proceeds actually received by the British Treasury (\$56 millions against \$54½ millions). The British company, however, may reply that the low level of average earnings was the basic reason for the decision to embark on an extensive programme of new capital expenditure under which, between the end of 1938 and last March, some \$47 millions had been employed in the modernisation of American Viscose. Already in 1940, earnings had risen to a point which would give a capitalised value (on the ten years' purchase basis) of \$72 millions. A capitalisation on similar lines on the written-down balance sheet values of American Viscose gives a figure of \$102 millions, which is raised to \$114 millions if a special reserve (representing past depreciation charged back, as it was in a statement made by the directors of Courtaulds last June. Even the last figure, however, though it is more than twice the amount received by the British Treasury, allows nothing for a number of considerations which, it could be urged, should, in equity, be taken into account in assessing the loss which Courtaulds have suffered. These include goodwill (valued at \$25 millions on the incorporation of American Viscose in 1922), the rapidly growing business and wide potentialities of the making of staple fibre and the loss to Courtaulds of their position in the largest domestic market in the world. All in all, the weight of evidence seems to support the view that the sacrifice rather than the sale price should be the measure of the compensation paid to the British company.

Richard Thomas Progress

As was forecast last year, the Richard Thomas accounts for the year to March 29, 1941, show a further substantial rise in consolidated profits from £3,171,296 to £4,000,172, enabling a payment to be made for the first time since 1937-38 to the company's preference shareholders. No doubt the rise in consolidated earnings would have been even higher but for the difficulty of keeping the Ebbw Vale plant running at full capacity. Tax liability for the group rose from £1,159,704 to £1,671,036, while depreciation, including extraordinary and capital expenditure written off, at £830,382, remains at approximately the previous year's level. Thus, the surplus for dividends is increased from £566,871 to £861,809. Unfortunately for shareholders, the company has to meet an estimated war damage contribution of £200,000. The amount due under agreements and compensation is reduced from £177,500 to £10,000, but a sum

of £363,677 has conservatively been drawn from profits to write down the book values of stocks. Thus, £288,132 is available to meet the requirements of shareholders.

	Years to March 31.		
	1939	1940	1941
Consolidated Figures:			
Trading profits	1,118,100	3,171,296	4,000,172
Depreciation (a).....	471,485	829,591	830,382
Taxation.....	77,067	1,159,704	1,671,036
Interest, etc.....	247,256(b)	552,365	562,253
Fees, staff funds, etc.....	27,761	40,439	52,482
Outside shareholders.....	22,750	22,326	22,210
Surplus	271,781	566,871	861,809
Special charges.....	(c)537,212	(d)177,500	(g)573,677
Preference div.....	Nil	Nil	101,411
Ordinary shares:—			
Earned	Nil	Nil	186,721
Paid.....	Nil	Nil	Nil
Earned %	Nil	Nil	3.8
To reserves.....	Dr. 287,285(e)	352,634	100,000
Carry forward.....	376,904	454,759(f)	541,480

(a) Including amounts written off. (b) After transferring £200,000 from general reserve. (c) Ebbw Vale costs: £337,212 running-in loss and £200,000 being proportion of debenture interests attributable to reconstruction. (d) Commutation of interests due under agreements and compensation. (e) Of amounts due under agreements and compensation. (f) Including £107,492 from contingencies and £179,793 from general reserves. (g) Including £41,118 special credit. (h) War Damage contribution, £200,000; written off stocks, March 29, 1941, £363,677; agreements and compensation, £10,000.

After paying one year's dividend to the Richard Thomas preference shareholders and placing £100,000 to general reserve, the carry forward of the group is raised from £454,759 to £541,480. The carry forward of the parent company is increased from £32,100 to £153,297. Prospects for the current year are obscure, but there is every probability that the payment on preference capital can be maintained. The consolidated balance sheet shows a rise of more than £1,000,000 in stocks to £4,375,881 and debtors are up from £3,145,176 to £4,603,822. The acquisition of £345,000 of National War Bonds has depleted cash holdings by approximately the same amount. Despite a rise in current liabilities from £3,894,092 to £5,593,884, the surplus of current assets is increased from £3,515,491 to £4,381,130. General reserves are up from £947,714 to £1,311,356. The £1 6½ per cent preference shares at 16s. 10½d. ex dividend yield £7 14s. per cent. The 6s. 8d. ordinary shares now stand at 3s. 10½d.

Watney, Combe Reid Earnings

The full accounts of Watney, Combe Reid for the year to June 30th last show, as was to be expected, a moderate fall in gross income from £2,549,290 to £2,391,104. Expenses have been strictly controlled, but, with a rise in the allocation to repairs and depreciation from £230,617 to £250,958, equity earnings are nearly £150,000 lower at £694,934, representing a rate of 28.6 against 32.2 per cent. Deferred stockholders receive a dividend of 15 per cent, the interim payment having been cut by 2 per cent. After transferring £200,000 against £300,000 to property improvement reserve, the carry-forward is rather higher at £328,961 against £311,838.

	Years to June 30.		
	1939	1940	1941
Trading Profit	1,961,155	2,067,034	2,056,110
Rents, dividends, etc.....	530,258	482,256	334,994
Total Profits	2,491,413	2,549,290	2,391,104
Trade and office expenses, etc.	825,712	947,211	930,877
Fees, licence duties and deposit interest.....	77,100	75,282	66,491
Repairs and depreciation.....	238,095	230,617	250,958
Debenture interest.....	245,310	240,746	236,181
Pref. and pref. ord. dividends.....	211,663	211,663	211,663
Deferred ordinary stock:—			
Earned	893,533	843,771	694,934
Paid.....	573,374	541,520	477,811
Earned %	31.9	32.2	28.7
Paid %.....	18	17	15
To property improvement res.	325,000	300,000	200,000
Carry forward.....	309,588	311,838	328,961

‡ Including a cash bonus of 3 per cent. in 1939 and 2 per cent. in 1940.

The company's liability for war damage insurance, which is estimated at £275,000, is provided by a draft on property improvement reserve, and £173,000 has been drawn from this fund for current expenditure last year. The balance-sheet total of the reserve now stands at £525,455. The chairman, Colonel Oswald Pearce Serocold, states that sales remained practically constant, an improvement in the second six months having compensated an early setback. The company has, of course, been hampered by the high price of barley and by difficulties in obtaining raw materials; there have also been some labour difficulties; and, generally speaking, it is unlikely that these difficulties will diminish this year. The balance sheet shows no marked change. The total of stocks and stores, beer and casks, etc., is up from £1,062,008 to £1,162,105. Investments, other than trade investments, are down from £1,124,544 to £974,482—market value £1,046,403—while cash holdings have increased from £361,897 to £466,315. General reserve is unchanged at £1,000,000 and the newly-created war damage contribution reserve stands in the balance sheet at £267,333. Despite the difficulties of the past year, which provided a sound argument for reducing the ordinary payment and conserving resources, there is still an ample margin of cover for the deferred stockholder and the position is by no means discouraging. The £1 deferred stock, after the rise of recent weeks, stands at 50s. ex dividend and offers a sound yield of £6 per cent.

Morris Motors Accounts

The setback to the gross profits of Morris Motors in the year to December 31st last from £2,385,568 to £1,951,442, leaves the total still nearly £200,000 above the level for 1938. The decline, as the directors indicate in the report, must be attributed to inability in present conditions to keep plant running to capacity throughout the year. The net profit figure amounts to £1,520,913, against £1,991,947, from which must be deducted a higher tax provision of £774,282 against £628,721, but A.R.P. and special war contingency allocations totalling only £172,537, against £405,611. After meeting preference dividends, the equity surplus is down from £732,615 to £349,094, at which level it fails to cover the total ordinary payment of 17½ per cent., tax free, and there is a consequent draft of £100,000 on dividend equalisation reserve. The payment of the 17½ per cent ordinary dividend, free of tax, against the payment, less tax, of 40 per cent. in 1939, involves an effective cut in the rate of 5 per cent., less tax. In the previous year, £75,000 was credited to dividend equalisation, at which total the fund now stands in the balance-sheet. The carry forward is moderately reduced from £248,450 to £233,794.

	Years ended December 31.		
	1938	1939	1940
Gross profits	1,751,695	2,385,568	1,951,442
Maintenance.....	342,782	313,696	329,934
Depreciation.....	209,851	238,980	224,818
Total surplus*	1,355,852	1,991,947	1,520,913
Taxation.....	470,497	628,721	774,282
Special appropriations.....	...	405,611	172,537
Preference divs.....	225,000	225,000	225,000
Ordinary shares:—			
Earned	660,355	732,615	349,094
Paid.....	864,562	662,500	463,750
Earned %	34.4	44.2	†13.2
Paid %.....	45	40	†17½

To reserves..... \$Dr. 100,000 \$75,000 \$Dr. 100,000
Special provisions..... Cr. 81,531 Cr. 933
Carry forward..... 252,402 248,450 233,794

* Including other income after charging staff fund allocations. † Dividend equalisation reserve. ‡ Tax free.

The consolidated statement shows a rise in current assets from £8,569,621 to £9,985,868, the most substantial increase being in debtors from £851,443 to £1,723,655. Holdings of Government securities at market price are down from £1,976,510 to £1,267,465, a decline which is partly compensated by cash holdings of £968,162, against £504,176. Stocks and work in progress are up from £3,260,175 to £4,003,769. On the liabilities side of the account, the most striking rise is that in taxation charges from £186,057 to £984,941. Reserves for contingencies are raised from £614,816 to £900,542, and general reserve remains at £3,250,000. The 5s. ordinary stock at 30s. yields £2 18s. 8d. per cent, tax free.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

AFTER a firm close at the week-end, markets opened on a subdued note on Monday under the influence of the news from the Ukraine and continued Japanese tension. There was, however, little selling, and price changes were small and irregular. Uncertainty regarding the future of Government loan policy was responsible for a quiet gilt edged market, investors concentrating on industrial equities, among which breweries, tobacco and shipping issues were favoured. Elsewhere, Argentine rail issues were a good feature, but Far Eastern tin and rubber issues were subdued for military reasons.

The firm tone of the gilt-edged market before the week-end was not maintained in the earlier part of the current week. The decision to terminate the tap issue of the 2½ per cent N.W. Bonds, 1946-48, led to a final bout of buying, but long-term issues lacked support. On Monday 3 per cent Conversion and 2½ per cent N.W. Bonds, 1945-47, eased ¼ and ½ respectively, while the following day 2½ per cent Consols, 3½ per cent Conversion and War Loan, Local Loans and 4 per cent Funding all lost ¼. In midweek, 3 and 5 per cent Conversion each gained ¼. The main feature of the foreign bond market was the alternating waves of optimism and pessimism which raised the 6 per cent Japanese loan of 1924 and the 5½ per cent loan of 1930 by 2 points on Tuesday, various other issues gaining 1 point, after considerable selling both before and after the week-end. Chinese bonds ruled mainly firm, although there was some irregularity in the 5 per cent issue of 1913. In other directions, the Dawes and Young loans lost ground before the week-end, while Poland 4½ per cent 1927 gained a point on Tuesday. Midweek saw a fresh demand for Brazilian bonds and French railways improved fractionally.

The home rail market was dull and small losses predominated among junior stocks. On Monday "Brum" 5 per cent. Redeemable, 1955, rose 2 points and "Berwick" 5 per cent. preference, 1955, 1 point. GWR ordinary dropped ½, and LMS ordinary and Southern deferred ¼. London Transport "C" was a good feature, gaining 1½ points on Monday. The following day many senior issues were weak, but losses did not exceed ½ point. The foreign rail market was cheerful, and improved demand coupled with lack of stock led to good rises in Argentine issues, B.A. Pacific 4 per cent debentures gaining 3 points on Monday. Canadian Pacific ordinary was steadily in demand.

In the industrial market, brewery shares continued to attract considerable demand. Before the week-end, Bass, Charrington and Courage rose 2s., while Watney defd. jumped 4s. on the unexpectedly good dividend. In the early part of the week, further increases took place, but Watney defd. and Courage reacted. Both the motors and aircraft and the heavy industrial group moved irregularly and price movements were generally trifling. Austin, Dennis, Morris and Lucas, among motors, and John Brown, Guest Keen and Richard Thomas preference suffered small losses at the beginning of the week, but BSA and Cammell Laird attracted demand. Many movements were reversed in the course of the week's trading. There was little business in the miscellaneous section, although Turner & Newall and

Murex both improved on Tuesday when International Nickel and Brazilian Traction reversed previous losses of ½. The textile group failed to hold early gains, but the shipping section showed considerable strength, E. & O. Defd. gaining 1s. 1½d. on Tuesday followed by 10½d. the next day. The tobacco leaders gained ground after losses of ½ for Imps and BATS on Monday.

The commodity share markets were overshadowed by the uncertainty of Japanese intentions. Kaffirs suffered numerous losses in the order of ½ which in the early part of the week extended to Johnnies, Grootveit, Sallies and E. Daggas, while Durban Deep and West Wit Areas were ½ down. The threatening political situation in the Far East was responsible for a number of fractional losses in the rubber market. Golden Hope, Straits Rubber and Malayalam lost a few pence each and price movements were generally lower. The oil market closed firmly before the week-end, but on Tuesday, Anglo-Iranian ordinary, VOC and Trinidad Leaseholds eased ½ and the recent upward movement of Canadian and Mexican Eagles was reversed. Later, Anglo-Iranian and "Shell" Transport ordinary and Burmah Oil were all offered in a small way.

"FINANCIAL NEWS" INDICES

	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	30 Ord. shares*	20 Fixed Int.†
Aug. 7...	3,271	12,313	76.9	129.8	
" 8...	3,166	12,165	77.4	130.0	
" 11...	3,680	12,165	77.1	129.9	
" 12...	3,218	12,350	77.2	129.9	
" 13...	3,186	12,106	77.4	129.8	

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1941 highest, 77.4 (Aug. 13); lowest, 66.8 (Apr. 24). 20 Fixed Int., 1941; highest, 130 (Aug. 8); lowest 126.1 (Jan. 2). † Excluding "Stop Press" bargains.

New York

BOTH before the last weekend and during the current week, Wall Street continued to be ruled by fears relating to State tax policy and by uncertainty as to the next moves in the war. Before the week-end there was some pressure to realise holdings and, despite occasional resistance, most issues lost up to 1 point. This week, business became extremely slow and price changes were narrower, with fractional losses still predominating. Steel, motor, aircraft and copper issues were all sold and hesitation remained the dominant sentiment. In midweek prices showed a firmer tendency.

The Iron Age estimates steel mill activity at 98.5 per cent. of capacity against 99.5 per cent. in the previous week.

New York Prices

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1941		July 23, 1941	July 30, 1941	Aug. 6, 1941
	Low Apr. 30	High Jan. 15			
347 Industrials	83.6	89.0	95.0	94.9	94.6
32 Rails	425.4	428.5	28.4	28.5	28.3
40 Utilities	467.0	78.7	70.5	70.1	69.9
419 Stocks	71.9	88.2	80.1	80.1	79.7
Av. yield*	6.80%	6.11%	6.11%	6.12%	6.14%
	High (c)	Low (a)			

* 50 Common Stocks. (a) July 30. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 28.

DAILY AVERAGE 50 COMMON STOCKS

July 31	Aug. 1	Aug. 2	Aug. 4	Aug. 5	Aug. 6
102.6	102.1	101.8	102.3	102.4	102.5
1941 High	105.80, January 10.	Low: 90.70	April 30.		

Total share dealings: Aug. 7, 500,000; Aug. 8, 550,000; Aug. 9, 320,000; Aug. 11, 450,000; Aug. 12, 430,000; Aug. 13, 420,000.

* Two-hour session.

	Close Aug. 1	Close Aug. 2	Close Aug. 4	Close Aug. 5	Close Aug. 6
1. Railroads.	101.1	101.2	101.3	101.4	101.5
Balt. & Ohio	42	42	42	42	42
Chesapeake & Potomac	27	27	27	27	27
Illinois Cent.	91	91	91	91	91
N.Y. Cent.	131	131	131	131	131
Norfolk & Western	71	71	71	71	71
Pennsylvania	241	241	241	241	241
Southern	171	171	171	171	171
2. Utilities, etc.	1531	1531	1531	1531	1531
Amer. Tel. & Tel.	1531	1531	1531	1531	1531
Amer. Wks.	41	41	41	41	41
Pub. Light	361	361	361	361	361
Pub. Sv. N.Y.	221	221	221	221	221
St. Cal. Ed.	231	231	231	231	231
United Gas	71	71	71	71	71
3. Commercial and Industrial.	191	191	191	191	191
Amer. Metal	191	191	191	191	191
Am. Roll. Ml.	15	15	15	15	15
Am. Smelting	43	43	43	43	43
Anacosta	281	281	281	281	281
Briggs	191	191	191	191	191
Celanese of A.	281	281	281	281	281

Capital Issues

	Week ending August 16, 1941	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil	Nil
By Permission to Deal	Nil	Nil	Nil	Nil
Nat. Savings Certs.	3,016,666	3,016,666	3,016,666	3,016,666
3% Defence Bondst (s)	2,510,470	2,510,470	2,510,470	2,510,470
2½% Nat. War Bds. (a)	7,170,916	7,170,916	7,170,916	7,170,916
3½% Savings Bondst (t)	6,740,416	6,740,416	6,740,416	6,740,416
* Week to August 5, 1941.	1,338,075	1,338,075	1,338,075	1,338,075
1939, to August 5, 1941.	1,338,075	1,338,075	1,338,075	1,338,075
to August 5, 1941.	1,338,075	1,338,075	1,338,075	1,338,075
August 5, 1941.	1,338,075	1,338,075	1,338,075	1,338,075
January 2, 1941, to August 5, 1941.	1,338,075	1,338,075	1,338,075	1,338,075
Year	1,338,075	1,338,075	1,338,075	1,338,075
1941 (New Basis)	987,479,421	987,479,421	987,479,421	987,479,421
1940 (New Basis)	1,044,670,721	1,044,670,721	1,044,670,721	1,044,670,721
1941 (Old Basis)	985,494,641	985,494,641	985,494,641	985,494,641
1940 (Old Basis)	1,026,592,561	1,026,592,561	1,026,592,561	1,026,592,561

	Year	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
41 (New Basis)	331,993,993	3,280,846	783,012	70,000
40 (New Basis)	690,952,576	783,012	783,012	783,012
41 (Old Basis)	331,190,501	2,900,000	783,012	783,012
40 (Old Basis)	676,694,975	112,456	783,012	783,012

	Year	Deb.	Prot.	Excld.
41 (New Basis)	331,404,157	304,460	3,636,222	3,636,222
40 (New Basis)	676,457,620	1,158,755	13,299,213	13,299,213
41 (Old Basis)	331,190,501	2,900,000	783,012	783,012
40 (Old Basis)	676,550,799	77,500	1,209,132	1,209,132

"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

International Nickel Company of Canada.—Earnings first half of 1941 \$38,864,808 (\$33,266,636). Net income, before tax and depreciation, \$38,409,671 (\$32,651,907). Tax provision \$15,189,325 (\$9,246,823). To depreciation and other purposes \$5,904,739 (\$5,344,791). Net profit, six months, after tax, \$17,315,607 (\$18,060,293). Earned surplus \$77,518,240, an increase since beginning of year of \$1,770,488.

Celanese Corp. of America.—Gross income year ended June 30, 1941, \$18,434,541 (\$16,041,693), exes. \$3,924,091 (\$3,622,962), total inc. \$14,552,826 (\$12,809,642), dep. (\$2,601,927) (\$2,067,481) debt. int. \$775,449 (\$603,097), amortisation \$237,636 (\$27,258), tax provision \$5,755,788 (\$2,182,898). Net income \$5,182,024 (\$7,868,906).

Industry and Trade

Dwindling Unemployment

The number of persons on the registers of employment exchanges in Great Britain is still dwindling. On July 14th, the total number of registered unemployed was 277,300, against 301,900 on June 16th and 827,300 on July 15th, 1940. The reduction was widespread, for in each of the eleven administrative divisions, the number registered was smaller than in June. The number of persons temporarily stopped, and unemployment among casual labour, showed little change between June and July; the number in the first category declined from 47,700 to 46,000, while that in the second rose slightly from 10,500 to 11,700. The number of wholly unemployed fell from 243,700 in June to 219,600 in July; on July 14th, this category included 102,000 men, against 110,400 on June 16th, and 88,900 women, against 102,200 in the previous month. While there is still scope for a further reduction in the number of registered unemployed, the size of the available labour force officially recorded as unemployed is now small. The bulk of the new recruits to the war stations must now be obtained from unessential and overstaffed occupations. The Ministry of Labour's decision to comb out domestic staffs is, therefore, to be welcomed; but, apart from domestic servants, there are still large numbers of persons who can be withdrawn from their present occupations and absorbed into the war effort.

Clothes Coupons Changes

Further changes in the coupon values of certain garments which became effective on August 12th relate largely to the amount of material needed in their manufacture. Among women's garments the bolero and short cape, originally rated at 2 coupons, developed in the hands of some manufacturers into a very substantial garment, with sleeves and collar, using, in many cases, more material than a cardigan, hitherto rated at 8 coupons. The rating of 2 coupons for a bolero applies now only to the less substantial of these garments, and those which have sleeves and are woollen or leather, are now rated at 5 coupons; those fulfilling only one of these last three conditions are rated at 3 coupons. Woollen cardigans, sweaters, jumpers or jerseys, are now rated according to weight. Such garments, whatever the length of sleeve, weighing 10 oz or more for adults, or 7 ozs or above for children, will take the higher rate of 8 or 5 coupons, which originally applied if the garment had long sleeves. The lower rates of 5 and 3 coupons apply to garments under 10 ozs and 7 ozs respectively. Overcoats and raincoats were previously rated at 16 coupons for men, 15 for women and 11 for children. These garments have now been divided into two classes; those fully lined and either woollen, leather or fur are now rated at 18 coupons for men and women and 11 for children, those partly lined woollen, lined cotton, and others, are rated at 16 for men, 15 for women, and 10 for children. In each case, the revision has been made on a basis of material expended, and, as such, is in complete accord with the underlying principles of clothes rationing. Other new and amended ratings in this group are concerned with various items of women's underwear, sashes and scarves, gloves and mittens. No decision has yet been made regarding workers' protective clothing. Notification has been received classifying certain garments on which there has been some doubt. It is now made clear that the distinction between women's three-quarter length coats and full length coats has no bearing on girls' and children's coats, on which the rating is irrespective of the length of the garment. It is also made clear that the lower rates of coupons apply to garments exempt from purchase tax, whatever the reason, and to no others. Thus, children's garments and footwear containing fur, skin or silk are subject to purchase tax and therefore require coupons as for adults, but miners' protective boots which are free of purchase tax, require 2 coupons.

Although at the introduction of clothes rationing on June 1st, babies' clothes were exempted, it became clear that if mothers were to be in a position to make clothes for their children, babies' clothes must be rationed, so that the

knitting mother was not at a disadvantage compared with the one who bought a ready made layette. By an Order coming into force on August 12th, all baby clothes are rationed, and an expectant mother was entitled, from August 5th, on production of a certificate of pregnancy, to an issue of 50 coupons. In addition to these, the baby, on birth, is to receive an ordinary clothing card. During the current ration period, a proportion of a year's coupons will be issued to each child. The allowance of 50 coupons is somewhat small, presumably to encourage the handing on of used baby clothing. Coupon values vary from one-third of a coupon for such garments as bibs and binders to 6 coupons for a fully lined woollen overcoat. It is not easy, however, to see why napkins of the towelling variety should be rationed (at one coupon) when towels of every other description are exempt.

Retail Trade in June

The retail trade returns for June, published in the *Board of Trade Journal*, show an increase of 0.6 per cent in average daily sales compared with the figure for the corresponding month last year. The value of sales was bigger than a year ago in all the districts with the exception of Suburban London. The figures for Central London, where sales had been below the previous year's level for many months, actually showed an increase of 9.4 per cent in June. The increase in total turnover was caused by an improvement in non-food sales. The course of food and other sales since August last year is shown below:—

	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
April	+ 0.9	+ 2.9
May	- 4.3	- 2.4
June	- 3.1	+ 6.8

As the table on page 214 shows, the increase of 6.8 per cent in non-food sales compared with June, 1940, can be ascribed largely to the introduction of clothes rationing at the beginning of the month which prompted a rush to buy. The returns of the wholesale trade in textiles, issued by the Wholesale Textile Association in collaboration with the Bank of England, show a similar spurt. Thus, domestic sales of textiles in June showed an increase of no less than 26 per cent on the figures for the corresponding month last year.

"Barter" in Croydon

Enthusiastic digging for victory and good weather have given many back-garden agriculturalists a harvest well in excess of their own individual requirements. Some part of this excess is absorbed by private trading with friends and neighbours, but absence of transport and access to the usual market facilities were bound to lead to a demand for their own markets. It was left to the enterprise of a department store to fulfill this function for Croydon, where, on August 10th, such a market was opened. Allotment holders and small back-garden growers were invited to exchange their surplus produce at the store for such things as clothes and furniture. It was inevitable that such an enterprise should develop on an exchange basis; but, as such, it is far from being without interest. Conditions of pure barter in a free market obviously did not apply, since there was already a monopoly existing in the person of the department store. Again, barter was ruled out by the floating of a token currency in the shape of the voucher, in terms of ordinary currency, which could be exchanged in other departments of the store. The difficulties, in this complex economic system, of evaluating silk stockings in terms of vegetable marrows could not but prove too great, par-

ticularly when the transactions were governed by the existing price control system. It is in many ways a pity, however, that so many complications were, perforce, introduced into what might otherwise have been a series of exchanges of the classical simplicity, so beloved of writers of economic text-books. Even Marshall had to make heavy calls on his fertile imagination to conjure up illustrations of the simple market, and recourse to the marketing habits of primitive people is not always possible for the hard-working economist. A valuable field of research for the economic anthropologist has therefore been lost but, no doubt the small crop producers of Croydon have been the gainers thereby.

Export of Wool Textiles

Information has now been released, writes a correspondent, concerning the export trade in wool, tops, yarns and piece-goods during the second quarter of the year. There was no notable variation from the volume of shipments during the first quarter. Exports of woollen tissues were about 1,500,000 sq yds higher, but this was offset by a decrease of about 2,000,000 sq yds in worsteds. The returns for the April-June quarter are appended, with corresponding figures for the three preceding quarters:—

	July to Sept., 1940	Oct. to Dec., 1940	Jan. to Mar., 1941	April to June, 1941
	sq. yds.	sq. yds.	sq. yds.	sq. yds.
Woollen Tissues ...	11,418	7,558	8,907	10,472
Worsted Tissues ...	9,197	5,357	6,406	4,457
Total Tissues...	20,615	12,915	15,313	14,929
	lbs.	lbs.	lbs.	lbs.
Worsted Yarns ...	2,162	2,137	2,114	2,224
Woollen Yarns	545	362	296	277
Tops (combed wool)	5,332	4,929	4,278	4,477

No details are disclosed regarding the destination of exports, but it is well known in the trade that the best market for fully-manufactured goods is the United States. Considerable quantities have also been shipped to Canada and to the South American Republics, especially to Argentina.

New System of Cotton Allocation

A new system for allocating supplies of cotton yarn to the various types of demand was introduced on August 11th by the Cotton Control. The existing Preference Directions system which has been operating since February 1940 has been abandoned. In its place, a system has been adopted whereby the delivery of yarn spun from raw cotton, waste or rayon staple fibre will, in future, be licensed only against approved orders. This licence system applies also to yarn produced for their own consumption by spinner manufacturers and spinner doublers. The available raw cotton will be sub-divided into the following sections: (1) Government departments; (2) certain industries outside the cotton industry; (3) essential home services; (4) export and (5) civilian home trade. Approval will be based on certificates issued by Government depart-

ments, organisations appointed for the purpose in the case of certain consuming industries, and the Cotton Control. The great advantage of the new system over the Preference Directions system is that authorisation from the Control at each stage between the placing of a contract and the delivery of the yarn, is cut out. There appears to be some confusion, at present, among traders about how the new arrangement will work, but while the new system is coming into full operation, in order to avoid interruption of work on essential orders, spinners will be licensed to continue deliveries against existing contracts.

Changes in Sugar Supplies

Apart from transport difficulties, Great Britain's sugar supply position is now much better than it was in the last war. In 1913 some two-thirds of imports came from the Continent, while home production was negligible. During the twelve months preceding the present war, more than one-half of total imports were drawn from the Empire and the remainder from other overseas territories, such as Cuba and Java. Moreover, a substantial proportion of requirements was met from domestic supplies. During the first two years of the war, virtually the whole of Great Britain's consumption, curtailed by rationing from about 2,500,000 tons to less than 1,500,000 tons per annum, was satisfied from the Empire and from the domestic crop. The Ministry of Food, together with the Dominion Governments of Canada and New Zealand, acquired the whole exportable surplus of Australia, South Africa, Mauritius, Fiji and the British West Indies of about 1,750,000 tons per season, of which Great Britain received about 1,250,000 tons. Domestic production from beet has requirements will continue to be based on the Empire surplus for the duration of the war, there are indications now that certain changes in policy are under way. It was reported this week that the Ministry of Food had acquired 100,000 tons of Cuban sugar for delivery in September and October next; a similar tonnage of Cuban and San Domingo sugar had been bought for the first time since the outbreak of this war in April last. Although no official explanation for these purchases against dollars has been given, there may be two reasons for them. The first is connected with the international sugar agreement of 1937, which, despite Britain, as the chief free sugar importing country, accepted the obligation not to cut out foreign sugar. Although there can be no question of importing Latin American sugar at the pre-war rate, when Great Britain took up to one quarter of Cuba's exports and up to three-quarters of San Domingo's shipments, limited purchases in those countries may be desirable to retain their goodwill towards the international scheme, which, after the war, may play an important part in meeting the industry's difficulties. The second reason for the sugar purchases in dollar countries may be the need for economising shipping tonnage, since the length of the haul is much shorter from the chief Latin American supplying countries than from most of the Empire exporters, of which Australia and Mauritius are the two most important. In the first 18 months of war foreign exchange considerations were probably more important than shipping considerations in the determination of sugar import policy, but since the passing of the Lease and Lend Act, this position has been reversed.

COMMODITY AND INDUSTRY NEWS

THE American Metals Reserve Company is to buy concentrates containing 20,000 tons of refined tin from the Dutch East Indies. The London tin market for cash was firmer from Tuesday, and Wednesday's closing price was £258 15s.-£259 per ton compared with £256 15s.-£257 per ton a week earlier. Three months was £260 15s.-£261 per ton as against £259 15s.-£260 5s. Pepper prices showed no change on the week, with white Mun-tok still 16d. a lb. and Lampong black 9d. a lb.

Lorries from America.—The Ministry of War Transport announced the purchase of a number of International Harvester chassis from the United States to supply the urgent need for additional road transport in this country. The price

of chassis and cab will be £710, the vehicle will have right-hand drive and will carry up to seven tons. It is intended that these vehicles shall fulfil the demand of those operators of road transport in need of trucks or lorries whose applications for licences to acquire new vehicles have not yet been met. Arrangements for a satisfactory supply of spare parts have been made, and an early delivery of vehicles is expected.

American Cotton Crop Estimate.—The United States Department of Agriculture announce that the indicated yield of the cotton crop for 1941-42, of 10,817,000 bales, is the smallest estimated since the 1935-36 season, when the estimate was 10,638,000 bales. This compares with the estimate at this time

last year of 11,429,000 bales, which gave a final crop of 12,586,000 bales. The condition of the crop on August 1st was estimated at 72 per cent, which is the same as was reported on August 1st last year, and the same also as shown in the final report for last season. The yield per acre is returned at 224.4 lb. compared with 222.3 lb. a year ago, and the final yields of 252.5 lb. and 237.9 lb. respectively for the two previous seasons. Up to the close of business on July 31st, only 2,000 bales of the present crop had been ginned, against the 32,000 bales and the comparable figures of 137,254 bales in 1939 and 157,865 bales in 1938.

(Continued on page 214.)

THE METAL BOX COMPANY

GREAT EXPANSION OF PRODUCTION

PROFITS AFFECTED BY TAXATION

MR F. N. HEPWORTH'S REVIEW

The twentieth annual ordinary general meeting of The Metal Box Company, Limited, was held, on the 14th instant, at the Mnaught Rooms, Great Queen Street, London, W.C.

Mr F. N. Hepworth (chairman of the company) presided.

The secretary (Mr John Cartner) read the notice convening the meeting and the report of the auditors.

The chairman's review, which had been circulated with the report and accounts, and was taken as read, was as follows:—

The delay in the submission of the accounts is due to war conditions. As you are doubtless aware, mails from abroad are very regular at the present time, and there has been considerable delay in getting the returns from our overseas companies.

TRIBUTE TO STAFF AND WORKPEOPLE

Shareholders may be assured that the company's resources have been directed to provide as great a contribution as possible to the national effort. Your management at the head office and in the factories at home and abroad have been unremitting in their endeavours, and they have been supported wholeheartedly by the staffs and workpeople. I wish, therefore, to record in the forefront of this review the board's lively appreciation of the sustained devotion to duty and of the co-operation afforded throughout the company's widespread organisation. Many of our people are serving in his Majesty's Forces, and to them we send our greetings and best wishes.

From the shareholder's point of view the outstanding feature of the year is the incidence of taxation. Our policy has been to avoid inflation of profit, but the great expansion of production has led to a considerable increase in gross earnings. Taxation in its various forms has taken all that increase and much more, so that the shareholder in fact receives less than normal. I hope shareholders will derive real satisfaction from the knowledge that their equipment has proved to be of such value to the country, and that in addition to its production it has contributed very much more to the Exchequer than to them.

DIVIDEND AND BONUS REPEATED

Taking first the profit and loss account, the reduction in trading profit is more than accounted for by the contributions and premiums payable under the War Damage Act, which are not allowable as deductions from profits for tax purposes. The profit available for distribution has fallen from £303,996 to £199,705. This is in common with the experience of most companies, and, as will be seen from the accounts, is attributable to taxation.

The company's practice has always been to provide tax in each year's accounts on the actual profits of the year. In addition, this year we have had to bear the increase of 1s. in the £ imposed on the profits of the previous year by the Finance (No. 2) Act, 1940. The usual interim dividend of 5 per cent. on the ordinary stock was paid on January 1, 1941. Having regard to the conservative policy pursued in the past, your directors consider that it is proper to recommend for the fourth year in succession a repetition of the final ordinary dividend of 10 per cent. and a bonus of 2½ per cent. This leaves a balance of £24,042, which has been added to the amount to be carried forward to next year, making this item £141,446.

STRONG FINANCIAL POSITION

Turning to the consolidated statement, it will be observed that the book value of the fixed assets is slightly reduced. This is accounted for by the fact that depreciation provided has been in excess of capital additions during the year. This reduction is remarkable since output has been greatly increased and is evidence of the adaptability of the company's equipment. The rise in stocks

and debtors indicates a further increase this year in the volume as well as the value of work done.

As against this under current liabilities the item creditors, etc., has risen to £2,329,224, of which about 50 per cent. is provision for taxation. The consolidated statement shows a strong position with reserves of £1,743,437 against our ordinary capital of £1,488,743 and an excess of current assets over current liabilities of £2,162,328. These funds are actively employed in the business. The accounts show that bank overdrafts and bills provide the necessary short term finance.

AIR RAID PRECAUTIONS

During the year further large expenditure has been incurred under this heading and has been written off. Your management has taken every possible care to provide equipment and organisation for the safeguarding of the company's workpeople and of the company's properties which are the means of livelihood of the employees.

Here again, I wish to put on record the board's appreciation of the ready response by our people to the many and exacting calls upon their leisure by various voluntary services. When put to the test of enemy action the spirit shown has been magnificent.

The report and accounts were unanimously adopted.

A final dividend of 10 per cent. (making 15 per cent. for the year), together with a bonus of 2½ per cent., less income-tax, on the ordinary stock was declared.

The retiring directors (Mr C. C. Conway, Mr H. W. Cramer, and Mr F. W. Rankin) were re-elected, and the auditors (Messrs Hodgson, Harris and Co.) were reappointed.

A vote of thanks to the chairman, directors, staff and employees concluded the proceedings.

POWELL DUFFRYN ASSOCIATED COLLIERIES LIMITED THE POWELL DUFFRYN STEAM COAL COMPANY LIMITED WELSH ASSOCIATED COLLIERIES LIMITED

EFFECT OF WAR CONDITIONS

The annual general meeting of Powell Duffryn Associated Collieries, Limited, was held on the 14th instant at the Great Western Royal Hotel, Paddington Station, London, W. Mr Edmund L. Hann, the chairman, presided.

The directors' report and accounts for the year to March 31, 1941, were taken as read.

In the course of a short statement on the general position of the company, circulated with the report, Mr Hann referred to conditions brought about by the war in the coalmining industry, which resulted in numbers of men leaving it for other employment. When demand again increased owing to the needs of the home market, lack of sufficient labour made it impossible to supply the increased requirements. In those difficult circumstances, the company's staff were doing everything possible to increase production to aid the country's war effort.

War conditions, combined with those already mentioned, had had the inevitable effect of increasing costs of production, and this had only been partially offset by the increases in the price of coal permitted by the Government. Trading profits had accordingly been reduced, and after providing for depreciation, deferred repairs and taxation, there was a diminution of some £200,000 in the net amount of profits available for distribution.

The company's plant and machinery are being kept, so far as prevailing conditions permit, in a state of efficiency. As it had not been practicable during the year under review to maintain the same high standard as in normal times, an amount had been set aside towards the cost of repairs and renewals which could not be undertaken until after the war.

The report and accounts were adopted and the dividends proposed were duly declared.

The annual general meetings of the Powell Duffryn Steam Coal Company, Limited, and Welsh Associated Collieries, Limited, were subsequently held; the reports and accounts were adopted and the dividends recommended duly declared.

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, Aug. 5, 1941	Yield, Aug. 12, 1941	Prices, Year 1941		Last two Dividends	Name of Security	Price, Aug. 5, 1941	Yield, Aug. 12, 1941
High	Low	High	Low				High	Low				
77	68	82	76	British Funds								
111	103	111	110	Consols 2½%	81	8 1/8	24/3	20/10	12 1/2	Guest Keen & Co. Ord. £1	23/9	23/9
98	98	98	98	Do. 4% (aft. 1957)	110	10 1/2	27/1	21/-	15 b	Hadfields Ord. 10/-	26/3	26/10
100	96	100	98	Conv. 2% 1943-45	99	9 1/2	15/7	11/-	1 1/2	Powell Duffryn Ord. £1	15/3	15/3
103	97	103	101	Do. 2½% 1944-49	100	10 1/2	22/6	18/6	6 c	S. Durham Ord. £1	21/3	22/6
108	94	108	102	Do. 3% 1948-53	101	10 1/2	40/-	45/6	15 b	Staveley Coal, Ord. £1	48/9	47/3
112	107	108	106	Do. 3½% after 1961	106	10 1/2	47/4	41/3	12 1/2	Stewarts and Lloyds £1	40/3	39/10
92	86	94	91	Do. 5% 1944-64	106	10 1/2	34/4	28/-	6 b	Swan, Hunter Ord. £1	23/9	24/-
98	92	98	97	Fund. 2½% 1956-61	94	9 1/2	24/3	19/9	5 1/2	Un. Steel Cos. Ord. £1	16/3	16/6
98	92	98	97	Fund. 2½% 1952-57	98	9 1/2	27/3	14/3	4 a	Vickers Ord. 10/-	16/3	16/6
114	105	114	111	Fund. 3% 1959-69	100	10 1/2	20/9	18/9	10 c	Textiles		
102	98	101	100	Fund. 4% 1960-70	114	11 1/2	34/9	27/6	3 1/2	Brit. Celanese 10/-	5/-	5/11
102	95	101	100	Nat. D. 2½% 1944-48	101	10 1/2	34/7	26/9	5 1/2	Coats, J. & P. £1	34/-	34/6
100	100	100	100	Do. 3% 1954-58	101	10 1/2	34/7	26/9	5 1/2	Courtaulds £1	31/-	30/6
100	100	100	100	War Bds. 2½% 1945-47	100	10 1/2	29/4	22/9	1 1/2	English Swg. Ctn. £1	26/3	26/3
100	100	100	100	Do. 2½% 1946-48	100	10 1/2	20/11	15/-	1 1/2	Lancs. Cotton Corp. £1	20/4	20/4
100	100	100	100	Sav. Bds. 3% 1955-65	100	10 1/2	53/11	45/-	15 c	Patons & Balliwin £1	46/3	46/3
100	100	100	100	Victory Bonds 4%	111	11 1/2	3/3	6/6	15 c	Electrical Manufact.		
100	100	100	100	War L. 3% 1955-59	101	10 1/2	43/3	38/3	10 c	Associated Elec. £1	42/6	42/6
100	100	100	100	War L. 3½% af. 1952	104	10 1/2	88/6	78/9	5 a	British Insulated £1	87/6	87/6
100	100	100	100	Local Loans 3%	94	9 1/2	68/9	58/3	5 a	Callenders £1	65/-	67/6
100	100	100	100	Red'ption 3% 1986-96	97	9 1/2	19/9	17/6	12 1/2	Crompton Park 'A' 5/-	19/4	19/4
100	100	100	100	Austria 3% 1933-53	100	10 1/2	35/6	28/3	10 c	English Electric £1	80/-	80/-
100	100	100	100	India 2½% 1933-53	77	7 1/2	84/3	77/-	20 c	General Electric £1	80/-	80/-
100	100	100	100	Do. 3½% 1933-53	98	9 1/2	51/6	42/6	7 1/2	Johnson & Phillips £1	50/-	51/3
100	100	100	100	Dom. & Col. Govts.			104	104	3 a	Gas and Electricity		
100	100	100	100	Australia 5% 1945-75	104	10 1/2	37/6	33/6	3 a	Clyde Valley Elec. £1	35/7	35/7
100	100	100	100	Canada 4% 1953-58	110	11 1/2	35/-	29/6	3 a	County of London	33/11	33/11
100	100	100	100	Nigeria 5% 1950-60	109	10 1/2	27/11	23/6	3 a	Edmundsons £1	26/6	27/-
100	100	100	100	New Zealand 5% 1946	104	10 1/2	14/11	9/3	4 1/2	Gas Light & Coke £1	13/9	14/3
100	100	100	100	S. Africa 5% 1945-75	107	10 1/2	36/-	28/-	5 b	Lancashire Elec. £1	31/10	31/10
100	100	100	100	Corporation Stocks			30/-	25/6	2 1/2	North-East Elec. £1	29/4	29/4
100	100	100	100	Birmingham 5% 1946-56	108	10 1/2	34/6	28/6	3 a	Northmet Power £1	33/14	34/4
100	100	100	100	L.C.C. 3%	92	9 1/2	37/9	33/-	2 1/2	Scottish Power £1	36/10	36/10
100	100	100	100	Liverpool 3% 1954-64	96	9 1/2	39/-	33/9	3 a	Yorkshire Electric £1	38/11	38/11
100	100	100	100	Mid. 3½% 1957-62	104	10 1/2	39/-	33/9	3 a	Motor and Aircraft		
100	100	100	100	Foreign Governments			18/-	11/3	15 c	Austin 'A' Ord. 5/-	13/9	15/-
100	100	100	100	Argen. 4½% Stg. Bds.	81	8 1/2	21/6	16/-	6 c	B.S.A. Ord. £1	20/6	21/3
100	100	100	100	Brazil 5% Fed. 1914	43	4 1/2	11/3	9/-	6 b	Bristol Aeroplane 10/-	11/-	10/4
100	100	100	100	Chile 6% (1929)	18	1 1/2	13/6	10/10	12 c	De Havilland Aircraft £1	35/7	35/7
100	100	100	100	China 5% (1913)	38	3 1/2	15/6	10/10	12 c	Fairey Aviation 10/-	13/3	13/-
100	100	100	100	Egypt United 4%	77	7 1/2	22/6	15/9	5 c	Ford Motors £1	20/-	21/10
100	100	100	100	Greek 6% Stg. Ln.	13	1 1/2	14/9	11/3	17 1/2	Hawker-Stearley (5/-)	13/6	13/6
100	100	100	100	Japan 5½% 1930	24	2 1/2	72/6	57/6	20 c	Leyland Motors £1	73/9	72/6
100	100	100	100	Portuguese 3%	67	6 1/2	60/-	50/7	12 1/2	Morris Motors 5/- Ord.	31/3	30/-
100	100	100	100	Spanish 4%	34	3 1/2	32/3	24/6	10 a	Rolls-Royce £1	80/-	80/-
100	100	100	100	Railways			21/9	17/6	4 c	Standard Motor 5/-	14/-	13/9
100	100	100	100	B.A. Gt. Stn. Ord.	51	5 1/2	28/3	20/-	4 c	Furness, Withy £1	21/-	21/-
100	100	100	100	Can. Pac. Com. \$25	9	9	20/7	17/-	5 c	P. & O. Def. £1	26/-	27/6
100	100	100	100	Gt. Western Ord.	38	3 1/2	10/3	8/3	Nil c	Royal Mail Lines £1	19/9	20/-
100	100	100	100	Do. 5% Cons. Pref.	99	9 1/2	10/3	7/3	4 c	Union Castle Ord. £1	16/-	16/-
100	100	100	100	L.N.E.R. 5% Pref. 1965	67	6 1/2	17/4	13/6	2 a	Tea and Rubber		
100	100	100	100	Do. 4% 1st Pref.	44	4 1/2	33/-	28/9	2 1/2	Allied Sumatra £1	7/6	7/6
100	100	100	100	L.M.S. Ord.	15	1 1/2	38/4	27/4	4 a	Anglo-Dutch £1	15/-	15/-
100	100	100	100	4% Pref. 1928	44	4 1/2	24/6	19/9	3 a	Jokai (Assam) £1	39/-	39/-
100	100	100	100	4% Pref.	60	6 1/2	24/6	19/9	3 a	London Asiatic 2/-	2/9	2/9
100	100	100	100	Lon. Transport "C"	37	3 1/2	24/6	19/9	3 a	Rubber Trust £1	27/-	26/9
100	100	100	100	Southern Def.	13	1 1/2	42/-	25/11	20 c	United Serdang 2/-	2/11	2/11
100	100	100	100	Do. 5% Pref. Ord.	55	5 1/2	27/-	24/6	12 1/2	Anglo-Iranian £1	36/10	35/-
100	100	100	100	Do. 5% Pref.	97	9 1/2	61/3	48/10	5 a	Burmah Oil £1	25/-	25/3
100	100	100	100	Banks and Discount			50/-	38/9	12 1/2	Shell Transport £1	50/10	50/-
100	100	100	100	Alexanders 2½% pd.	65/-	6 1/2	71/3	58/9	7 1/2	Trinidad Leasehold £1	63/11	64/4
100	100	100	100	Bank of England Stk.	380	3 1/2	68/11	47/6	5 a	Assoc. P. Cement £1	55/-	55/-
100	100	100	100	Bank of Australasia £5	7	7	38/6	25/-	10 c	Barker (John) £1	35/-	35/-
100	100	100	100	Bank of Montreal £100	247	2 1/2	40/-	32/9	8 a	Boots Pure Drug 5/-	30/3	30/3
100	100	100	100	Bank of New Zealand £1	26/3	2 1/2	38/1	30/-	7 b	Brit. Aluminium £1	45/7	46/10
100	100	100	100	Barclays Bank "B" £1	67/6	6 1/2	61/10	47/6	11 1/2	Brit. Amer. Tob. £1	67/6	67/6
100	100	100	100	Chtd. of India £5	81	8 1/2	90/7	80/7	4 c	British Oxygen £1	67/6	67/6
100	100	100	100	District B. £1 fy. pd.	50/-	5 1/2	68/6	61/10	11 1/2	Cable & W. Hdq. Stk.	61/1	63/6
100	100	100	100	Hongkong and S. \$125	273	2 1/2	66	52/4	8 b	Carreras 'A' Ord. £1	92/6	97/6
100	100	100	100	Lloyds "A" £5, £1 pd.	49/-	4 1/2	99/4	71/3	15 b	Dunlop Rubber £1	35/6	35/6
100	100	100	100	Martins £20, £2½ pd.	71	7 1/2	31/-	12 c	10 c	Elec. & Mus. Ind. 10/-	12/3	12/3
100	100	100	100	Midland £1, fy. pd.	83/-	8 1/2	12/7	6/9	Nil c	Eyre & Ready Co. 5/-	28/-	28/-
100	100	100	100	Nat. Dis. £24, fy. pd.	54	5 1/2	25/-	15/6	5 a	Gallahue Ltd. Ord. £1	24/-	24/-
100	100	100	100	Nat. Ind. £25, £12½ pd.	62/-	6 1/2	24/6	19/9	3 a	Gestetter (J.) Ord. £1	40/-	40/-
100	100	100	100	Nat. Prov. £5, £1 pd.	420	4 1/2	21/3	17/6	10 b	Harrison & Gros. Dr. £1	20/-	20/-
100	100	100	100	Royal Bk. of Scotland	43/9	4 1/2	34/-	22/6	2 a	Harrods £1	41	41
100	100	100	100	Union Discount £1	420	4 1/2	34/-	22/6	3 a	Imp. Chem. Ord. £1	31/3	32/-
100	100	100	100	Westm. £4, £1 pd.	76/6	7 1/2	33/3	28/6	4 1/2	Imp. Smelting £1	11/3	11/3
100	100	100	100	Insurance			11/10	8/3	4 1/2	Imp. Tobacco £1	55/xd	55/xd
100	100	100	100	Alliance £1 fully pd.	22	2 1/2	34/4	29/4	12 1/2	Lever & Unilever £1	24/-	24/-
100	100	100	100	Atlas £5, £1 pd.	111	11 1/2	19/3	10/3	10 c	London Brick £1	52/6	52/6
100	100	100	100	Gen. Acct. £1, 5/- pd.	71/3	7 1/2	27/4	22/6	5 b	Lyons (J.) Ord. £1	85/-	85/-
100	100	100	100	Lon. & Lancs. £5, £2 pd.	251	2 1/2	43/9	39/4	15 a	Marks & Spen. 'A' 5/-	35/-	36/10
100	100	100	100	Pearl (£1), fy. pd.	13	1 1/2	37/6	31/6	3 1/2	Metal Box £1	38/xd	38/xd
100	100	100	100	Phoenix £1, fy. pd.	13	1 1/2	37/6	31/6	3 1/2	Murex £1 Ord.	83/9	87/6
100	100	100	100	Prudential £1 A.	21	2 1/2	37/6	31/				

the British credit to Russia of £10 millions; the preparations for the Moscow Conference—all these are steps on the road through total resistance to total victory; and since the Atlantic talks, the democratic countries are advancing down that road with something resembling a sharp sprint. It is no longer tempting fortune, as it was in the dark days of July and August, 1940, to talk of the goal at the end of the long road of war; indeed, it has become more and more obvious that the race will be run better for a knowledge of the prize which awaits the runners. To the growing demand for peace aims, the Atlantic talks have provided an answer, still set in general terms, but precise enough to meet the aspirations of millions of enslaved men and detailed enough to serve as a basis for further examination and expansion.

The Eight Standards do not go further than a number of speeches made in recent months by the leading statesmen of Britain and America. They include points from Mr Eden's declaration that Germany would be penalised in the military sphere but encouraged in the sphere of economics. They cover aspects of Mr Sumner Welles' call for "four securities," and they provide the economic background for the "four freedoms"—of speech, of worship, from want and from fear—demanded by the President. The advantage of the Eight Standards is their joint promulgation and the bringing together into one document of "certain common principles" accepted by both the leaders of the great democracies.

The general framework which emerges is that of a community of nations, fully self governing and restored to national independence, co-operating, on the one hand, in an economic system designed to free trade, to give access to raw materials, to improve the conditions of labour and the standard of living of the people, and, on the other, in a collective system of defence based upon progressive disarmament. With this there can be no quarrel. It is in aim a type of world order which does fall midway between the anarchy of nationalism—economic and political—and the rigidity of centralised totalitarian planning. Nor should the importance of the rightness of these general principles be underestimated. If the goal is set wrong from the start, no amount of elaboration of the means will put the nations back upon the right path.

Elaboration there must be, however, for there are inconsistencies as well as obscurities in the text. If these are not clarified, there may well be disastrous divergences of interpretation in the hour of victory. The problem of reconciling the vanquished with a new world order will be formidable enough. It will be impossible if the victors themselves are not agreed; the decision to refer the Eight Standards to an Inter-Allied Conference is thus obvious and timely. First, in the political sphere, what have the democratic leaders in mind when they refer, in Point Three, to the restoration of "sovereign rights" and full self-government? Is it to be the 19th-century conception of sovereignty which, in violation of the long tradition of international law, held that the State had no obliga-

tions, political or economic, to its neighbours or to the community of nations to which it belonged, and, in violation of the very idea of law, maintained that the internal affairs of a sovereign State were no concern of its neighbours—even if they included the Gestapo and the concentration camp? Such a conception of sovereignty would be in every sense retrograde and, in any case, incompatible with Points Five and Eight which refer to "the fullest economic collaboration" and to "the establishment of a wider and permanent system of general security," both of which demand considerable modifications of the narrow sense of "sovereignty."

Hitler's new order has now taught the small nations that political—and economic—freedom is only possible within the framework of a wider system of security. The Nazi Reich does offer a wider system, not, it is true, of security now, but possibly of ultimate "security" at a desperately low level, the security of a slave household. The real problem underlying the Eight Standards is therefore whether the two great nations promulgating them have in mind the more general framework of security which their fulfilment demands. They alone have the necessary power—industrial, financial and military—to form the basis of such a framework. Their opening points—renouncing all aim of territorial or other aggrandisement and pledging themselves to respect the desires of the peoples they free—make it clear that they do not intend to use their powers to set up a system of predatory imperialism decked out with democratic camouflage. There is in the history both of the Empire and the Union evidence of their ability to combine leadership and collaboration with the freedom of those they lead. But it would be more satisfactory if the Eight Standards indicated rather more precisely that the active responsibility entailed in creating a genuine new order, free from fear and want, had been squarely faced.

Nor is it enough to face it. Has it been accepted? The memory of the Fourteen Points hangs about the meeting on the battleship like wisps of Atlantic mist. It is true that the President is a more skilful statesman than Woodrow Wilson. It is also true that the Eight Standards are not a unilateral declaration, but an agreed statement issued by both President and Prime Minister. Yet they are—and this must be emphasised—the President's Standards, not those of the United States Government. They do not bind Congress. They do not bind anybody. That is the lesson of the last peace. It is on this issue of responsibility that the "hope of a better future" stands or falls. The new world has to be both led and underwritten. If it is to be a free world, the necessary leadership and material strength can only be supplied by the two great democracies. Are they willing to face the burdens—economic and military—which the task entails? Are they committed in cold realism to the Standards their leaders have proclaimed? If they are not, then, Eight Standards or Fourteen Points, it is all one to an abandoned and disintegrating world.

The Freedom to Trade

FREER trade, like charity, begins at home. So, similarly, does trade restriction. It is true that, in the interwar after 1918, the disparate development of industry and agriculture in different countries during and after the war, and the one-way accumulation of war and post-war indebtedness made it peculiarly difficult for nations to adjust their cost-and-price structures to world movements, without causing social and industrial hardship within their own frontiers—as Britain found when the gold standard was restored by deflationary means, and as New Deal France found in the middle thirties. But, on balance, insulation was deliberately chosen by the nations as their trading policy, rather than forced upon them. When the United States raised its tariff in 1922, it was an isolationist act in the interest of American business, and against the nation's interest as the world's

creditor. The preferential treaties made by Britain at Ottawa and the inclusion of provisions in Britain's later bilateral treaties with other countries for the quantitative limitation of imports were acts of commercial sabotage. The trade policy of Schacht and Funk in Germany was an instrument of Nazi policy. Trade restrictions between 1918 and 1939 may have been more often than not embarked upon, by the new post-war nations and by the old, as *ad hoc* and desperate acts to safeguard national standards against outside strains. But they were retained, developed and rationalised, as a programme of conscious regulation or "planning"; and they were excused on grounds of principle as well as expediency.

By implication, the fourth common principle proclaimed last week by President Roosevelt and Mr Churchill, "in the national policies of their respective

countries," denies this trend towards autarky and exclusion. The statement that "they will endeavour, with due respect for existing obligations, to further enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world" can only be read as a repudiation of restrictions upon the quantity of world commerce. In itself, it is not a repudiation of tariffs, which are the instrument of what has been called the "old protectionism." Tariffs are, of course, restrictive of trade, and every approach to freer trade must have their progressive reduction as its spearhead. But, except in this country, there were high and widespread tariffs in world commerce throughout the classical period of freest trading before the last war; and it was only when the United States, practising high protection, became increasingly the owner of the world's debts that quantitative restriction by tariffs became disastrous. It is the "new protectionism" of discriminatory rationing of imports by quotas and exchange allocations that is the new lion in the path of freer trade; for, under these restrictions, no increase in the quantity imported is possible and the destructive consequences to trade are much greater.

Mr. Roosevelt and Mr. Churchill need not appear, on behalf of their countries, as penitents in sackcloth and ashes. It was neither free trade Britain nor even the protectionist United States that embarked after 1918 on a policy of economic autarky followed by a policy of rearmament; and it was this search for self-sufficiency, on behalf of sectional interests or national power, which brought about a general dearth of foreign exchange or international purchasing power, when countries, unable to sell the goods they produced, were unable to buy the materials they needed. Admittedly, the damage done to the world structure of trade and finance by these political policies was increased by the sudden imposition of a tariff in Britain and by the doubling of the United States tariff; and the position of the United States, refusing to take payment from its debtors in goods, was only tenable while American investors had sufficient political confidence to reinvest America's dues in European reconstruction and development. But Britain was the last country to surrender the freedom of trade as the basic principle in its economic relationships with the rest of the world; and (as Professor Condliffe patiently argues in his book), in the years between the Great Depression and the present war, the United States, despite the extremely high level of tariffs from which Mr Cordell Hull started in his policy of reciprocal trade arrangements on the basis of most favoured nation treatment, showed more than any other state the desire "to revive and extend private trading enterprise by assuring equality of trading opportunity."

A Nazi Fable

There is, unfortunately, some danger that the promise "to endeavour to further enjoyment, on equal terms, of access to raw materials" may be taken to endorse, retrospectively, the Nazi legend that the Germans have been debarred from materials in non-German territories. Actually, of course, there has been a "buyers' market" in most raw materials ever since the last war; and raw material producers have been only too anxious to sell, without any discrimination between buyers according to their nationality. There have been agreements to restrict production, it is true. But even these, reprehensible though many of their features have been, arose from inability to sell—at a remunerative price—rather than from unwillingness. The difficulty of the Germans, as buyers of raw materials, was a shortage of foreign exchange with which to buy; and they could have had most of the foreign exchange they wanted during the Hitler period if, instead of converting the copper, lead, rubber and other materials they did import into weapons and munitions of war, they had produced machinery for export and sale abroad. In fact, Germans could buy raw

* "The Reconstruction of World Trade." By J. B. Condliffe. Allen and Unwin. 428 pages. 12s. 6d. A valuable and comprehensive account of the practical issues involved in the determination of future trade policy.

materials everywhere in the same quantities and at the same price as the nationals of any other country.

It must, of course, be admitted that, after 1918, Germany suffered from the effects of the high tariffs erected by its new neighbours and its old customers. These restrictions on sales limited Germany's power to purchase abroad. But this was the common lot of trading nations—and, significantly, it is not the complaint that Nazi apologists, with the most remarkable and ingenious system ever devised for restricting imports in their own country, have made. In the pre-depression and pre-Hitler period, Germany succeeded more than most other countries in restoring the 1913 level of exports. After the last war, one of the most important quasi-monopolies in raw materials, the low-grade iron ores of Alsace-Lorraine, passed from Germany to France; but the German iron and steel industry was not seriously hampered and, long before this war started, it had re-established its predominance in Europe. It is argued by Nazis that practically all the world's jute, over nine-tenths of the world's nickel, three-fifths of the world's rubber and groundnuts and half the world's wool are produced in the British Empire and "controlled" by Britain. But three-fifths of the world's potash and three-tenths of the world's coal (without including the large German output of lignite) are produced in Germany; and other countries have not complained about their lack of access to German potash, German coal and lignite or German zinc and iron ores.

The Democracies' Task

The Atlantic Declaration cannot be a pledge to remove obstacles that have never existed. It is rather a statement, in the most general terms, of the joint and several need of all the nations to re-establish the equality of trading opportunity upon which the prosperity and progress of the world have depended in the past; and, more specifically, it is a repudiation of the considerations of power which have elevated self-sufficiency from being a *saave qui peut* expedient to be a principle of national policy. It is a direct denial of the totalitarian control of trade as an instrument of policy which is practised, even in peacetime, by Germany, Italy and Japan. But more is needed. It is not enough to mark the beam in the enemy's eye; there is the mote in Britain's and America's; and the Declaration will have done little more than state the obvious, with the force of drama and personal authority, if the implications of these economic principles for the policy of this country and the United States are not worked out at once in practical detail.

The difficulties of the two democracies in taking the lead in implementing the freedom to trade will be domestic. The making and administration of their commercial policies are interwoven with the organisation of sectional interests. In this country, agricultural and industrial producers have been given authority, under the latter-day régime of economic feudalism, to control the direction of trade policy; and, both here and in the United States, there are many activities which are maintained in being by the peculiar regulation of foreign trade that has been evolved. It is easier for Britain and the United States to reject the criterion of power in foreign trade than it will be to discard these considerations of interest. But, whatever the obstacles, the end and the means can be plainly seen. It is a fact that the pre-war trend of British policy towards bilateralism and the quantitative limitation of imports is incompatible with the freedom to trade; that the "preferential and trade canalising" agreements made at Ottawa are opposed to the principles pronounced by the Prime Minister and the American President last week; and that the violence which has been done by Britain since 1931 to the spirit of the most-favoured nation clause was, even before the war, a main obstacle to the movement of the United States towards freer trade. It is a fact, too, that in spite of Lease-Lend, the circumstances of the immediately post-war period, when Britain will be very short of dollars, will make wartime exchange control hard to abandon.

Equally, it is true that the possibility of international

co-operation to restore the free movement of capital and goods after the war will depend upon the readiness of the United States "to make tariff concessions that will result in import surpluses consistent with the balance of payments of a great creditor nation." It may well be that America's acceptance of the principle of Lease-Lend, by which goods are to pay for goods, implies that this rubicon has been sighted, if not crossed. But the implications of American leadership go farther still: they have been described as "a general depreciation against the dollar; a greater rise in prices in the United States than elsewhere; an effective lowering in the American tariff; heavy transitional losses in protected industries, particularly in agriculture; and a further displacement of labour in mineral and agricultural industries, and in some older manufacturing industries." It will take more than a form of words to bring about such a change-over.

The belief that nourishes Anglo-American faith in freer trade, despite Anglo-American practices, is that the basis of both wealth and welfare for each and all of the nations is their joint power to produce; and the knowledge that a process by which production is extended in high-cost areas (as wheat in pre-war France) while production in low-cost areas is restricted—which is inevitably the result when the world market is broken up into closed national markets—is a process of impoverishment. It is not mere theorising to say that there is a "virtuous cycle" in the economy of nations by which the investment of capital, the production of goods and the exchange of goods can follow one another in an ascending spiral of prosperity. A situation in which the movement of capital to the parts of the earth where the need—and the return—is greatest and the movement of goods to the places where the demand—and the price—is highest, as well as the movement of labour to the countries where the wage is best, are all three halted is a situation in which world resources are being wasted. There is agreement, even among the supporters of drastic "regulation," about the need for foreign investment to expand world trade, for the "cosmopolitan loan fund" of Bagehot's description "which runs everywhere as it is wanted, and as the rate of interest tempts it"—but which cannot run when there is not a sufficient flow of goods in international commerce to carry the burden of repayment and will not run where there is no political security.

New Deals

The problem of trade is, indeed, a problem of politics. On board the *Augusta*, the pursuit of power in trade was condemned and, by inference, the pressure of interests was rejected. But, in the fifth statement of principle, the third political aim in commerce was explicitly endorsed—the motive of welfare. "They [the United States and Great Britain] desire to bring about the fullest collaboration between all nations in the economic field with the object of securing for all improved labour standards, economic advancement and social security." Here the

key problem of world trade policy is touched. The free movement of goods and capital has implied that each separate nation is ready and able to adjust its domestic policy to its world situation in trade and finance, to adapt its balance of payments, its credit policy, its public expenditure and its costs and prices in order to maintain the exchange rate of its currency stable and to meet its international obligations in world trade and on capital account. This, increasingly, the nations have refused to do, if the process of adjustment would involve deflation, depression and the suspension of New Deals. More and more, nations have come to rely upon domestic policy and the expansion of internal demand for goods and services to maintain employment and income standards, and to abrogate international commitments which, in the short run, have threatened these standards.

This is the fundamental problem which the Atlantic Declaration poses but does not, of course, solve: the problem of combining a New Deal in world trade with New Deals in domestic social and economic policy. It is plainly not insoluble, because the most enlightened domestic policies must depend in the last resort upon a nation's power to produce, which in turn depends, for its full development, upon the processes of international investment and exchange. It is impossible for the nations to hoist themselves into Utopia by their own tails. The solution must rest, as the Declaration says, upon "collaboration," upon the agreement of the nations in council not to impose common policies which will wreck the social structure of individual nations, and upon the agreement of individual nations not to pursue social policies which will place too great a strain upon their strength in trade and which will outstrip their comparative efficiency in production. "The case for domestic regulation in combination with free trade (as one European economist has pointed out) rests essentially upon the extent to which the efficiency of production is stimulated, rather than hampered, by the imposition of minimum standards of wages and labour conditions."

The Declaration, in effect, appears to recognise the fact that, in defence of national welfare, nations will be disposed, and will have the right, to continue policies of internal "reflation." If these policies are pursued within the bounds of agreement between the generality of nations and with full deference to the real aim of raising the production of goods and services, there is no reason why trade between nations should not be freed and flourish, and every chance that the repeated fluctuations in trade, which are the main cause of frightened isolationism, may be abated. The first need is still for the reduction or removal of tariffs and the abolition of other restrictions; but there must be a saving clause for social security. The touchstone for success is collaboration, just as the touchstone for every economic regulation, at home or between the nations, is efficiency in production. And the overriding prerequisite without which all economic devising will be frustrated, is political security and peace.

The Future Debt Burden—II

LAST week's article on the future burden of the National Debt reached a cheerful conclusion. Figures were then given to show that if this war lasts as long as the war of 1914-18, and if the Chancellor of the Exchequer is successful in preventing any further substantial rise in the level of costs, the net increase in the principal of the National Debt is likely to be in the neighbourhood of £10,000 millions. The average rate of interest at present being paid is less than 2 per cent; at this rate the interest payable will be £200 millions a year. But this is a gross figure, reducible by the amount of tax levied on the interest payments. The net burden was estimated at less than £150 millions. If the post-war level of prices is the same as that of 1936, then an all-round increase of one-sixth in the rates of taxation—i.e., an income tax of 5s. 6d. in the £—will be needed.

Alternatively, a post-war price level of 20 to 25 per cent above the 1936 level will automatically solve the problem.

If this conclusion is correct, why, it will be asked, did such a very different set of consequences follow from the last war? There are three main reasons, and examination of them will reveal the provisos upon which the conclusion rests. The first reason is that there was a very substantial rise after the war of 1914-18 in the State's expenditure on items other than the debt and defence. These "other items," mainly social services and economic assistance, more than doubled in proportion to the national income between 1913 and 1929. There are two senses in which this increase in "nation-building" expenditure can be regarded as a consequence of the war. First, the social upheavals and releases of the war period

created a demand for social services that had not existed before. And secondly, the levels to which taxation was pushed during the war showed that it was possible for the State to raise much more revenue than would previously have been thought possible. But both these are indirect connections. The increase in these items was not an inevitable and inescapable consequence of the war. It may be that history will repeat itself in this respect, and that, having discovered once again that the limits of taxable capacity are higher than was thought, the community will choose to go on raising by taxation and spending on social and other services much larger sums than before the war. If so, there will, of course, be no return to pre-war levels of taxation. But this is an entirely different matter from the direct and necessary effects of the war, which are the province of this article.

The high level of taxation after the Armistice of 1918 was by no means entirely due to bigger social service expenditures. The debt service required an extra 7 to 8 per cent of the national income—as much as the whole pre-war Budget. Why was the experience then so different from that forecast for the period after the present war? Part of the answer lies in the fact that much of the debt of the last world war was incurred at price levels considerably higher than that to which the post-war world settled down. Wholesale prices in 1916 were 60 per cent above 1913, in 1917, 105 per cent, in 1918, 135 per cent, and in 1919 (when debt was still being incurred) 145 per cent. But the post-war community which had to bear the burden of this debt had a level of prices (and, therefore, in rough proportion, a national income) only some 50 per cent above the pre-war figure. If this chain of events repeats itself, then the consequences will be the same. The necessity of preventing a continuous rise in the price-level has been fully recognised in this war, both by the public and by the Government—though it is still open to doubt whether the preventive measures have been carried far enough. But it will be even more important to prevent prices from falling when the war is over. The favourable conclusion reached in the previous article depends entirely on the assumption that, even if the wartime rise in prices is not stopped at the present point, the post-war slump is avoided. The figures used in the calculation require both assumptions to be met if they are to be even approximately correct.

Possibly even more important than the price-level in its effect on the future burden of the debt is the rate of interest paid on the debt. The calculations in the previous article were based on the assumption that the average rate would not exceed 2 per cent. For the duration of the war, this is a reasonably safe assumption; the Chancellor of the Exchequer has expressed his confidence that the rate will not go any higher. But the post-war period is rather a different matter. The average of 2 per cent is compounded of two different categories. Roughly half the debt is being incurred by the issue of short-dated paper to the money market at rates slightly in excess of 1 per cent, while the other half is being raised by the issue of medium-term securities to the public at rates ranging from 2½ per cent to 3.175 per cent (on Savings Certificates). Will it be possible, after the war, to maintain this distribution of the debt, and the present rates of interest for each category?

The public's holdings should present no insuperable obstacle. The last eight years of peace provided a convincing demonstration of the possibility of retaining cheap money, even in face of a considerable demand for capital, provided the distractions of an international monetary standard are removed. It is true that the securities being issued in this war are of comparatively short date and it may be thought desirable to convert them into longer-term or even completely funded issues. But if the right moment is chosen, it ought to be possible to do this without paying much more than 3 per cent. There is no reason to anticipate that the cost of this half of the debt will increase in the future.

The future of the other half is more questionable.

There are three main categories of holders of the floating debt. The first is Government departments and Treasury funds: no question of refusing to renew their holdings or to accept a low rate of interest arises in their case. The second is overseas Governments and Central Banks: in their case, too, the difficulties are not insuperable, as their desire is to hold liquid sterling, and they will accept the rate of interest that is current in London. There may, in the future, be cases of unwillingness to hold sterling; but it is unlikely that the rate of interest will have much place in the argument.

There remain the holdings of the money market—that is, in the last analysis, of the banks. The joint stock banks will, no doubt, be very unwilling to see a substantial proportion of their assets permanently invested in loans to the Government at 1 or 1½ per cent. They will urge that it is contrary to their traditions either to lend so much to one borrower or to put out so large a fraction of their resources at so low a rate. These arguments should, however, be resisted. Commercial banking is changing its nature—not only in Great Britain and not only since the outbreak of the war. Traditionally, a bank was an institution which borrowed the savings of the community and lent them at short term to commerce and industry. But nowadays the deposits of the banks represent, not the public's savings, but its current cash. And a long-term tendency has exhibited itself for the demand for bank credit to decline. Industry and commerce, in so far as they are not self-financing, increasingly prefer to raise their finance by methods other than the short-term bank advance. A bank is to an increasing extent becoming an institution which holds the current cash of the public and lends it to the Government. The joint-stock banks are approaching the state from which the Bank of England started: their main liability is the circulating medium of the public and their main asset is a fixed loan to the Treasury. That being so, the time is approaching when a recasting of the traditional structure of interest rates will be necessary. If it is argued that the rate of interest paid by the Treasury to the banks should be increased, because otherwise the banks will not be able to afford the costs that the holding of deposits involves, that amounts to a claim that the State should subsidise the depositor. It would be far more reasonable to require him to pay the cost of the services he enjoys. There may possibly be a case for funding part of the huge mass of floating debt that the banks will hold at the end of the war—that is, for converting it to longer-term paper and avoiding the necessity for renewal two or four times a year. But there is no visible necessity for raising the rate of interest that is payable on it.

If this portion of the debt is not funded, there remains the possibility that it may be found necessary at some time in the future to raise Bank Rate and other money market rates. It is a matter of dispute among the adherents of the doctrine of cheap money whether an increase in money rates is permissible to meet a temporary emergency—such as, for example, might very well arise in the post-armistice period if the public, tired of economy, tried to spend more than its income. Fortunately, the point need not be argued out here, for it would be agreed by both sections of the cheap money school that any increase in money rates, if permissible at all, would be of short duration. There is no reason to suppose that the post-war situation of the money market, on the average, will be very different from that of the years 1932-39, when the Treasury Bill rate was below rather than above 1 per cent.

Examination of the provisos on which the conclusions of the previous article rest thus reveals, not the certainty of keeping the post-war burden of the debt down to a manageable figure, but at least an excellent chance of so doing. The requirements are that prices should be kept down during the war and up after the war, and that the level of interest rates should not, on the average, exceed those of the years 1932-38. These should be the guiding rules of monetary policy in the years to come. If they are followed there is no reason to be frightened of the National Debt.

NOTES OF THE WEEK

The Third German Offensive

The third German offensive is developing all along the tremendous Russian front. In the north, the Russians are holding the Finns both sides of Lake Ladoga, but this defence is obviously drawing men off from the defence of Leningrad. The city is now more directly threatened by the fall of Yamburg, 70 miles distant on the Tallin-Leningrad line and by the fighting round Lake Ilmen where the Germans claim the fall of Novgorod. For the time, there is no change in the Smolensk sector, though there is considerable fighting there; but, to the south, the German advance into the western Ukraine has swept forward almost to the line of the Dnieper. Nikolaiev has fallen; Odessa is surrounded; the Germans have captured their first industrial area round Krivoi Rog, and the great power station at Dnieprostroi is under fire. Marshal Budyonny has succeeded apparently in withdrawing most of his army—with presumably great loss of material—but a very uncomfortable strategic position is developing. Along the whole front there are now three main salients: in the



north towards Leningrad, in the centre beyond Smolensk, in the south forward to the Dnieper. The question is whether the Russians, threatened in between these salients on both flanks, can do anything but withdraw to straighten their line. The fighting at Gomel suggests that the Germans are already bringing pressure to bear at the points which now form Russian salients into the German line. The crucial military question is, given these salients, who will squeeze them out? Can the Russians cut off the Germans at Novgorod by striking northwards from the Kholm area? Can the Smolensk bulge be reduced by a Russian pincer movement from Nevel and Gomel? Can a counter-attack be launched with sufficient strength southwards from Kiev to isolate the advanced German units in the bend of the Dnieper? The likelihood is that the Russians cannot counter-attack on this massive scale, and the danger is that the third German offensive will therefore lead to a considerable move forward. Even so, the Russian line is still intact. The Germans have advanced, but they have not broken through.

The Value of the Ukraine

Roughly one half of Russia's heavy industry is concentrated in the Ukraine, mainly in the Dombas district east of the River Dnieper, stretching from Kharkov to Rostov on the River Don. In 1938, industrial output in the

entire Ukraine showed the following percentages of Russia's total production:

Coal	60.3	Steel	48.0
Iron Ore	60.7	Aluminium	44.0
Manganese Ore	34.0	Engineering	20.0
Pig Iron	60.7	Agricultural Machinery	60.0

It must be noted that the iron and manganese ores are almost exclusively mined west of the River Dnieper at Krivoi-Rog and Nikopol, which are already occupied by German troops. Even so, the output of manganese ore in the Caucasus region still exceeds Russian requirements; and iron ore from the Oka, Kirov, and Ural deposits can replace the loss of Krivoi-Rog. In 1939, Russia's and Europe's largest hydro-electric power station, Dnieprostroi, at the most easterly bend of the River Dnieper, was completed, with a capacity amounting to 560,000 kw, which is some 6 per cent of Russia's total generating capacity. Dnieprodzerzhinsk and Dniepropetrovsk to the north and Zaporozhe to the south of the station are newly built industrial centres which depend on the power of Dnieprostroi; aluminium, ferro-alloys, and rolled steel are the most important products of these centres. Kharkov is noted for one of the biggest of tractor factories, having a daily output of 150 tractors in 1938, and Russia's largest locomotive industry is situated at Voroshilovgrad in the eastern sector of the Dombas district. Kiev, the largest town of the Ukraine, is noted for a variety of all kinds of industries usually concentrated in capital cities. It is also a centre of chemical industries. During 1939 and 1940 industrial development in the new districts in the Ural and Siberia may have reduced slightly the share of Ukrainian industry in Russia's total industrial output. According to the third Five-Year Plan, which will end in 1942, the share of the Ukraine in Russia's heavy industries was intended to fall to nearly 40 per cent; and it must be assumed that the war industry proper, about which no data are available, is less dependent on the Ukraine than the official figures of Russia's total industrial output suggest. There is, however, no doubt that the loss of the Ukraine would considerably reduce Soviet Russia's war production. The Ukraine west of the River Dnieper is mainly an agricultural country, where grain, sugar beet, potatoes, fruit, and oilseeds are the main crops, and the whole of the Ukraine produced roughly one-fifth of Russia's total grain in 1938, two-thirds of its sugar and one-fifth of its sunflower seeds, the leading oilseed of Russia; and flour mills, sugar and canning factories are numerous. The capture of the Ukraine—it should be remembered that the Dnieper has still to be crossed—can have no decisive effect on the war, while Moscow and the régime still stand, and the army and the people still fight. And Russia has other and growing industrial centres. But it is a fact that the agricultural and mineral wealth of the Ukraine cannot be replaced by other districts of Soviet Russia.

Air Front

The Air Ministry has twice announced the number of aircraft engaged in recent night raids on Germany, in order to show the larger forces now employed and the small rate of loss—on those nights. The fact that fleets of 100 and 300 planes have been sent out on occasion is a promise of more intensive—and extensive—attacks to come. But the mere fact that this information about numbers has only been given on these two occasions suggests that these numbers cannot yet be regarded as normal; and the losses that are announced each night probably do represent an appreciable rate of loss in machines and men. This is not surprising. Night defences have improved a great deal in the last few months—as the inhabitants of London and, it seems, of Moscow, know to their benefit—and the air offensive that is gathering momentum from this side of the Channel will not win its mounting successes without considerable casualties. Strategically, it is probable that people in this country devote their attention too exclusively to figures of losses—understandably, because losses were the measure of Germany's only defeat, in the first Battle of Britain, and because of the numerical inferiority in the air under which Britain has hitherto laboured. The test of bombing is its effect, and there is no doubt that, per ton of bombs, the planned attack of

the RAF against the German war economy has been more effective than anything the *Luftwaffe* has done—away from the actual battlefields. Most people in this country, perhaps, will agree with Lord Beaverbrook when, asked if bombing would beat the Germans, he answered that “it did not beat us”; but German morale, as well as German production, will inevitably suffer markedly from the rising weight and numbers of British raids—while Russian bombers come in from the east.

Enemy Supplies

The communications of German Europe are even more vulnerable than those of the advancing German armies in Russia. The blockade of German territories causes strain and difficulties of distribution rather than shortage; and the anxiety of Nazi administrators must be not so much to obtain sufficient supplies as to ensure that they are where they are needed when they are wanted. It is in the attack on transport, therefore, that the British weapons of blockade and bombing work most closely together. The railway system of Germany and still more of German Europe is overburdened, and petrol is a factor limiting distribution by road. There remain the seaways, always an important part of inter-European transport, and it is encouraging that the RAF has recently had so much success in following up its attacks on marshalling yards and refineries by raids on shipping. The Navy, also, has continued its quiet triumphs; and, in the last five weeks, 400,000 tons of Axis shipping have been sunk or captured in the North Sea, the Mediterranean and the Atlantic, while, in the Baltic and Black Seas, the Russians claim to have accounted for another 200,000 tons. This accelerated loss at sea is in contrast to the smaller summer losses of British shipping in the Atlantic, but it is stupid for official publicists to pretend that the comparison is really relevant. The Battle of the Atlantic would still be crucial for Britain if the enemy had not a single merchant ship afloat.

Political Economics

The Government's White Paper on prices, which was put out last month, has certainly succeeded in provoking the views of Labour. It has even caused Mr Bevin to speak his mind on wages policy at last. In a speech at the week-end, he warned trade unions and employers that the Government was determined in its wish to arrest increases in money incomes; he himself had not been in favour of the stabilisation of wages, but now, when the cost of living has been steadied, he has fallen into line. The Transport and General Workers' Union, Mr Bevin's own, is not disposed to abate its claims for more wages; and an article in the Bulletin of the Oxford Institute of Statistics does not agree with the reasons for Mr Bevin's conversion. There is an excess of spendable incomes over the supply of consumers' goods at current prices, and taxation and piecemeal rationing have not closed the gap. But, the article goes on, in a passage that is less remarkable for its clarity than the rest, to peg wages would not prevent prices from rising further; and so the policy of stabilisation is presented, with some disingenuousness, must be said, as an attack on real wages—regardless, incidentally, of the fact that, whatever financial devices are adopted, stabilisation or no stabilisation, real wages must fall in any case, simply because the goods are not there to buy. It is a sheer physical fact that the consumption of the bulk of even the working classes must fall to free resources for war needs. The solution, the article continues very sensibly, is to close the gap by all-round, general rationing, a conclusion which has already been strongly stated by the Transport and General Workers' Union, and which, with appreciable doubts about the complete efficacy in practice of rationing by itself, *The Economist*, too, has endorsed. The problem is essentially one of fair distribution, and successful rationing would solve it. The article does admit that complete rationing may only be an absolutely satisfactory solution in theory; but its ultimate object is apparently to separate the question of wages from the danger of inflation, so that the author can advocate continued bargaining for higher wages, in order that the workers may stake their claim to a larger share in future consumption. This is neither economics nor statistics, but politics. It may be socially desirable for the working-classes to increase their share in the national income, but this is not, and cannot properly be, a part of war economy. It has been plain for

some time that this was the objective of the shrewder trade union leaders, just as the equally opportunist aim of many employers has been to use wartime exigency to import some outside control on the size of their wages bills. The organ of the Amalgamated Engineering Union is frank when, speaking of the White Paper and the discussions between the Government and the Trade Union Congress, it declares that the autonomy of the AEU is “absolute,” and that the union's policy will be decided by it and by nobody else—a declaration of sovereignty which would seem somewhat strange at any time in a democratic country, and is especially so in wartime. But it is a pity when writers in academic bulletins feel themselves constrained to enter into this political scramble for advantage.

Anglo-Soviet Trade

The conclusion of the Anglo-Soviet Alliance has been quickly followed up by the signing last week-end of a trade agreement between the two countries. The details of the new agreement given in the official announcement are scanty. Cash payment and clearing are to be the chief bases of transactions; but the fact that a £10,000,000 credit has been granted by the British Government to the Soviets, which is to be extended after its exhaustion, indicates that British supplies to Russia are expected to exceed supplies in the opposite direction by a substantial margin. This is in complete contrast to the normal exchange of goods between the two countries. The temporary Anglo-Soviet Commercial Agreement of 1934, which is still in force, aimed primarily at bringing about a reduction in the large Russian surplus in its trade with Great Britain. Until the outbreak of this war, Great Britain was, in fact, the only important industrial country which had a large adverse balance in its trade with Russia, and in 1937, the last normal year of Anglo-Russian trade, the British adverse balance of 374 million roubles in this trade was almost as large as Russia's total trade surplus with all countries, namely 387 million roubles. Both the fact that this position is now to be reversed and the conditions of the trade credit—5 years at 3 per cent—indicate that the new arrangement is, not unnaturally in the circumstances, more a political agreement than a trade agreement in the real sense. The last British trade credit to Russia—also £10,000,000, granted in 1936—bore 5½ per cent interest, and its use was confined to the financing of Russian orders for British manufactures. Now Russia needs immediate supplies of war and raw materials, a great part of which can be shipped from the eastern parts of the British Empire to Vladivostok. Great Britain, on the other hand, requires chiefly some Russian bulk products, such as timber and hemp, for which there are hardly any shipping facilities via the west or north and south-west, and for which the eastern route appears far too long. Direct supplies from Russia to the United Kingdom, therefore, will probably remain limited and will be mainly confined to some highly concentrated products, although Russian shipments to the Empire may be larger. The trade between the two countries might be better balanced if agreement were reached about Russian shipments via the east to the United States to be used in the manufacture of supplies for Great Britain, or to be credited there on British account. Despite the empirical nature of the new Anglo-Russian trade agreement, however, its conclusion can have considerable value from the long term view of genuine trade. It may lay the foundation for a large exchange of goods to the mutual interest of both Russia and Great Britain, once normal relations have been restored. After the war, Russia will be a still greater importer of machinery and equipment than in recent years, and the Soviets may then feel inclined to make greater use of British machinery supplies than in the past, when the Soviets used their trade surplus in this country mainly for the purchase of raw materials, for chartering ships, for placing insurances and for similar transactions.

To Blockade or Not?

If proof were still needed to show that appeasement does not pay, it has been provided by the most recent developments in the Far Eastern crisis. A week ago war seemed certain. It looked an impossible feat, even for Japanese agility, to remain balanced on the knife-edge of tension to which the occupation of Indo-China had brought the Far East. That a week has passed without “shooting” has undoubtedly been due to the counter-measures taken

by the democratic Powers, and to the threat that, behind these economic sanctions, lay the ultimate sanction of war. Faced with this front, the Japanese are still hesitating. It is therefore essential that there should be no weakening of the policy that has been adopted, no hint of appeasement or compromise. On the whole, there are few danger signals so far. The rumour that Japan and the Netherlands Indies have revived their trade negotiations appears to be a Japanese *canard*. Individual Japanese business men may be making inquiries, and there has been a limited and carefully controlled amount of direct barter in fulfilment of earlier contracts. In this country, while normal trading has ceased, the Bank of England and the Yokohama Specie Bank have consulted together on the machinery which could be used should the export of some commodity be—by exception—licensed. This apparently does not mean that the embargo is to be weakened at once by a large-scale granting of licences. Its stated intention is simply to create conditions in which, should the needs for supplies from Japan at any point override considerations of economic warfare, goods could in fact be exchanged; and the only danger is that the "disposition to trade" may become stronger than strategic and diplomatic common sense. In the United States similar modifications may be made, for example, if the silk necessary for parachutes cannot be obtained by any other means. Whether the United States is going further to mitigate its blockade by licensing cannot for the time being be ascertained. The step of closing all Pacific bunkering facilities to Japanese ships—a logical rounding off of the embargo—has not been taken. The general impression is that, on Japan's side, there is a good deal of eagerness to restore something like normal trade, while on the side of the democracies, the blockade is being maintained with just sufficient hesitation to give the Japanese grounds for hope. To that extent its execution is faulty. On the military front all is quiet. The direct threat of Thailand and, behind Thailand, of Britain has had some effect. And the announcement from Tokyo that the frontier dispute at Nomanhan, outstanding two years, has been settled by the mixed boundary Commission suggests that the Japanese are for once on the appeasement tack.

The Call to Work

It is now admitted by the Ministry of Labour that the attempt to recruit women for war work by mainly voluntary means is not fulfilling expectations; and it is now intended to make "greater use of compulsory powers" in order to induce women to leave their homes or to transfer from non-essential civilian work in order to serve with the Forces or work in the war factories. The immediate intention is not to introduce conscription, but rather to make more plain to the young women who come within the registered age limits that they must choose one or another of a limited number of definitely war jobs. The necessity for this increased sternness—which is due to the fact that the flow of women into the Services and the war factories is still insufficient to meet the present and prospective need for woman-power—might have been anticipated from the outset. To a point, this sluggishness is the Government's own fault. In the early registrations it was generally stated that young women in paid, full-time work need not necessarily consider transferring to other employment, and the list of occupations that were, in effect, "reserved" was maintained at an inordinate length. Employers were reluctant to lose their staffs; the authorities were reluctant to order the young women to transfer; and the young women themselves had little inducement to make the change. The basic fact about this problem of transfer, whether it concerns women or men, is that, so long as it is left to voluntary means and the ordinary processes of the labour market, some incentive is necessary to persuade workpeople to choose war work rather than civilian employment. The call of patriotism will do a lot, but, more often than not, the material incentive actually works the other way. That is to say, very often men and women can only transfer into war work by moving into less well-paid and less agreeable employment than that in which they are already engaged. This illogical position, in which men and women are left free to choose and at the same time may be better paid and more comfortable in non-essential than in essential work, is made more acute by the working of the Essential Work Orders. These Orders "freeze" the pay and conditions of work in essential employment. Pay and conditions in non-essential work are left free, which means that, as more and more people are

called up or mobilised, and the number of workers available shrinks, they tend to improve, making the "differential" increasingly favourable to the kind of employment which the nation in wartime could well do without. It is on shoals like these that the policy of recruitment by slogans and exhortations runs aground.

Mobilising the Volunteer

One of the most difficult factors in the recruitment of ex-miners for the coal industry is that, by going back to the mines, they are very frequently degraded in pay and conditions of work. In many cases, that is, the only way, in the last resort, in which to induce men and women to enter war work in sufficient numbers, under present conditions, is to introduce compulsion indiscriminately—that is, on some people and not on others—with consequently indiscriminate hardship to those people who are forced to change their jobs. It can reasonably be argued, of course, that the men and women who may be forced to do war work will be, in almost every case, better off anyhow than the men who are conscripted for the fighting forces. But this applies to all civilians, not only to coal-miners and others whose services may be specially needed at any moment. There may be a good, logical case for conscripting the entire man-power and woman-power of the country to do national service; but the method of recruitment for work which has been chosen is by voluntary means; and the real point is that this reliance on volunteering cannot be effective so long as the inducements and incentives impel men and women to stay where they are and not to volunteer. This may not necessarily be an argument for all-round compulsion, but it is, at least, an argument for an attempt to create the conditions which will help volunteering to work. If pay and conditions in essential work are to be controlled or frozen, pay and conditions in non-essential work also must, in effect, be controlled or frozen also, or else men and women simply will not transfer from the one to the other. It is a practical question, arising from the fact that if people are to be left free to choose their jobs, the labour market must be so rigged that they will choose the jobs where they are most wanted. The need to man the Forces and the war factories is greater than ever because of the change in the strategic situation and the marked improvement in the shipping and raw material situation this summer; and the process of recruitment must be made effective. The present unplanned methods involve for many people, not less compulsion and less hardship than conscription would involve, but more indiscriminate compulsion and more indiscriminate hardship.

Costs and Prices

Since the primary function of the Committee of Public Accounts is not to make recommendations but to comment on any apparent irregularities in the Appropriation Accounts, its periodic reports are very limited in scope, and are in addition very much out of date. Nevertheless, the latest report adds some useful details to the broad picture of the administration of the war effort which is so admirably presented by frequent reports from the Select Committee on National Expenditure. For instance, this report takes up the question of iron and steel prices, to which considerable attention had already been paid by previous Public Accounts Committees. The control prices at the beginning of the war were generally those shown in the current price lists of the Iron and Steel Federation, and they have since been increased to cover costs verified by the accountant appointed by the Federation. There was at first no investigation of pre-war or current costs by the Ministry of Supply, though arrangements have since been made for the Ministry to be advised on prices by another accountant, after he has considered the average weighted costs of production ascertained by the Federation's accountant. Moreover, provision has recently been made for the profits of different firms to be examined at quarterly intervals to see that uniform prices based on average costs do not give undue profits to individual firms. A scheme is also being considered under which allowance for increased costs would only be given to firms whose profits would otherwise be unduly reduced. In peacetime, the inclusion of the marginal or sub-marginal producer in determining costs and prices could not be defended. But the principle ought surely not to be

extended to the distributive trades, where the objective should be the minimum distributive facilities consistent with efficiency. The Committee, however, reports that the selling prices fixed by the Ministry of Food cover the costs of unfavourably placed traders and therefore give excess profits to the efficient. This is clearly wrong, although it should be an equally clear principle that the trader who becomes "unfavourably placed" and "inefficient" as a result of the war should not be forced out of business without compensation. The Committee makes no definite statement on whether costs and prices are affected by the practice, followed by the Ministries of Supply and Food, of using the services of trade associations, though it seems to have found no evidence that they are so affected. But it states that the system "raises in an acute form the problem of dual allegiance and every care should be taken to safeguard the public interest."

The Caucasian Front

The German armies have reached the Dnieper. If they can advance to the Caucasus by the autumn, the whole face of the Middle Eastern situation will change. The old scores, the old hopes, the old fears will revive. Britain will be faced with the task of repacifying Iraq and Syria, and will have to deal with a cowed, apprehensive Iran, and an even more cautious Turkey. It can hardly be doubted that, faced with this feeble and disintegrating front, the Germans will attempt a sweep to the south, towards the oil of Iran, to Basra, and the Persian Gulf. In a sense, therefore, both the British and the Germans are now involved in intensive diplomatic preparations for the possible crisis in the autumn. The Nazis are increasing their activities in Turkey and Iran and as far east as Afghanistan, which has its quota of technicians and tourists. There is much talk of Von Papen making way at Ankara for someone with a tougher conception of diplomacy. The counsellor, Kroll, has gone to Berlin to report. British counter-measures labour under the disadvantage, first, of inadequate military backing, and, secondly, of conforming to certain standards of international ethics. If Iran chooses to disregard diplomatic restraints and is not impressed by the amount of force sentations and is not impressed by the amount of force Britain can muster, what is the next step for a law-abiding nation? It is good news that the new direct American bomber ferry service to the Middle East will help to increase the weight Britain can put behind her diplomacy; but the fact remains that the Middle East is proving yet another front on which the nation that plays the gangster game has all the early tricks. It may seem incomprehensible that Turkey and Iran should not see the advantage to themselves of preventing a collapse of Russian resistance. But Russia is very near and very large, and has played an unfortunate part in the earlier history of both countries. Germany's eruption into the Middle East is two hundred years younger than the southward drive of the Russians. Thus the Nazis have a species of "folk memory" to play on in their propaganda, and, as the Turkish Press illustrates from day to day, they are doing so effectively.

The Western Bastion

The stage is set for a German *coup* in the west whenever the High Command decides that such a move would be profitable. In France, the Darlan régime has brought to an end the last lingering belief in the myth of a "neutral" Vichy. In Spain, there is no section in the unhappy clique-ridden country strong enough to stand up to German pressure, if at any point it became severe. Thus, the reason why there has been no western move certainly does not spring from the attitude of Vichy or Madrid. It is a Nazi calculation of interest. The Germans know that, both in Vichy France and Spain, there is much popular discontent which would flare up if the fiction of independence were destroyed. They know, too, that the food situation in both countries would be very add to Germany's supply problems. Portugal is still very useful as a link with the New World, and will remain so unless the Americas are drawn in. Finally, the attitude of General Weygand is still uncertain. Germany's writ runs with reasonable certainty to the rock of Gibraltar. It does not go beyond, and the more the passive resistance of Weygand can be stiffened by Allied encouragement, the less likely are the Germans to risk the hazardous experiment of taking over North Africa in the teeth of the resistance of France's colonial army. Many young Frenchmen have joined the army with the express intention of getting away from France and back into the combat zone. They are not likely

to accept the transformation of Lyautey's heritage into one great Vichy *d'outremer*. Here the attitude of the United States is all important. The French naturally look to America rather than to Britain in this crisis. American diplomacy backed by action could almost certainly win over Weygand—but the time is short.

Priorities for Milk

Registration for milk has taken place this week, and the distribution scheme will come into force on October 1st. As had already been forecast, the scheme guarantees seven pints a week to children under five and to expectant and nursing mothers, and 3½ pints a week to children between the ages of five and seventeen inclusive. This is the old National Milk Scheme extended to all children and adolescents. Invalids, schools and hospitals will also be given priority, and milk will be supplied to undertakings who provide it for their workers and to holders of tea permits; but the quantities, together with the provision to be made for other classes of consumers, have not yet been announced. On the whole, the priorities compare favourably with the amounts allowed this summer to similar consumers in German Europe. In Germany, infants get more, and there is a sensible provision of about 6 pints a week to men in unhealthy occupations; but the priority for children appears to stop at the age of fourteen, and the amount allowed to those aged six to fourteen is slightly less than the provision for children aged five to seventeen in this country. Moreover, it is likely that the rations in force in Germany and German Europe now will not be maintained in the winter. But there can be no cause for congratulation that a situation has arisen in this country in which no liquid milk at all can be guaranteed to consumers outside the priority classes. Until now, official statements have been comfortably reassuring about milk supplies, and as late as July 24th Mr Hudson said in the House of Commons that, "if conditions are very difficult," a possible slight shortage "may slightly affect the adult population in the depth of winter," but that he hoped "any such shortage will be very small." It will soon be apparent whether this statement was justified or consciously misleading.

Emergency Feeding

In view of the coming milk shortage, it is of the utmost importance that effective steps should be taken to prevent any wastage. Now that the public has been warned that it must not expect its normal quantities, private waste and canteen waste—which is notorious—should automatically stop. But a much bigger waste may easily occur after an air raid. It has already happened that farmers or local milk distributors have lost the greater part of their customers in a night when catering establishments have been bombed and large-scale evacuation has taken place. There consequently arises a surplus of milk in one district which should immediately be tapped and sent to other districts. In announcing his post-raid food plans last week-end, Lord Woolton did not state whether measures are ready to deal with such a situation, though it may occur with other foods as well as milk. He was more concerned with the possibility of a food shortage in bombed districts. Thus, he said that emergency food stocks, amounting to several weeks' supply, have been built up in the hundred areas into which the country has been divided for the purpose. Shadow shopping centres have been arranged to replace badly damaged ones; and the provision of meals will be undertaken, first, by the self-contained Queen's Messenger Food Convoys, then by British Restaurants and emergency meal centres. A new, and as yet untried, development is the "food grid"—a series of cooking depôts, to cover 7,400,000 people, established some

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miles outside a town, which can produce 6,000 meals in a four-hour period and send them into the town by mobile canteen. We have progressed far beyond the bread and bully beef stage of last September.

Vegetable Marketing

The recently formed National Vegetable Marketing Company will first come before the public eye in its endeavour to ensure an equitable distribution of the onion crop. It will perhaps come as something of a shock to the onion lover to discover that the *per caput* ration of the commercially produced onion crop will be 2 lb in the coming season. The onion season, it is learned, opens, no doubt to the traditional accompaniments of steak, tripe and sage, on September 15th. Unhappily, the season is exceptionally close, the company expecting to have disposed of the entire crop by mid-October. There is no evading the simple fact that 98 per cent of the total onion consumption was imported in pre-war days. That the National Vegetable Marketing Company is going to distribute the crop rationally, instead of permitting unfair competition to do its worst, is highly commendable. Registration with greengrocers will be necessary and the public will thus be brought one stage nearer to the time when the distribution of all vegetables is put on a satisfactory basis. The distribution of carrots will provide more scope for Lord Woolton's interesting enterprise, for the carrot crop is so excellent that there is some risk that 1940-41 may go down to history as the "carrot winter."

War Damage

Ever since the Ministry of Works and Buildings was set up, it has been difficult, in matters of planning, to understand the precise relationship intended between the Ministry, the embryonic Reconstruction Department under Mr Greenwood and the War Damage Commission set up under the War Damage Act. Recently, the position of Lord Reith was made plainer when it was indicated that he was in fact serving in two capacities—on the one hand, as head of his Department and, on the other hand, as the planning member of the Ministers working with Mr Greenwood. Now the position has perhaps been confused again by the publication of a notice by the War Damage Commission, laying down that any person in London, Birmingham, Bristol, Coventry, Hull, Liverpool, Plymouth, Salford, Sheffield, Bootle, Birkenhead, Southampton, Swansea, Wallasey or Gosport, wishing to repair war damage at a cost of more than £1,000, must first inform the Commission, which will then ascertain whether the proposed works will conform with the intentions of local and planning authorities. This notice is issued under Section 7 of the War Damage Act; and, at first sight, seems to fit in with the recent recommendation of the Uthwatt Committee that reconstruction areas should be scheduled in which repairs or rebuilding could not be carried out without permission from planning authorities. Actually, it is specifically stated in the notice that the action of the Commission is not to be confused with any steps which may be taken on the recommendations of the Uthwatt Report; and a distinction appears to be drawn between the immediate exigencies of war-time damage and the recognised need for the planning of physical reconstruction. The distinction, of course, may merely be between repairs, on the one hand, and more comprehensive reconstruction on the other. But the fact remains that the sum of a large number of repairs must be an important act of reconstruction and should come within the direct purview of a single planning authority at once. Any distinction between rebuilding now and rebuilding later on is untenable; and it is of paramount importance that physical reconstruction should be related to a long-term and articulated plan under a single authority from the first possible moment—which should be now.

Vocational Training

A new development in post-primary education has been announced with the statement that State bursaries, tenable at universities and certain technical colleges, will be given to boys and girls who have reached the necessary standard in science subjects. There will be no means test. The object is materialist and limited; it is to meet the present demand for trained men and women for radio work, and in engineering and chemistry. The minimum age will normally be

eighteen years, and it is expected that some of the accepted candidates will be enabled to qualify for a university degree before being required for national service; others will only be given a year's training—though the Board of Education has promised that after the war these cases will be considered for financial assistance to enable them to complete a degree course. Before the war, State bursaries were only given to university students if they intended to become teachers, with the result that many students, who could not otherwise afford a university course, were forced to teach afterwards, whether they had a vocation for it or not. The actual training comes after the course has been completed and the bursaries used. The war has now added strictly vocational bursaries to these pseudo-vocational ones. In addition to this latest development, there are university courses for selected candidates from secondary schools who are suitable for technical branches of the Army; the entry to Dartmouth has been widened by the grant of 30 additional scholarships a year to secondary school boys, and another 30 to preparatory school boys; and the establishment of the Air Training Corps provides pre-entry training for would-be members of the RAF. The ATC, from the point of view of education, is perhaps the most interesting development, because it also caters for adolescents who have left school at an early age and are already in employment. But all schemes show an appreciable advance in the principle, reaffirmed by Mr. Butler last week, that post-primary education should aim at satisfying different tastes and capacities. The principle should be continued after the war, not primarily for vocational purposes, whether pseudo or strict, but simply for the sake of the individual child.

A Grave Loss

On Thursday last week, for the second time in five days, an aircraft of the Transatlantic ferry service crashed, with twenty-two passengers and crew, shortly after taking off from this country. As in the previous accident, the passengers included many American pilots engaged in flying American bombers to this country; and, by an unfortunate coincidence, Mr Arthur Purvis, chairman of the British Supply Council in North America, was also on board. He had come to this country, presumably to consult with Lord Beaverbrook, and had decided to take the first aeroplane back to America when he learned of the latter's sudden visit to Washington. The untimely death of Mr Purvis is a very serious loss indeed to this country, for in his business experience in America, his understanding of American problems and methods and his intimate contacts with American civil servants and men of affairs, he possessed an unrivalled combination of qualities which enabled him to carry out his important task with outstanding success.

Shorter Notes

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.....	21,669	30,556	52,225
1941:—			
January	1,502	2,012	3,514
February	789	7,068	1,857
March	4,259	4,794	9,053
April	6,065	6,926	12,991
May	5,394	5,181	10,575
June	399	461	860
July	501*	447	948*
Totals to date	40,578	51,445	92,023
* Including missing and believed killed.			

Of those killed in July, 199 were men, 182 were women, 75 were children under 16, and 41 were unclassified.

Sir Paul Latham, who, it was announced in Parliament on July 31st, is to be tried by court-martial for alleged offences against military law, has been appointed Steward and Bailiff of the Manor of Northstead and has therefore resigned his seat in the House of Commons. Captain Ramsay, who has been asked by his local constituency committee to resign, has refused. In his reply he repudiated the committee's statement that he had failed to support the National Government in accordance with his agreement.

Germany's War Finances

DURING the war of 1914-18, Imperial Germany met war costs almost exclusively by borrowing. The first wartime taxes were introduced for the financial year 1916; and, though new taxes were added in 1917 and 1918, total tax revenue remained only a fraction of war expenditure. Total Reich revenue for the five financial years covering the war amounted to Rm. 20,740 millions. But by the end of 1918, total Reich debt had increased to Rm. 153,237 millions, of which Rm. 55,060 millions was made up of short-term Treasury bonds. Revenue only covered the cost of administration and interest payments on debt.

This huge debt was wiped out by inflation. When Hitler came to power, total Reich debt was comparatively small, amounting to Rm. 11,540 millions, of which only 12 per cent was short term. On this favourable foundation, Nazi Germany began re-armament, which in the first instance was financed mainly by undisclosed short-term borrowing, of which the greater part was subsequently converted into Reich loans. It was, however, the declared policy of Nazi Germany to cover re-armament and, eventually, war expenditure, as far as possible, by taxation. During the eight years from April, 1933, to March, 1941, which include nineteen months of actual war, Reich revenue amounted to Rm. 119,200 millions and Reich debt increased by Rm. 78,500 millions to Rm. 90,000 millions.

The Reich also had at its disposal "secret borrowings"—the earnings of administrative institutions, the contributions of social insurance schemes, and the special war contributions of the communes. But these additions, important though they are for assessing actual war expenditure, do not alter the fact that Nazi Germany has been able to finance the war mainly by taxation—though as the economy has become more and more controlled and rationed the problem has plainly become more difficult.

	(Rm. 1,000 millions)			
	Tax Revenue	Administrative Earnings and War contribution of communes*	Borrowing	Total
1937/38	14.0	3.0	2.7	19.7
1938/39	18.2†	4.0	11.1	33.3
1939/40	23.6	4.8	21.2	49.6
1940/41	27.2	5.4	38.0	70.6

* The figures in column 2 are semi-official.

† Reich revenue in 1938/39 includes the capital levy on the Jews.

The first and most important fact emerging from this table is that the share of borrowing in the total yield increased from 13.7 per cent in 1937-38 to 53.8 per cent in 1940-41. If revenue and borrowing increase at the same rate in 1941-42, the share of borrowing would increase to some 65 per cent; and by the end of the financial year 1941-42, total Reich debt would then amount to Rm. 150,000 millions, which would thus be nominally equivalent to the total debt incurred by Imperial Germany during the last war. But the material resources of Greater Germany exceed those of Imperial Germany. The resources of the occupied countries must also be taken into account. The changing ratio between revenue and borrowing only indicates a further reduction in civilian production and consumption in an economy under complete rationing and effective price and wages control.

Some anxiety must have been felt in Germany about the rapid increase of borrowing during 1940-41. Several speeches made recently by State officials and leading bankers emphasised that war expenditure requires a healthy mixture of taxation and borrowing. A year ago, the same officials were confident that the greater part of the costs of the war could be covered by taxation. To-day, the limit of further increases in taxation, in the sense that it impairs the incentive to higher production and greater efficiency, appears to have been reached, and discussion naturally turns on the problem of the limits of State borrowing. It is frequently pointed out that current State borrowing should never exceed the actual reduction in private consumption; and the present problem of war financial policy in Germany is simply the problem of converting the additional purchasing power accruing from war orders into savings at the disposal of the Reich.

The National Income

What was the size of the national income on which Germany's war expenditure was based? There

is no doubt that, after an initial setback, the nominal national income of Germany has been steadily increasing under war conditions; but an estimate of the real national income in 1939 and 1940 is extremely difficult. The official estimate for 1938 amounted to Rm. 79,700 millions for Germany proper, against Rm. 72,600 millions in 1937. The national income of Greater Germany (the Old Reich plus Austria) was estimated at Rm. 88,000 millions in 1938. Meanwhile a number of territories have been incorporated into the Reich, and the total income of these territories is unknown. A very speculative estimate of the total national income of this greater Greater Germany would be Rm. 95,000 millions to Rm. 98,000 millions in 1939 and Rm. 98,000 millions to Rm. 105,000 millions in 1940.

But the pool from which Germany's war effort draws does not stop with German and incorporated territories. During 1939-40, Germany's war economy also made use of the resources of the parts of Czechoslovakia and Poland which were not incorporated; and considerable quantities of raw materials and manufactured articles were requisitioned in the occupied countries. The value of the additions cannot be assessed. The costs of occupation levied in occupied countries must also be taken into account; and, finally, Germany has been running up clearing debts in her foreign trade with occupied and neutral countries. Under these conditions any estimate of "raidable" income must be speculative. Germany has not published any Budget estimates since 1933, and estimates of expenditure on administration which are based on figures for 1932-33 must be hardly less speculative, since quite a different system of political and economic administration has been built up since 1933. The only two sets of figures which are actually known are total Reich revenue and total Reich borrowing, and even here it is not officially stated whether these figures relate only to the Old Reich or to Greater Germany.

A recent official statement claimed that, at the beginning of the financial year 1941-42, roughly two-thirds of the total national output was devoted to public purposes. In 1938, it was stated, Rm. 26,000 millions, or 32.5 per cent of the total national income of the Old Reich, were used for public purposes, leaving Rm. 52,000 millions for total expenditure in the private sector of the economy, that is, for consumption and private capital expenditure; and, according to the same source public expenditure compared with 1938 had doubled by 1940. The figures are somewhat startling. They would indicate that there was no appreciable increase in the national income of the Old Reich from 1938 to 1940. In 1938, compared with 1937, however, the national income increased by 10 per cent.

These official figures make it plain that war production in the Old Reich could only be appreciably increased by cutting-down of civilian consumption and production to some 50 per cent of the level of 1938. But there are also the increments derived from "tribute" and "exploitation" plunder. The industries of the incorporated and annexed territories have added considerable productive capacity and labour resources to the German war economy, additions which cannot be computed in terms of money because of a complete lack of data. The following detailed survey of Reich revenue shows increases during 1939 and 1940 which are the result of increased taxation and additional revenue from incorporated territories. During the second half of the financial year 1940-41, the increase is aided by the employment of several millions of women, foreign workers, and prisoners of war, and by the working of longer hours and the reintroduction of overtime pay.

	REVENUE (in million Rm.)			
	1937/38	1938/39	1939/40	1940/41
Income & property tax	9,823	13,061	16,375	17,700
Excise & Customs	4,142	4,651	5,300	5,400
War surcharge on income tax	...	...	1,100	2,500
Do. on excise	...	...	800	1,600
Total Revenue	13,965	17,712	23,575	27,200
	LEADING TAXES (in detail)			
	1937/38	1938/39	1939/40	1940/41
Wages tax	1,760	2,091	2,645	2,977
Income tax	2,219	3,166	4,347	5,126
Corporation tax	1,553	2,417	3,214	3,476
Turnover tax	2,754	3,357	3,733	3,929

Before the war, successive increases of the rates of taxation played a large part in increasing revenue, and war-time revenue has been markedly raised by the war surcharges, amounting in 1940-41 to Rm.4,100 millions, or 15.1 per cent of the total revenue. The percentage rates of increase in total revenue in each year compared with the previous year were: in 1937-38, 21.5 per cent; in 1938-39, 26.9 per cent; in 1939-40, 33.1 per cent; and in 1940-41, 15.4 per cent. There was a perceptible slowing down in the increase during 1940-41, and total revenue during 1941-42 is expected to reach Rm. 30,000 millions, equivalent to an increase of only 10 per cent over 1940-41.

Mounting Debt

The further increases in war expenditure which will certainly be necessary during the current financial year must thus be mainly covered by borrowing, and there are certain noteworthy tendencies in the actual development of borrowing which were not intended by the Government.

BORROWING

(in Rm. 1,000 millions)

	Total to date	Long term Actual	In % of total	Short term† Actual	In % of total
Mar. 31, 1933	11.54	10.15	88.0	1.39	12.0
Mar. 31, 1938	19.71	16.82	85.3	2.89	14.7
Mar. 31, 1939	30.85	24.21	78.5	6.64	21.5
Aug. 31, 1939	37.43	25.11	67.1	12.32	32.9
Mar. 31, 1940	52.06	29.90	57.4	22.16	42.6
Jan. 31, 1941	83.14	44.78	53.9	38.36	46.1
Mar. 31, 1941	89.65	47.72	53.2	41.93	46.8

† Short term debts include tax certificates, and had increased to Rm. 44,413 millions at the end of April, 1941.

Until March 31, 1938, the actual increase in debt is moderate compared with the extensive rearmament programme, and because of the undisclosed borrowing the share of short-term debt is not abnormal. From March 31, 1938, onwards the increase is spectacular, and on March 31, 1941, total debt was almost equal to the total national income and 3½ times the total revenue of the financial year 1940-41. During the same time the share of short-term debt rose from 14.7 per cent to 46.1 per cent. At the end of the Great War the share of short-term in total debt was only 36 per cent. The credit expansion policy of the early years of the Nazi regime has been revived. But, whereas from 1933 to 1938 the policy was successful, because it brought idle capacity gradually back into operation, to-day there is not that reserve. Confronted with this spectacular increase, the Government hopes that the annexed and occupied productive capacity of Europe will contribute to the consolidation of Germany's internal debt.

It must be assumed that a considerable part of this borrowing has been financed by genuine savings. Complete rationing and effective price and wage control have swelled all kinds of savings. Since the beginning of the war deposits in savings banks have increased by from Rm. 8,000 to 10,000 millions, and during 1940 deposits in credit banks rose by 30 per cent. The civilian sector of the economy contributed the receipts from sold-out stocks as well as the working capital of restricted or closed-down industries; and, unable to replace machinery, industry is accumulating reserves which exceed the actual capital expenditure of the war industry. The pressure of idle capital is clearly visible in the constant rise in share prices on all bourses.

The Economic Danger

As long as the present economic administration remains intact, price and currency inflation in the accepted sense of the word is impossible. The danger arises from the actual destruction of productive capital by overwork without replacement—or *Raubbau*, as it is called in German—and the destruction in battle of war material that cannot this time be replaced by looting or requisitioning in conquered countries. It is true, and should not be forgotten, that the object of Germany's war effort was to make war on the biggest possible scale. Losses in battle are the currency of battle and the price of victory. But, before the attack on the Soviet Union, the actual destruction of productive capacity and war material was extremely small, and requisitioning more than compensated for the actual losses. Now a continued loss of men and material on the eastern front would soon become apparent in Ger-

many's war effort, which would have to be increased more and more from external German-Europe resources, diminishing moreover for the first time by the loss of irreplaceable man-power. The accumulating national debt would then represent nothing but the increasing dead loss of capital, and only the utilisation of the material resources of a defeated Russia could compensate in the long run for the huge losses of a prolonged campaign.

Meanwhile, the occupied countries continue to contribute in their several ways to Germany's war effort. Payments to cover the cost of occupation amount to roughly Rm. 10,000 millions. The excess over actual costs of occupation, which accrues to Reich revenue, was estimated by Secretary of State Reinhardt at Rm. 4,000 millions for the current financial year, and looting must have brought in material to the value of several 1,000 millions of Reichsmarks. The value of seized gold and State property has been estimated at some Rm. 10,000 millions. A continuous flow of goods is secured by Germany's foreign trade with occupied, dependent and neutral countries, in which Germany simply runs up large clearing debits, while the goods of these countries are purchased on very favourable terms by the over-valuation of the Reichsmark in terms of foreign currencies.

The estimates made by Germans of the national income of Germany and of the share of that national income which is represented by public expenditure vary remarkably. The total national income of Greater Germany in 1939 was estimated at roughly Rm. 90,000 millions against Rm. 88,000 millions in 1938. After the incorporation of new territories in 1939 and 1940, there were even indications that the official estimate for 1940 increased the national income well above Rm. 100,000 millions. The rough statement that public expenditure, including municipal expenditure, increased from one-third of the national income in 1938 to two-thirds in 1940 was amended in other statements to 42 per cent in 1938, 53 per cent in 1939 and 70 per cent in 1940. These figures have clearly depended upon the propaganda intention of each particular statement. Sometimes it was Germany's superior financial policy—and ability to make the most of the nation's resources for war purposes—that had to be demonstrated. Sometimes, on the other hand, spectacular increase in borrowing made it necessary to draw attention at the same time to an equally spectacular increase in the national income. The statement that there has been an increase in employment since August, 1939, of some six to eight million women is fantastic, and statements about the total earnings of workers are almost equally unreliable. German estimates of the reduction in civilian consumption have ranged from Rm. 14,000 to 20,000 millions.

The official figures of Reich revenue and of Reich borrowing are inconclusive in themselves. No more can be said than that, roughly, two-thirds of whatever the national income is may possibly be used for the various public services, that is, for administration, war production and actual war costs; and that, in 1939, the share of borrowing in total national expenditure was about 40 per cent, but increased in 1940 to well over 50 per cent. It can hardly be doubted that this share will increase further during 1941. Without the occupation of fresh territories, Germany may be compelled to cut down private consumption still more, perhaps—eventually—to a level comparable to that of 1917, when the standard of living had fallen to one-third of 1913; and, if this happened, the share of public expenditure in the national income would have to be increased from two-thirds to four-fifths. But this danger is hardly "at hand." The third year of the war will prove decisively whether Germany is going to be able to maintain that "healthy" mixture of taxation and borrowing.

Any conclusive comparison of Germany's and Great Britain's war expenditure is fraught with almost insurmountable difficulties. There is no certain ratio between German and British currency values, and production figures, hours of work and data on the actual standards of living in the two countries are not available. What can almost surely be said, however, is that the German war effort is still well ahead in absolute terms of our own, even if the Empire and the United States are included. The proportion which British war expenditure represents of Britain's national income is, however, beginning to rise towards the German level. It will depend on a similar effort on the part of the United States to establish the superiority in absolute output necessary to victory.

THE WORLD OVERSEAS

Finland — Unwilling Foe

(By a Swedish Correspondent)

August 14th

THE irony of history has made democratic Finland an ally of Nazi Germany. Hitler has succeeded in using—for his own purposes—the traditional antagonism of the Finnish people for the Russians, and has thus brought them into the war. But this does not mean that the Finns are more pro-German or less pro-British than before. Some of them well realise that Germany actually forced Finland into the war; and in spite of official declarations that the present hostilities with Russia are a continuation of last year's war, many Finns feel half-hearted towards the new war—in strong contrast to 1939-40 when the whole Finnish nation was united.

This is not the first time that Finland has had German troops on her territory. Those Finns who remember the Germans that came in 1918 cannot have been so eager to accept the Germans this time. A German army was sent to Finland by the Kaiser to assist the Whites in the Finnish civil war of 1918. Afterwards, these Germans stayed in Finland, and Germany forced Finland into a treaty which regarded Finland as a German *Lebensraum*—providing for German directors in Finnish industries, unrestricted immigration from Germany and fixed currency regulations. The Kaiser even appointed a German prince as "King of Finland." It was only the German revolution that liberated Finland from their German "protectors" of 1918.

As a purely democratic country, Finland has, broadly speaking, the same political parties as Britain and other democracies. But she has not had the same party politics. The predominant questions in Finland have been quite different from those of other countries—for example, there is the language problem, the old struggle between the Swedish and the Finnish languages. On questions of social progress and foreign policy, there has been an agreement between all parties such as has seldom been achieved elsewhere.

Only twenty-three years ago, Finland fought a civil war whose wounds have healed remarkably quickly. The Labour movement, which lost the civil war, had again won a leading position in Finnish life, and at the election two years ago, the Social Democratic party obtained 86 of the 200 seats in the Finnish Parliament. The Social Democratic party was in power with the Agrarians for many years—a coalition similar to that in other Scandinavian countries, where the slogan "Workers and Peasants Unite" was accepted in political life. This condition had an overwhelming parliamentary majority behind it.

The Finnish Social Democratic party was modelled on the same lines as the continental parties of the Second International—with a strong ideological background. Their leaders collaborated with the Socialist leaders in power in other Scandinavian countries. It is worth recalling that all the Scandinavian countries still had Socialist Prime Ministers when the wave of reaction and Fascism swept over Europe. The Social Democratic party, which is strongly progressive, has advanced steadily since 1918 and has won over many Communist votes since the Communist party was banned in 1930. The Finnish Agrarian party represents both small and big farmers, and has some 60 seats in the Finnish Parliament.

The great Conservative party in Finland is the so-called Coalition party. It is not socially reactionary but rather progressive. The Finnish Liberals call themselves the Progressive party; they are a small but very influential body, which, after the civil war of 1918, saw as one of its main tasks the reconciliation of the victors and the vanquished. From their ranks came the first President of the Finnish republic—Stahlberg—and many of the most well-known Finnish politicians—Holsti, Cajander, Erkkö and the present President, Ryti. The Progressive party also controls the biggest newspapers of Finland.

Another democratic party is the Swedish party. This party finds its supporters chiefly amongst the farming population of the purely Swedish-speaking districts and also among the old Swedish-speaking intelligentsia and nobility. The language question was for years one of Finland's biggest problems. For 700 years, Finland had belonged to Sweden, and was somewhat feudally ruled by a Swedish-speaking nobility and civil service, who were inclined to look down upon the Finnish language and culture. When Russia took over Finland in 1809, the upper classes remained a Swedish-speaking minority, and because of the electoral regulations for the old States Parliament, the Swedish-speaking minority, controlling the money, the estates and higher education, remained in political control. The language question thus became a social question, and was for many years a hard problem for the new Finnish republic. It faded out, but came into the limelight again after the Russian-Finnish war of 1939-40, when 440,000 Finnish-speaking refugees from the ceded territories settled in territories where the majority of the population were Swedish-speaking farmers. This led to the resignation from the all-party Government of the Swedish leader, Baron von Born.

Poor Soil for Fascists

Democratic Finland is poor soil for anti-democratic parties. The Finnish Communist party lost more and more influence in every election, until it was finally banned in 1930, under pressure from the anti-Labour and Fascist Lapua movement which organised a "march to Helsinki" and literally kidnapped the Communist members from the Parliament building. Soon afterwards, the Lapua movement was also banned, but it rose again under the name "Patriotic People's Movement." This movement was banned, too, but the Supreme Court of Finland decided that the ban was against the constitution. The party has since taken part in the elections, but it rapidly lost support, and its parliamentary representation was reduced from 20 seats to 6. Now, it seems that the Germans intend to back this party. It was the Lapua movement that first took up the slogan of a "Greater Finland," which is not only to comprise Russian Karelia but also big parts of Russian-speaking territories, including *inter alia* the city of Leningrad and Ingermanland. "Greater Finland" comprises also, according to maps circulated in Sweden by Lapua propagandists, Northern Sweden with the iron ore mines and the iron ore railway, and Northern Norway—in fact, everything north of a line from Narvik to Lulea. The Germans are, of course, tempted to use the Finnish Fascists as their shield for conquests, but most Finnish people do not wish to have anything to do with Lapua propaganda or with the German promise to give Finland a "leading position in the North." The Finnish President has declared that Finland does not want this position, although Field Marshal Mannerheim has declared himself in favour of winning Russian territories.

The Finnish parties, as has been said, have a common platform for most big issues. In foreign politics, all parties were agreed upon a declaration made by the last Conservative Government, which was upheld by subsequent Left Wing Governments. This was a declaration for a clear Scandinavian policy—orientation towards the other Scandinavian countries and Scandinavian collaboration. All parties were also agreed on support for the League of Nations. By a coincidence, the first and the last major tasks of the League of Nations were Finnish questions: the League began with the settlement of the Åland Islands problem; and the main subject at its last session was the exclusion of Russia because of the Russian-Finnish war.

Since the war of last year, all parties have united in re-building the country and re-settling the population from the ceded areas. Finland lost by the peace of 1940 about 10 per cent of its entire industry (including its biggest iron-works, one big power station and large pulp factories), 12 to 14 per cent of its agricultural production and 10 per cent of its forests.

Isolation from Britain

Finnish economy is built up for export. Before the outbreak of the European war, Finnish business and industrial circles had gravitated more and more towards Britain, and trade with Germany became gradually smaller. At the outbreak of war, Britain had first place among countries trading with Finland. Britain took the bulk of Finland's timber and pulp, and Finnish shipyards built ships in collaboration with British firms. Some months before the war, a big Finnish trade delegation came to Britain to extend trade relations still further. After the invasion of Norway, Finland was almost completely cut off from trade with Britain. Only three countries remained—Sweden, Russia and Germany. But Sweden and Russia could not provide large markets for Finnish goods, because they exported similar goods themselves. Thus Finland was driven to trade almost exclusively with Germany and German-occupied countries. It was simply a question of life or death.

There was cultural isolation from Britain as well as economic. The Finns have been greatly interested in English culture. Finnish public libraries have always had large English sections, and most books published in Britain have quickly been translated into Finnish. British plays are given in Finnish theatres; English is learnt in Finnish schools; and when the war broke out, Finland was on the verge of introducing English into the training colleges for school teachers. Then, after the invasion of Scandinavia, British newspapers did not arrive, but German papers came regularly. British lecturers could no longer come to Finland—they came from Germany instead. Finally came the German troops, originally intended only to pass to or from occupied Norway, but they stayed in Finland in increasing numbers. The Finns, however, declared that there could be no question of Nazi political infiltration, and they were prepared to resist.

That Finland has now joined Germany in the war against Russia does not in the least mean that the Finns have lost their pro-British feelings. They deplore the breaking of trade connections with Britain; and the fact that Britain is on the other side in the war causes many Finns to regard it half-heartedly. Almost the whole Finnish Press has regretted the breaking off of diplomatic relations with Britain, and everyone declares that this does not alter Finland's democratic traditions.

Portugal's Prosperous Finances

[FROM OUR LISBON CORRESPONDENT]

August 6th

COVERING as they do a full war-time year, Portugal's 1940 accounts also correspond with Dr Costa Leite's first period as Minister of Finance. The figures are eminently satisfactory; no other country in Europe can to-day show so clean a balance sheet. Taking the *conto* at £10, receipts are £25,980,000 and payments £24,240,000. Both totals are well within the Budget estimates for the year. Direct tax receipts continue the steady upward trend of the past five years; indirect tax returns have dropped a little, import dues on general merchandise being £700,000 under the 1939 receipts. Export dues brought £224,000, against £93,500 in the previous year. Expenditure, which is £4,296,000 within the total Budget authorisations, is, as usual, under the actual amount of revenue received. Ordinary and extraordinary accounts are separately listed:—

	Receipts	Expenditure	Surplus or Deficit
Ordinary	£22,150,000	£19,160,000	+ £2,990,000
Extraordinary ...	3,760,000	5,010,000	- 1,250,000
Rearmament and other outlay by the Ministries of War and			

Marine account for increased extraordinary expenditure. Special note is made of the fact that public outlay of a cultural nature, such as the Centennial Celebrations, conservation of ancient monuments, national propaganda, facilities for tourists, and the exhibition, take but 4½ per cent of the year's extraordinary expenses; a proportion which effectively silences certain malicious rumours about governmental squandering.

Dr Salazar's insistence on closing each year with a balance in hand means that by 1940 the total of £21,557,000 had passed through what may best be described as a current account always carrying a varying credit balance. From this account there has on occasion been spent sums up to a total of £13,285,000 to meet varied items of extraordinary expenditure. A substantial balance, the exact amount of which is not published, is in hand. It is a true "reserve," to be drawn on only at need, and its existence has not been built up at the cost of either national development or defence. Its existence, Dr Costa Leite significantly observes, in no way warrants tax reduction. There is no floating debt, and the steady reduction of the public debt continues. War, though it has reduced Portugal's foreign trade, does not affect her productivity; and the basic strength of her finances makes it possible to improve the balance of payments, while her banking system is not only unshaken, but may even be said to be in a position to help the national economic effort in its reaction against present-day difficulties.

Portugal and Japan

Beyond publishing agency cables, the Portuguese Press has said little about Japan's occupation of Indo-China and the very obvious threat of aggressive action against Thailand. Moreover, the greater proportion of the cabled news published concerning Far Eastern affairs emanates from D.N.B. and O.F.I., and both agencies try to put Japanese action in as favourable a light as possible.

Portuguese public opinion, which for a variety of reasons is becoming widely separated from the Press presentment of events, is wholly unfavourable to Japanese action, which is attributed to German influence both in Vichy and at Tokyo. As, however, Portugal's interests in the Far East are to-day of the slightest, the general public shows little concern about the course of events.

Swiss Trade Agreement with Germany

[FROM OUR GENEVA CORRESPONDENT]

August 6th

AFTER long negotiations, Switzerland and Germany have concluded a new trade agreement to replace the one which came to an end on July 15th. The new agreement, which is to remain in force until the end of 1942, though described as a continuation of the previous one, is different in many respects. Its main points are concerned with Switzerland's supplies of coal, iron and petrol and Swiss exports. Germany agrees to supply 200,000 tons of coal a month, most of which is needed for Swiss industry, while a small part will be used for heating purposes. Germany will also supply 20,000 tons of iron, of which 13,500 are intended for the particular use of Switzerland; this means that the remaining 6,500 tons will be manufactured in Switzerland on Germany's behalf. As regards oil, Switzerland depends on countries other than Germany, but the Germans will collaborate with Switzerland in setting up a transport plan to help Switzerland's supplies to reach her. As regards agriculture, Germany will deliver sugar, seeds, alcohol and manure, while Switzerland will send cattle for breeding and slaughtering, fruit and dairy products, and cereals if the harvest permits it.

Switzerland obtains some facilities concerning the granting of *Fahr-Geldscheine*, so that exports will be easier, and exports of watches, which were stopped several months ago, will be resumed. The prepayment of goods ordered from Germany will enable the latter to have more foreign currency at her disposal. There is no substantial change in the present system of transfers, except that a small increase has been agreed in the rate of insurance interest so as to

meet the higher administration costs in Switzerland. Some papers here remark that while Swiss investors lent their money to Germany at 8 to 10 per cent some years ago, they are now content to receive 2 per cent, the alternative being repudiation by their German debtors.

It is stated that the negotiations never left the economic sphere, and that no political pressure of any kind was placed upon the Swiss negotiators. The agreement is officially described as the best which could be hoped for under the present circumstances.

The most delicate point in the negotiations concerned Germany's balance in the Swiss-German clearing system. Switzerland should buy much more from Germany, but she cannot find there all the goods and products she needs. The Swiss authorities are now compelling industrialists to wait three months before cashing what is due to them in the clearing exchange; on the other hand, they will grant them advances, as they deem it better to export without being paid at once than to see unemployment rise, which would occur if Germany reduced her purchases from Switzerland.

Four Million Prisoners

Much concern is felt at the fate which may befall Swiss credits in Germany after the war. It is feared that they will merely be added to the four milliards of francs already frozen there. The *Gazette de Lausanne*, expressing the opinion of financial circles, says that peace is well worth another few hundred million francs. It means that Switzerland is ready to buy peace from Germany at any price. If, by losing one part of her fortune, Switzerland can obtain temporary advantages, she may resume her normal trade after the war. The position of Switzerland is a most difficult one, surrounded as she is by Axis Powers or Axis-controlled countries, which can block her completely whenever they choose to do so. Goebbels said recently that Germany had no intention of attacking Switzerland as all that was needed was the stopping of coal deliveries. The position has been well described by a German politician, who is said to have declared: "Switzerland? It consists of four million prisoners whom we need not feed."

Czechoslovakia and the New Campaign

[BY A CZECH CORRESPONDENT]

August 11th

THE Czech wireless and Press are trying daily to convince the Czechs that the Germans are fighting a crusade against Bolshevism, and that it is not a case of Germans *versus* Slavs. The Nazis feel compelled to explain why the war in the east is proceeding slowly. The *Prager Zeitungsdienst* published an article which states that, even in the last world war, the Russians showed that they were important opponents, particularly in defence, and that the present war has confirmed this experience. The Russian soldier surpasses the French and English in endurance and in scornful death. He is very resourceful in setting up ground defences and fortifications, and he has a good sense of tactics and of dealing with sudden attacks by the enemy. The Czechoslovak reads with satisfaction this praise given by the Germans to their opponents, and deduce from it that German hopes have not been fully realised.

Efforts are being made to recruit Czechs as volunteers against Russia, but appeals issued by Otto Blaha, President of the Union of Czech Veterans, had no response. The aim of his organisation, which has been put up as a rival movement to the persecuted Legionaries Organisation, is "to ensure the future of our nation within the framework of the Reich in discipline and obedience." It is ironical that the pensioned General Blaha should lend himself to this quiescent position, as another General Blaha is to be sent by President Benes from London to Russia in order to command the Czechoslovak Legion there. It will be Blaha against Blaha.

The V campaign has had some success in the Protectorate. The Gestapo arrested a large number of people and confiscated the receiving sets of others. Since the Germans have declared the letter V to be the official sign

of their own victory, the Czechs have added the letters RAF or other signs. Goebbels, cleverly, revels in Vs. The "powder tower" in Prague and many other buildings display red or white flags with a large V. At night a giant V shines over Prague. Railway engines, tramcars, motorcars, shop windows and house windows are all decorated with a V. The "Volksstrasse" is now called "Victoriastrasse," hotels, cinemas and cafés have been renamed "Victoria." The *Vecer* published an editorial on July 18th in which it is said that "V is the expression of the stalwart German will to win and the solemn manifestation of the unshakable belief in German victory." All sixteen post offices of Prague have been ordered to use stamping machines for all letters with the German and Czech inscription, "Victoria! Germany is victorious on all fronts!"

The crusade against the Soviet Union is apparently no obstacle to waging a crusade against the Catholic Church as well. The Nazis have disbanded the Emausz Order in Prague and the Order of the Brothers of Mercy, whose hospital they have seized. The monks are forbidden to wear their habits and are compelled to seek civil occupations. If they do not find any, they will be sent on forced labour to the Reich. Each week brings new kinds of persecutions against the Jews. They are being further rounded up for the labour camps, and when they have completed their compulsory labour, they are handed over to work for the families of mobilised soldiers. In Brno, they are prohibited from entering the public parks.

The food situation has in no way improved. In the fat ration, butter has been completely replaced by artificial fats. Rice is very scarce, and a special decree of the Ministry of Agriculture allows rice only to expectant and nursing mothers and to invalids. Even more rare is real coffee and tea. Coffee is only issued to hospitals and nursing homes by special permission of the district office. At the beginning of the year, tea of a very inferior quality was issued in small rations to certain cafés, but this has now been completely stopped. Farmers are urged to breed snails, which are consumed in great quantities in the restaurants of Prague, Brno and Pilsen. Wednesday and Friday are now meatless days. The Germans are very concerned about the crops, and an article in the *Narodni Politika* of July 20th, written by the Minister of Agriculture, emphasises particularly the danger of fire to crops. A decree of the Price Control Board fixes prices for agricultural machinery and implements at those current on November 1, 1940. Fear of sabotage is also evident in a new order which forbids all inhabitants to go out into the fields between 8 p.m. and 7 a.m. To meet the potato shortage, a decree dated July 19th requires an additional amount of two tons of early potatoes per hectare to be lifted and delivered between July 22nd and August 3rd.

The industrial output is slackening, and repeated appeals have been made to the Czechs to increase their output in the factories. The shortage of certain raw materials has compelled the Nazis to organise collections of scrap iron and other metals. The *Neue Tag* of July 22nd contained a half-page advertisement by the Ministry of Trade, stating that the collections must not be confined to unnecessary articles only, and that the Czechs must show greater willingness and sacrifice.

Turkey Faces the Strain of War

[BY A CORRESPONDENT]

August 11th

THE uncertain political situation in which Turkey finds itself is reflected in the economic sphere. Difficulties have arisen in the negotiating of the economic agreement for which Germany is pressing. This agreement, involving a sum of £T25 millions, was to provide for the exchange of German machinery and spare parts against Turkish tobacco, dry fruit, cereals and a small amount of chromium, copper and manganese. It is, however, understood that earlier engagements reserve these minerals for Britain. Substantial changes which have taken place in Turkey's foreign trade during the last two years make it, in fact, difficult to take up the thread of mutual trade relations where it had been cut off at the outbreak of war. Turkey's total imports dropped from £T149.8 millions in

1938 to £T118.2 millions in 1939 and £T68.9 millions in 1940, and there has been hardly any increase in the first three months of this year. Turkish exports have declined from £T145 millions in 1938 to £T111.4 millions last year, and again there has been only a slight increase during January to March this year. Substantial as this general decline is, the trade with Germany has suffered particularly severely; imports from Germany dropped from £T62.2 millions in 1938, when they reached a peak, to £T9.7 millions last year.

The Germans complain that the activities of the United Kingdom Commercial Corporation have enabled Britain to hold the first place among Turkey's customers. Before the war, it was Greater Germany that supplied more than half of Turkey's imports, while this share is now but 16.7 per cent. Great Britain, which in 1939 supplied 6.2 per cent of Turkey's imports, increased its contribution to more than 20 per cent at the beginning of this year. Similarly, Britain purchased only 3.4 per cent of Turkey's exports before the war, against 28.1 per cent early this year.

Trade with the Balkans

A special feature of Turkey's economic policy in the last few months has been the attempt to strengthen trade relations with the South-eastern European countries: Roumania, Hungary and Bulgaria. Special agreements have been concluded providing for Turkish supplies in exchange for goods from the Balkans, such as Roumanian oil for Turkish cotton. As these Balkan countries have been for some time past under complete German control, their trade, particularly supplies of oil, cannot be maintained without Berlin's consent. It may, therefore, be assumed that the Germans have tried to keep contact with Turkey through the agency of the Balkan States. This policy is being systematically continued. It is as a result of these attempts that, for instance, Roumania's share in Turkey's imports increased from 1.1 per cent before the war to over 17 per cent at the beginning of this year, while Hungary's share rose from 1 to almost 6 per cent. Germany dwells on the argument that Continental Europe participated even last year to the extent of 61 and 68 per cent in Turkey's imports and exports respectively. And since trade with the British Empire along the Basra route and the Baghdad railway has developed favourably, German propaganda tries to stress that the Black Sea and the Danube constitute the "only possible connection of Turkey with reliable trade partners," that is, with Germany. It is Turkish chromium, copper, manganese and cotton that particularly attract Germany's interest.

Shortage of Machinery

There is another side to this question. It is no longer export trade that constitutes Turkey's chief economic problem. Turkey is at present short of goods, and the question of safeguarding imports has become prominent, particularly the import of specialised machinery. Turkey's programme of industrialisation has made progress, and new projects are to be put into operation. For these and for other reasons, foreign machinery and even entire plants are needed. It is true that the industrialisation of Turkey, particularly in its pre-war stages, has been to a large extent carried out by German firms. Theoretically Germany can again supply industrial goods, but in fact they are at present urgently needed at home, and the planned large dockyard at the Golden Horn is to be equipped with British machinery. In fact, during the last few months, Turkey purchased an increasing part of her machinery from Great Britain and the United States, in spite of the difficulties caused largely by the transport shortage.

With an eye on these difficulties, and in order to be better prepared in case of war, the Turkish Government has tried to meet the requirements of the home market by increasing home production, agricultural and industrial, as far as is possible. Comprehensive state control aims at safeguarding supplies to the people and the army out of home production. This means, of course, the organisation of scarcity, as Turkey is not in a position to be self-sufficient. The Turks are, however, making increased efforts to complete their industrialisation and to develop their economy into a kind of war economy, capable of overcoming the primary difficulties arising out of forthcoming events, though not yet of supplying the whole of forthcoming requirements.

Simpler Control in Argentina

[FROM OUR BUENOS AIRES CORRESPONDENT]

June 21st

A DECREE has been made in Argentina which practically abolishes the prior permit system for imports from July 1st, and from that date allows approximately 85 per cent of the country's imports to enter without any limitation whatsoever. In his message accompanying the decree, the Minister of Finance states that, of the remainder, 11 per cent are subject to quantitative limitations of a flexible nature, while 4 per cent are temporarily suspended until Argentina's exchange position improves. The salient features of the decree are as follows:—

Article 1. "As from 1st July next prior import permits shall be suppressed except in special cases and for goods specified by the Ministry of Finance, for which purpose it will issue the necessary regulations after consulting the Exchange Committee."

Article 2. "As from the same date the Exchange Control Bureau ceases to function." (Further clauses of this article allocate the Bureau's remaining functions between the Customs and Income Tax departments and the Central Bank.)

Article 4. "The Exchange Committee will report on import exchange questions to be resolved by the Ministry of Finance, on the procedure referred to in Article 1, and on importers' claims which, under the rulings of the Ministry of Finance, cannot be settled by the Central Bank."

Article 6. "Shipping permits are suppressed except for goods the export of which must be controlled by the Customs departments under special regulations."

The preamble to the decree indicates that the step now taken is part of the gradual elimination of exchange control, and that it is made possible by the saving in foreign exchange caused by the restriction of unessential imports. It also makes clear the superfluity of the existing permit system as regards imports payable in blocked currencies. At the same time, it points out that the limitation of non-essential and luxury imports is still necessary, though subject to a certain elasticity for the time being. Meanwhile, it states, every effort should be made to replace imported by home materials.

Letter to the Editor

Member of Parliament

TO THE EDITOR OF THE ECONOMIST

SIR,—Sir Patrick Hannon's indignation with your article surprises me. I should have thought a fairer criticism of it would be that you were flogging the obvious. I seem to remember that local Conservative committees have been criticised both in the Conservative Press and at Conservative conferences for choosing candidates of wealth and rank in preference to men of ability. Is it improper for a paper to accept Conservatives' own estimates of their own shortcomings and to point out the ill-effect they have already had on Parliament and on our national policy?

Lloyd's.

Yours, etc.,

D. E. W. GIBB.

Books Received

The Future of Nations. By E. H. Carr. (London) Kegan Paul. 62 pages. 1s. net.

Strange Fighters, We British! By T. Evans. (London) Robert Hale, Ltd. 190 pages. 3s. 6d. net.

Some Factors Affecting the Supply of Milk and Milk Products in Nova Scotia. By W. J. Garvin. (Washington, D.C.) The Catholic University of America Press. 155 pages. No price stated.

A Metal Man's War-Time Diary. (Aug., 1939-Feb., 1941.) Edited by J. Cassington. (Eynsham) Quin Press, Limited. 116 pages. No price stated.

Britain Must Rebuild. By F. Pick. (London) Kegan Paul. 64 pages. 1s. net.

THE BUSINESS WORLD

Steel Supplies

WHILE steel supplies are by no means the only limiting factor in the production of armaments, in a broad sense they do condition the size of the programmes of the Defence Departments. To ensure adequate supplies of steel, it has been necessary, first, to maintain home production and imports at the highest possible level and to eliminate unnecessary exports; secondly, to adapt the structure of the industry to wartime needs; thirdly, to cut civilian consumption to the bone; and, fourthly, to practise rigorous economy in the use of iron and steel. How far have these tasks been accomplished during the first two years of war?

The task of securing the biggest volume of steel within the limits set by domestic capacity, by available overseas supply and by shipping tonnage has been one of great complexity. Before the war, in the boom year of 1937, the iron and steel industry consumed 13,943,000 tons of mainly low-grade domestic ore and 6,193,000 tons of high-grade imported ore in the production of 8,493,000 tons of pig iron and ferro-alloys, some two-thirds of which were used in the manufacture of steel. In addition, 645,000 tons of pig iron were purchased abroad. In the same year, the industry consumed 7,477,000 tons of scrap in the production of steel; but domestic supplies of scrap had to be supplemented by net imports amounting to 722,000 tons. Again, the output of crude steel in the form of ingots and castings, amounting to 12,984,000 tons in 1937 and involving the consumption of 7,477,000 tons of scrap and of 6,255,000 tons of pig iron, was supplemented by 1,394,000 tons of imported semi-finished and finished steel. In short, in a year of heavy demand, such as 1937, Great Britain had to import, not only a substantial proportion of the bulky raw materials required in the manufacture of crude steel, but also appreciable quantities of semi-finished and finished materials. Moreover, the greater part of the imports of ore and of iron and steel, and a substantial proportion of the scrap purchased abroad, came from countries which are now controlled by Germany. Thus, of the 6,950,000 tons of ore imported in 1937, 5,026,000 tons were derived from Sweden, Norway, Holland, Germany, France, Algeria and Tunisia; of the 2,039,000 tons of imported iron and steel, 1,311,000 tons came from the chief continental producers, while Holland, Belgium, France and Norway contributed 165,000 tons of scrap to the total intake of 951,000 tons.

Although alternative sources of supply of both raw materials and semi-finished and finished steel have been available, the average length of haul is greater, while shipping tonnage is strictly limited. The Steel Control was therefore faced with the need for adjusting the proportion of imports in the different stages of production, from the raw material to the finished product, in order to secure the highest possible yield, in terms of finished materials, and, above all, for expanding the domestic supply of raw materials, that is of ore and scrap. If the United States had enough semi-finished and finished materials to spare, shipping considerations would have favoured the exclusion of pig imports. But, for technical reasons, the industry in this country cannot dispense with substantial quantities of high-grade overseas ore, though the need for importing large tonnages of scrap is less imperative.

The Steel Control, therefore, had to strike a balance. Whether or not it has struck the correct balance is, of course, difficult to judge in the absence of full details. It has certainly managed to maintain the domestic output of crude steel at a fairly high level, in spite of the very considerable technical difficulties involved by the change in the composition of the raw materials at its disposal; and it has managed to secure substantial tonnages of pig iron and of semi-finished and finished materials from abroad. But it is doubtful, to say the least, whether it has gone far enough in substituting domestic for imported scrap.

In view of the heavy home demand for steel, a severe curtailment of exports has been inevitable. So far as the

Dominions are concerned, Canada, Australia and South Africa have all increased their steel-producing capacity in recent years, while India, too, is now in a position to produce substantial tonnages. Like Great Britain, these countries are now compelled to divert their domestic supplies from civilian to war purposes, while Latin American countries will have to rely largely on the United States for their essential needs. Great Britain can no longer afford to export steel, except in limited quantities to assist the war effort in the Empire and other friendly countries. In fact, exports are now well below the level of 1937, when 2,609,000 tons of iron and steel were shipped abroad.

In consequence of the steps taken to maintain home production and imports at a high level, and to cut out unnecessary exports, the total supply of steel available for consumption in this country is now probably bigger than at any time before the war; and stocks of ore, scrap and pig iron are substantial.

The change-over from the production of steel for civilian to war purposes has involved a number of structural changes in the industry, because of the different nature and composition of the finished products required. It has been necessary to adapt existing capacity to new needs and to expand the facilities for the production of alloy steels. Certain production equipment which does not lend itself to adaptation will even have to be closed down for the duration of the war. For example, the curtailment in the output of tinplate has made it difficult to employ all the mills to capacity, even though some of the works are now producing greater quantities of sheet bars, and a committee is now examining the problems of this section of the industry. The process of adaptation is by no means complete. The application of the Essential Works Order to the industry should assist the Steel Control in its effort to make the most efficient use of plant and labour.

Hardly less important than the provision of large quantities of steel and the adaptation of the industry's output to wartime requirements, is the need for an efficient system of allocation to ensure its use for the most essential purposes. Such a system has now been in operation for more than a year, and, while the original plan has had to be modified to some extent, it has served its purpose fairly well. Broadly, the Materials Committee of the Cabinet's Production Executive allocates available supplies to the various Government Departments, which, in turn, distribute their quotas in accordance with their programmes. As a result, the bulk of the available supplies are directed into the production of war goods.

Lastly, since steel supplies set a limit to the size of the armament programme, rigorous economy in its use has become vital. Here, again, a good deal has already been done by changes in specifications, designed to reduce the quantity of steel in many products or to permit the use of materials of inferior quality, by the standardisation of specifications and by the employment, where possible, of alternative materials. For example, the thickness of plates in ARP water tanks has been reduced to yield a saving of 25 per cent, by weight, while part of the huts for the War Office have been made in composition material instead of in corrugated sheeting.

In sum, therefore, the Iron and Steel Control can rightly claim to have achieved a considerable measure of success in the fulfilment of its task. It has succeeded, in the face of great difficulties, in ensuring adequate supplies of steel for the growing armament programmes of the Service Departments. True, it has not been equally successful in the solution of all its problems, and it has not yet been able to strike a perfect balance in the use of the labour, plant, domestic materials and shipping capacity at its disposal. But its record compares very favourably with that of the Mines Department, which has permitted the partial disintegration of the coal-mining industry, almost as a disinterested spectator.

Insurance Accounts

WHILE the spirit of sturdy individualism has stood the British insurance companies in very good stead in almost every respect, its application to their annual accounts is apt to cause some confusion. Apart from the need for setting out all the relevant facts in the accounts, a greater measure of lucidity and uniformity in their presentation is also desirable if the accounts are to be intelligible to all those for whom they are intended. The broad lines on which insurance accounts must be prepared are laid down by the Assurance Companies Act; but its framework leaves a good deal of scope for the exercise of originality. The draft Insurance Undertakings Bill, the work of the Clauson Committee which reported in 1927, would, if brought to the Statute Book, have produced uniformity in some, but not all, of the directions in which it is required. At present, there is such a multiplicity of variations in the treatment of certain items in the accounts that comparisons between the various insurance offices become impossible without the making of more or less arbitrary adjustments, which are calculated to cause irritation to the interests concerned, without any guarantee that in the end an accurate impression is conveyed.

If the plea for greater uniformity merely arose from a desire to compare one company's accounts with those of another, the matter might not possess great significance. The elasticity which the forms of account permit, however, not unnaturally involves the temptation to assist the revenue accounts as far as possible—as no office likes its figures to compare unfavourably with others. In consequence, the public tends to acquire somewhat inaccurate views of the profits made by insurance companies; and such views might form the basis of demands for unjustifiable reductions in rates or of resistance to necessary increases, and thus be inimical to the legitimate interests of the offices themselves. From this point of view alone, therefore, lucidity is a powerful desideratum.

Leaving aside the question of the life, annuity, capital redemption and kindred classes, which are largely self-contained and present special features of their own, the matters on which information is desirable are, first, the underwriting results in the various branches; secondly, net investment income; thirdly, capital gains and losses; fourthly, the strength of the free reserves, that is to say, the surplus of assets over liabilities; and, lastly, the appropriation of profits. These features, incidentally, are all well displayed by the form of financial statements prescribed in the United States in the so-called underwriting, investment and miscellaneous exhibits, one of the great merits of which, bearing on the first and second requirements, is the clear-cut division between the two main sources of profit and loss and the absence of any "loose" items allocated neither to the one nor to the other. There is nothing in British accountancy comparable with the American exhibits, but this is no reason why the formulæ adopted in this country should not be equally lucid. This could be accomplished if, as a matter of general practice, all underwriting charges, but no investment revenue, were included in the departmental accounts, and if the profit and loss account were confined to the joint functions of investment exhibit and appropriation account.

It is here that the varying treatment of certain items of expense is encountered. These items fall under three main headings: first, "expenses not charged to other accounts"; secondly, pensions; and, thirdly, overseas taxation. The first heading comprises a number of charges such as directors' fees, ARP expenditure and certain head office expenses of a general nature, including the cost of administering central departments not concerned with the transaction of any one class of business. These expenses are, nevertheless, a definite element in the cost of conducting insurance business, and there seems no reason why they should not be susceptible of reasonably accurate allocation between underwriting income, on the one hand, and investment income, on the other—the former being a charge against the respective trading accounts, and the latter against interest receipts. If these miscellaneous expenses were properly allocated, there would figure in the profit and loss account only the investment proportion, which would appear as a deduction from gross interest.

Allocations to pension reserves, superannuation funds, widows' funds and the like, coming under the second heading, could readily be dealt with in the same way, for there is no logical reason for treating these charges separately from salaries, since the latter would doubtless require to be higher if pensions were not the rule. The system in use by many offices of allocating sums to pensions reserve from the apparent profits of the year seems to be an anachronism handed down from the days when pensions were conferred by the directors as acts of grace. But nowadays, when pension arrangements are for the most part clearly defined—even if not resting on absolute rights—the cost is analytically inseparable from salary charges. The third group of expenses, that is overseas taxes, are debited by some companies to underwriting and by others to profit and loss. The former procedure—which is that laid down in the draft Insurance Undertakings Bill—seems the most logical, since these levies must be taken into account in order to arrive at the true underwriting profits for the purpose of the accounts as published. British income tax on underwriting profits is in a different category and is uniformly shown in profit and loss.

There is also some divergence (affecting the first and second desiderata) in the treatment of interest earnings on departmental funds in the non-life accounts. The majority of offices do not include such interest in calculating their underwriting profits and, as no allowance is made for this extraneous source of income in computing rates, this would appear to be the correct course. Nevertheless, a case can be made out for the minority practice (which is prescribed in the draft Insurance Undertakings Bill) in the case of certain types of risk where the reserves held against outstanding claims may attain substantial proportions. But some offices include interest, not only on reserves necessarily held against departmental liabilities (a large part of which must be kept in the form of cash), but also on any additional or catastrophe reserves; and, as it would in any case be very difficult to arrive at anything in the nature of a common denominator holding good for all offices, it seems best, for this reason also, to treat all interest earnings as investment income.

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ASSETS EXCEED £35,000,000



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The Canada Life in its 94th Year

OUTSTANDING FEATURES of the COMPANY'S REPORT for 1940.

The net new life assurances completed in the year amounted to £7,480,851. Of this, £997,015 was written in the United Kingdom and in Eire. In addition, the sum of £543,519 (£366,461 in the United Kingdom and Eire) was received by way of single premium annuity considerations.

Income from all sources amounted to £7,372,824. Payments to Policyholders and annuitants and sums paid as a result of death claims totalled £5,097,886.

The rate of interest earned on the funds of the Company was £4 1s. 2d. %

The assets at the 31st December, 1940, amounted to £56,626,744.

Special reserves and surplus funds increased to £2,774,228.



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In order to establish capital gains and losses and to calculate the surplus of assets over liabilities—the third and fourth desiderata—some uniformity in methods of valuing investments is greatly to be desired. The test of market values of Stock Exchange securities is a severe one, and may not be relevant to life and kindred classes of business, but, in the non-life branches with which this article is mainly concerned, every office of standing must meet this requirement. Mortgages and other property investments are not held to any material extent against non-life liabilities, so that the difficulty of securing uniformity in matters of property valuation is not important. If the offices were to adopt the practice of showing in their accounts the market values of their Stock Exchange securities as well as the book values, instead of masking the market values by revealing book values only, with a certificate to the effect that the investments are fully of the value stated, less this or that reserve taken into account, this would be of considerable value; only then would it be possible to gauge the true financial strength of any insurance institution. The liabilities side of the balance sheet is also important. There are differences, for example, in methods of calculating the reserves for unexpired risks and reserves for outstanding claims. Uniformity here cannot be otherwise than difficult of achievement: there may be reasons, best known to the offices concerned, why the ratios of these reserves to premium income should be higher or lower than the average and, if this is so, insistence on uniformity would serve no useful purpose.

Concerning the fifth requirement—an informative appropriation account—the adoption of the foregoing suggestions would greatly simplify matters, since if all “loose” items were eliminated, the profit and loss account, in addition to the underwriting profits and losses transferred from the individual revenue accounts and the investment items, would normally show only bad debts, debenture interest and dividends. At present, some offices do not carry all their underwriting profits to the profit and loss account, but leave some part to strengthen the additional reserves in the departmental funds. The better course would be to transfer

the full profits and make any allocations to additional reserves from the total sum available for distribution. Secondly, not all offices make full provision for dividends in the current year's accounts; it does not appear greatly to matter which procedure is followed, so long as there is uniformity, and the unappropriated sums carried to the balance sheets do not mean one thing for one office and another thing for another office.

Reference may also be made to the varying treatment of business written through subsidiary companies. Some parent offices treat their subsidiaries purely as investments and include the dividends paid by the subsidiaries in the interest income in the profit and loss accounts. Others combine the business of the subsidiaries with the figures of the parent company in the publication of consolidated accounts; and there can be no doubt that the latter method is in every way preferable. The result of the first method is that there is no effective separation between the investment and underwriting incomes of the subsidiary offices in the accounts of the parent company—and no means of ascertaining how far, if at all, credit has been taken for the goodwill attaching to the business of the subsidiaries, an undesirable practice in any case.

These are some of the main problems with which the student of insurance accounts has to contend; the suggestions for their solution are advanced as a basis for discussion. Reasons have already been adduced urging the importance of accuracy and uniformity, not only for the benefit of shareholders and policyholders, but also in the interests of the companies themselves. The insurance industry has shown an ability to co-operate on many issues; it should not be impossible for the principal offices to agree upon a set of accounting formulae and rules which, by convention, would become binding on all. It is to their skill in avoiding pitfalls, both in the field of underwriting and in that of investment, that the British offices largely owe their success; and it would be a pity if, by, say, excessive Government control, anything were ever done which would take away from the offices that sense of responsibility which is the life blood of the business.

Finance and Banking

Legalising the Fiduciary Issue

To provide the legal authority for maintaining the fiduciary issue at its present level, a new Defence (Finance) Regulation was necessary which has been made this week. In January, 1939, the fiduciary issue was temporarily raised from £230 millions to £400 millions by the large transfer of gold to the Exchange Equalisation Account, and then reduced two months later, by the revaluation of the Bank's gold holding at market price instead of the old statutory price, to £300 millions—the statutory maximum under the Currency and Bank Notes Act, 1928, as amended. Like the two subsequent increases of £50 millions, the increase to £580 millions on the outbreak of war, when the Bank's remaining gold was transferred to the Exchange Account, was authorised by Treasury minute, and, as is known, may not be extended for more than two years from the date on which it was originally made, without Parliamentary sanction. Fresh authority was consequently necessary to continue this increase beyond September 5th. The new Defence Regulation substitutes for this date either September 5, 1943, or the date on which the regulation ceases to be in force, whichever is the earlier. Since the regulation, unless previously revoked, will remain in force until the expiration of the Emergency Powers (Defence) Act, the £580 millions fiduciary issue is in effect regularised for the duration of the war. Any future increase in the issue will, however, be made by the normal machinery laid down by the Currency and Bank Notes Act—that is, by Treasury minute to be laid before Parliament—and not by emergency decree.

Still Tighter Credit

This week's decline in the note circulation—after four months of expansion to successive record levels—suggests that the necessity for any further increase in the fiduciary issue should not now arise until the final weeks of the year. Though the reflux of £2,802,000 is considerably less than in the corresponding week last year, any upward movement contrary to the seasonal trend, which seemed to be

threatened by last week's increase on the holiday peak, no longer seems probable. Notwithstanding the rush of last-minute applications for National War Bonds, which have prolonged the severe immobilisation of funds in public deposits, no steps have been taken to mitigate the resulting credit stringency by any appreciable expansion in the credit base. In contrast with last week, there has been no suggestion of any special bill purchases by the banks in replacement of shorter maturities sold to the authorities. Clearing bank buying has indeed been at a virtual standstill, which is perhaps hardly surprising in view of the call on the banks for £15 millions of Treasury deposits even though no receipts were maturing. The restricted outlet for bills has had the greater tendency to cause stringent credit conditions because the market has had to finance a comparatively generous Treasury bill allotment resulting from the decline in total applications—its own indirect result of the rush to secure National War Bonds before the issue was withdrawn. Altogether, the market has had a far from comfortable week.

China Currency Board in Action

Following the recent appointment of Mr E. L. Hall-Patch as the British representative, the new Chinese Currency Stabilisation Fund to administer the sterling and dollar credits has at last started operations. Its initial intervention was particularly well-timed, having served not only to restore some reality to the Shanghai foreign exchange market, but also to bring about a recovery in the Shanghai dollar. Before the Fund intervened, the market rate for sterling had fallen as low as 2½d. The official rate has been fixed as high as 3½d., though the merchant rate in the market remains in the neighbourhood of 3d. Under present conditions, the fixing of rates above the market level would be calculated to cause a severe drain on the Fund's capital resources in anything like a free exchange market. It goes without saying, therefore, that exchange will not be available at these rates to all comers, but only for certain permitted transactions, which include payment

for *bona fide* imports into China from the United States and the sterling area, personal expenditure, and genuine (as distinct from speculative) contractual obligations. In discriminating between applicants for exchange, the control will be assisted by the recent freezing orders, since each applicant is required to make a separate application. Quite apart from the need for discrimination on political grounds and to conserve resources, a selective policy would have been imposed by the conditions under which the sterling credit was originally granted. It will be recalled that support of the Chinese currency was to be made dependent on suitable arrangements to ensure that the sterling released does not find its way to the free market for conversion into dollars, thus involving the British Treasury in a loss of gold. For the time being, decisions as to the granting of exchange will be made on behalf of the Stabilisation Board by the various British and American banks in the Far East. The fact that the Hongkong and Shanghai Banking Corporation is prominent among these banks is sufficient refutation in itself of the Japanese report that this bank is closing its Far Eastern branches, which has been emphatically denied by the chief manager.

£10 Millions Credit for Russia

Full details have not yet been made known of the £10 millions credit to the U.S.S.R. granted in connection with the new barter agreement. It may be assumed, however, that the present credit will not give rise to any issue of securities similar to the Soviet Government 5½ per cent five-year sterling notes, guaranteed by the British Government and issued in connection with the £10 millions export credit in 1936, of which some £8 millions are held in the money market. On the present occasion, the rate of interest has been fixed at only 3 per cent for an average period of five years. The sum of £10 millions is clearly not intended to set a limit to British supplies to the Soviet on credit, for it is stated that when the present credit is exhausted the two Governments will enter into negotiations for a further amount. No change is expected in the existing sterling-rouble exchange rate, which is based on the rate for free sterling in New York. It is understood that this rate will be used for the computation of accounts in both directions.

Banking and Production

British bankers may find food for reflection in the information contained in the latest Federal Reserve Board Bulletin about the part being played by the Reserve Banks in the American production effort. The co-operation between the Reserve System and the Office of Production Management (the equivalent of the British Ministry of supply) seems to be developing far beyond ordinary banking relations. An official of each of the twelve Reserve Banks and their twenty-four branches has been appointed Defence Contract Officer, with the duty, on the one hand, of co-operating closely with the Defence Contract Service, the branch of the OPM concerned with contracts, and, on the other, of assisting banks and contractors on all financial problems arising out of the defence programme. But more important, the Defence Contract Service has established an office at each of these thirty-six Reserve Banks with a co-ordinator in charge and a manager and technical staff with engineering and industrial experience. The function of these officers and staffs is to help “bring

together primary contractors and sub-contractors and to furnish small and medium-sized local producers with the wide variety of information they need in filling Government orders for defence goods.” Furthermore, the Priorities Division of the OPM is also establishing offices at a number of the Federal Reserve banks and branches to help and advise manufacturers on all “priority” questions. This organization seems thus to be designed to do very much the same work as is being undertaken in this country by the Area Boards and Capacity Clearing Centres of the Production Executive. There is here a wider conception of the function of central banking than has so far gained any hold in this country.

Anglo-Japanese Clearing

Japan was one of the few countries with which this country was unable to conclude a payments agreement, similar to those concluded with most Latin American countries, for the purpose of tightening the exchange control through the establishment of special sterling accounts. During the era of appeasement in relation to Japan, the Treasury did not insist upon the conclusion of such an agreement, and did not carry out its threat made in June, 1940, that compulsory exchange clearing would be imposed on any country which was not prepared to fall in line with the system of special accounts. The blocking of Japanese assets in this country has now created a new situation. It precludes the possibility of paying out of the existing Japanese balances for such exports to Japan as may be authorised. For the purpose of financing the limited trade which the two Governments intend to agree upon, arrangements are being made for the establishment of an Anglo-Japanese clearing account. The proceeds of goods to be imported from Japan under licence will be paid into that account, and these funds can only be used for payments for licensed exports to Japan. Export licences will be granted for approved goods only within the limit of funds available on the clearing account.

Plunder Indices

The figures of the weekly returns of the Netherlands Bank, which continue to be published, constitute a characteristic though by no means complete index showing the progress of the plunder of Holland by Germany. During the week ended June 30, for instance, the note circulation reached a new high level at 1,700 million guilders. The bank's holding of foreign bills increased by 24 million guilders to 308 million guilders. This item consists almost entirely of Reichsmark bills. A year ago it amounted only to 300,000 guilders. During the same week the item of “sundry accounts” increased by 7.7 million guilders to 219 million guilders, against 17 million guilders a year ago. This item, too, represents Reichsmark claims. An increase in the Netherlands Bank's claims against Germany by 31.4 million guilders in a single week gives some idea of the pace of the exploitation of Holland by Germany. Reichsmark claims arise not only from the “favourable” trade balance in relation to Germany, but also from various payments which the Netherlands Bank is compelled to make on German account, such as the payment of interest to Dutch holders of German loans and payment of wages to the families of Dutch workmen working in the Reich; and payment of wages to Dutch workmen engaged in Dutch industries working for Germany.

Investment

Equities for Choice

Although the announcement of the Churchill-Roosevelt meeting at sea and the eight-point declaration did not provide markets with a bull point, last week's close was generally firm. The current week has seen a marked crudescence of buying for post-war recovery, in which even such a war casualty as the retail stores group has shared to the full. Other sections, in particular shipping and textiles, have profited from encouraging company news. The *Financial News* index of industrial shares, which touched 78.0, the highest level since March 18, 1940, at the end of last week has made further moderate progress. While industrial equities undoubtedly held most

of the investor's attention, as representing both a war-time inflation hedge and a prospective share in post-war prosperity, the gilt edged market was firm. The announcement of the Canadian stock requisition provided a background of buying and, on Monday, the overdue recovery in undated funds was initiated by marked support for Old Consols and Local Loans. The home rail market has enjoyed a boom which, although it appears to be founded on optimistic forecasts of Government policy regarding the future of the agreement with the railway companies, is nevertheless backed by the knowledge that the railways are working to capacity. Turnover was not large, but share prices have generally reflected an atmosphere of purposeful confidence.

Canadian Stocks Acquisition

The announcement at the end of last week that, under a new Acquisition Order, five Canadian sterling securities to an outstanding total of £35,467,883 were to be transferred to the Treasury, raises an important point of principle, first brought to public notice when certain Indian Government stocks were "called up" earlier this year. Under the Securities (Restrictions and Returns) (No. 2) Order, 1941, owners of the following securities are required to reduce their holdings at the Bank of England in order that the Treasury, under the Acquisition of Securities (No. 4) Order, 1941, may acquire them on the terms specified:—

	Price per £100 Nominal £ s. d.	
Government of the Dominion of Canada 4 per cent. Registered Stock, 1953-1958 £15,000,000	110 12 11	
Government of the Dominion of Canada 3½ per cent. Registered Stock, 1950-1955 £10,000,000	104 2 5	
Government of the Dominion of Canada 3½ per cent. Registered Stock, 1958-1963 £10,000,000	104 2 5	
Government of the Province of Ontario 4½ per cent. Registered Stock, 1945-1965 £151,170	105 7 6	
Government of the Province of Ontario 4 per cent. Registered Stock, 1947-1952 £316,713	105 2 6	

The terms are based on current market prices, plus allowance for interest during the interval of approximately seven weeks to the due date of payment. Presumably, the object of calling up sterling securities, which earn no dollars, is to enable the Canadian Government to utilise its accumulating sterling balances in London in the extinction of its debts. The two Province of Ontario stocks represent quite a small part of the total. It is incontestable that, in wartime, every investor holds his securities—or, for that matter, his business interests, and his assets generally—at the disposal of the authorities for the successful prosecution of the war. Under the relevant Defence (Finance) Regulation, the authorities can take over securities if they are "of the opinion" that calling up is "expedient . . . for the purpose of strengthening the position of the United Kingdom." The question arises, however, whether the compulsory repayment of securities which, under the terms of the bond on which the money was originally subscribed, have a definite and somewhat distant range of repayment dates, is a precedent which ought to be widely followed. The process of imposing involuntary and premature liquidity on holders who may have arranged their portfolios on a time-table determined by their own contractual engagements (from which they have no power of release) will obviously involve a good deal of hardship if carried to a point at which no holder of a dated sterling stock to-day can feel sure that he will not be a holder of cash to-morrow.

Treasury Borrowing Policy

Further consideration has tended to confirm the market's view that the Treasury's wish in turning off the tap for 2½ per cent National War Bonds is simply to make subscribers go "as long" as possible. In practice, this principle must always be modified to suit particular borrowers who cannot, from the nature of their own engagements, lock up their resources for more than a given time. Insurance companies, for example, have maturing policy liabilities, while banks must maintain a relatively liquid position both immediately and in the medium and long run. On the other hand, the banks have expenses to match their increasing deposits, and may be presumed to be anxious, where possible, to earn more than the 1½ per cent obtainable on Treasury deposit receipts. At present, they are somewhat abnormally liquid; during the past year the ratio to deposits of the four most "liquid" types of assets of the clearing banks has risen from 33% to over 38%. The Treasury may well have assumed that the opportunity for gently propelling them into increased holdings of "longs" should not be missed. The opportunity, of course, is temporary and fleeting, and to maintain for any indefinite period a policy of Treasury financing (other than short-term) by means of tap issues alone, and those exclusively long-term, would not only inflict hardship, but would largely defeat its own purpose. When the medium tap is turned on again, the Treasury may well choose to issue, not a bond with reduced interest, but one with a longer life than its predecessors. Fractional reductions in interest rates

matter little to the Exchequer, with income-tax at its present level, while well-spread maturity dates mean a great deal. A new series of bonds, extending say, to 1950, would not be over long for investors and institutions, who presumably already hold earlier War Bond maturities, but wish to have their capital free within a limited number of years after the end of the war. And it would suit the Treasury very well, since the years around 1950 are not congested with other debt maturities, whereas from 1952 onwards the possibility of converting approximately £2,000,000,000 of 3½ per cent (ex 5 per cent) War Loan to a still lower rate of interest may be occupying the serious attention of the authorities.

Company Notes

Wiggins, Teape Earnings

The full accounts for the Wiggins, Teape group show a rise in gross trading profit for 1940 from £1,385,647 to £1,499,912, and in aggregate profit from £708,319 to £802,518. Since the volume of trade enjoyed by the group was reduced by the raw material shortage which followed the German occupation of Norway, these results appear highly satisfactory. The profits of the parent company are up by more than £80,000 at £594,088. The fall in equity earnings of Wiggins, Teape from £214,119 to £118,079 is due to an increase in liability for income-tax and EPT from £135,150 to £278,819, to the strengthening from profits of reserves against bad debts and to the necessity of providing £33,600 for war damage insurance. In 1940, surplus earnings at a rate of 7.0 against 15.5 per cent provide narrow cover for the ordinary dividend reduced by 1 to 7 per cent, the carry forward being £129 higher at £52,153.

	Years to December 31.		
	1938	1939	1940
<i>Consolidated figures:</i>			
Gross profit on trading	1,134,049	1,385,647	1,499,912
Aggregate profits	523,377	708,319	802,518
Subsidiary charges	74,869	194,595	208,430
<i>Parent Company:</i>			
Profits*	448,508	513,724	594,088
Taxation, etc.	64,195	137,650	314,919
Debt interest	66,364	65,545	64,680
Preference dividend	96,410	96,410	96,410
<i>Ordinary stock:</i>			
Earnings	221,539	214,119	118,079
Paid	168,500	134,800	117,950
Earnings %	14.0	15.5	7.0
Paid %	11.0	8	7
Reserve	53,000	80,000	—
Carry forward	52,705	52,024	52,153

* Profits including amount of provision for share of loss in a subsidiary company no longer required: 1938, £1,561; 1939, £21,225.

† Income tax, E.P.T. and N.D.C., income tax equalisation reserve, transfers to reserve against trade investments and against shares in subsidiary company; war damage contribution, 1940, £33,600.

‡ Dividend 8 per cent., cash bonus 2 per cent.

It is satisfactory that both the company's balance-sheet and the consolidated statement show stocks, conservatively valued, in excess of the 1939 holdings, at £358,707, against £317,979, and at £1,618,699, against £1,479,962 respectively. Cash holdings for the group are more than doubled at £733,274, and Government securities are up from £2,500 to £27,771. Total specific reserves are reduced from £170,571 to £155,846, in part through provision of war damage insurance to December 31, 1939, from these funds. The excess of liquid assets over current liabilities is rather higher at £2,208,636, against £2,154,328. There is little doubt that the greatest difficulty for the group last year was scarcity of raw materials, and it is probable that there was a marked expansion in the demand for certain types of product, including photographic base papers for official use. The £1 ordinary stock, at 28s. 9d. ex dividend, yields £4 17s. 4d. per cent.

Bradford Dyers' Preference Payment

The announcement that Bradford Dyers are to pay off five years of preference arrears to December 31, 1937, created an immediate revival of interest in textile issues.

The company's £1 ordinary stock, on which a dividend is, of course, still out of sight, put on 7½d. to 6s. 10½d., while the 5 per cent. cumulative preference stock improved 2s. 1½d. to 15s. 9d. The full accounts for 1940 show profits of £373,857, against £233,556, after depreciation of £160,336 against £142,625. The company's tax liability is not disclosed and the accounts throw no light on the E.P.T. position. After meeting debenture service and allocating £60,000 for war damage insurance, £269,186, against £187,370, is earned for dividends. Since the payment of five years' preference arrears requires £318,655 net, there is a draft on the carry forward, which is reduced from £50,143 to £674. A total of £10,755 from surplus on redemption of debenture stock and profit on sales of investments is transferred directly to capital reserve account, and investments contingency account, raising the funds to £75,619 and £92,294 respectively. A satisfactory feature of the accounts is the improvement in the company's cash position. Cash holdings are up from £152,271 to £390,453, and the total of marketable investments and deposits with building societies at short notice from £139,599 to £362,648. With stock more than £170,000 higher at £621,046, the surplus of liquid assets over current liabilities is raised from £900,239 to £1,272,993. It remains uncertain whether the company will be able to eliminate preference arrears from January 1, 1938, in the current year, since raw material and labour difficulties must be expected to increase. The company should, however, be assured of a prominent position in the supply of the home market.

Hudson's Bay Ten Year Record

The full accounts of Hudson's Bay Company in the year to January 31st last show improved earnings in the trading department and reduced profits in the land department. Total income from trading rose strikingly from £458,155 to £703,520, but, after allocating the usual £150,000 to depreciation and meeting United Kingdom and Canadian taxation of £486,123 against £228,493, the surplus for ordinary dividends is down from £19,769 to £12,804. Thus, the 1 per cent dividend, less tax at 7s. 4½d., is not fully earned, and the carry forward is reduced from £97,227 to £94,299. Owing to a fall in total receipts in the land department from £88,914 to £79,500, the 1½ per cent dividend tax free is also not completely covered by the year's earnings and the carry forward in this case is down from £17,377 to £13,658. The main factors affecting the rise in gross trading income have been the excellent results of large retail stores, the success of the wholesale department's business, and the possibility of, to some extent, transferring the fur trade business from the United Kingdom to the United States. The land department suffered from a decline in the average sale price per acre from £1 11s. 6d. to £1 6s. 7d., and in the number of acres sold from 51,596 to 47,519. The wheat crop in the Prairie Provinces was a record since 1928. The total payment to proprietors of some 3.4 per cent less tax provides a yield of £2 15s. 6d. per cent at the present price of 24s. 6d. ex dividend for the £1 ordinary stock.

The latest accounts include the resolutions to be submitted to the Annual General Court by Mr C. L. Nordon, one of the proprietors, and of the Governor's reply. It is clear that Mr Nordon's complaint that losses of £3,458,084 have been incurred between 1931 and 1940, and that total distributions to proprietors have amounted to £161,994 against total remuneration, plus income tax thereon, to the London and Canada committees of £145,106 can be easily rebutted. The first charge, with its implication of incompetent management, obscures the fact that the board, which took office in 1931 in the depths of the great depression, has succeeded very substantially in pulling the chestnuts out of the fire. Thus, a loss before depreciation of £648,865 in 1930-31 was turned into a profit before depreciation and taxation by 1933-34, which reached a total of £696,177 by 1940-41. The total payment to proprietors was in fact £186,916 gross on trading account, plus £124,611 on land account. Mr Nordon's proposals for reorganisation of the company's management, which in fact amount to a vote of no confidence, appear to be curiously ill-timed. Resolution 2, which contains a plea for more informative accounts, should be taken more seriously than the others. The current accounts do in fact contain a full and important statement of the company's investments and of the

set-up of departments and subsidiaries, and there is no doubt that the accounts would be strengthened if the provision of similar information were made a permanent feature.

W. T. Henley's Accounts

The full accounts of W. T. Henley's Telegraph for 1940 do not add substantially to the information contained in the preliminary statement, discussed in *The Economist* of August 2nd. Total profits, after tax, are down from £415,204 to £400,484; a moderate fall which suggests that the gross figure shows a definite improvement on that of the previous year. Depreciation receives £69,918, against £61,246, leaving equity earnings at £311,566, against £331,353 to provide cover of 27.9 per cent for the total ordinary distribution maintained at 20 per cent. In place of the usual allocation of £100,000 to general reserve, war contingencies reserve receives £50,000, so that, after deduction of a £3,500 bonus to directors authorised at the 1940 general meeting, the carry forward is raised from £380,831 to £382,397. The following table indicates three years' trend of earnings and allocations:—

	Years to December 31.		
	1938	1939	1940
Profit	445,159	415,204	400,484
Expenses, fees and pensions	13,605	13,605	10,000
Depreciation	61,012	61,246	69,918
Preference dividends	9,000	9,000	9,000

Ordinary stock:—

Earnings	361,542	331,353	311,566
Paid	260,000	260,000	260,000
Earnings %	30.8	28.8	27.9
Paid %	20†	20†	20†

Reserve	100,000	100,000	£50,000
Carry forward	411,894	£380,831	382,397

† Including 5 per cent. cash bonus.

‡ After charging £2,416 net loss on sale of trustee securities.

§ War contingencies reserve.

The balance-sheet shows a provision for deferred repairs of £7,400, special depreciation and general reserve remaining at £26,753 and £500,000 respectively. Fixed assets amount to £1,258,815 after additions for the year of £171,433. Liquid assets are depleted by the sale of £93,081 of Government securities, and cash is slightly lower at £132,419, against £150,480. These reductions have helped to finance a rise in stock of £174,992 to £1,071,110. The company's profit position continues to show great stability under war conditions, a fact to be attributed to its satisfactory EPT standard, as well as to the steady demand for its electrical output. The 5s. ordinary stock, at 21s. ex dividend, yields £4 15s. 3d. per cent.

Royal Mail Progress

Royal Mail total profits in 1940 followed the general upward trend of shipping earnings with a rise from £995,005 to £1,102,457. Since taxation and general expenses were rather lower at £338,372, against £356,950, while fleet depreciation absorbed £345,000, against £325,000, the greater part of the increase was passed on to equity earnings, which rose by £98,148 to £378,377. In the absence of a final dividend, the ordinary stockholders receive 5 per cent, as in the three previous years, the rate of cover rising from 11.2 to 18.9 per cent. Of the surplus, £100,000 goes to Fleet Replacement Account, £60,000 is written off investments, and the carry forward is raised from £14,344 to £132,721. No doubt the decision not to raise the ordinary distribution is due largely to the fact that the increase in profits was earned mainly in the first half of 1940, before the entire fleet was absorbed into the Government Liner Requisition Scheme. The balance-sheet shows that the problem of post-war fleet replacement is being taken with due seriousness. The chairman, Lord Essendon, points out in his statement that £1,973,000 has been transferred from available surpluses to Fleet Replacement Account, bringing the total to £3,298,000. Book value of fleet after depreciation is up from £4,601,900 to £4,943,600; the amount at the company's credit under the terms of the Government tonnage replacement agreement stands at £317,825, and loans guaranteed by the Ministry of Finance of Northern Ireland secured against vessels building, are up from £957,000 to £1,143,000. A substantial rise in creditors and taxation from £425,000 to £1,319,000 has been exceeded by a jump in debtors, including amounts owed on Government account, from £718,000

to £2,165,000. Thus, the liquid position is highly satisfactory. The directors have invested £1,450,000 in National War Bonds since the date of the previous accounts, bringing the total of investments to £1,992,637—market value £1,999,378—and cash holdings are up from £395,000 to £522,327. After the rise of recent weeks the £1 ordinary stock, at 21s. 9d., yields £4 11s. 11d. per cent.

* * *

Beechams Pills' Fresh Progress

For the second year in succession, gross income of Beechams Pills to March 31st reached a record level at £1,085,893 against £1,055,615. A rise in tax liability from £469,018 to £695,282 accounts for the fall in equity earnings from £443,847 to £263,986, representing a rate of 32.5 against 46.1 per cent. Special development expenditure of £522,327. After the rise of recent weeks the £1 ordinary sum being transferred back from the free surplus. Thus, the carry forward is raised from £104,593 to £106,031.

Taxation for the group as a whole in the second complete year since the acquisition of Macleans and Eno Proprietaries and the first since the acquisition of County Perfumery, amounted to £1,003,785. The value of the accounts is somewhat impaired by the absence of a consolidated balance sheet. The company's balance sheet shows no important changes. Expenditure of £25,220 has reduced the reserve for cost of merger to £70,609, and bank overdraft has increased from £150,000 to £225,000. The group is fortunate in the absence of its dependence on export markets in Europe. Sales have increased in the Empire and the American continent—and in the home market, where the maintenance of retail prices has no doubt continued to assist sales. Unfortunately, there is still no information regarding the fixing of retailers' margins. The balance sheet still shows goodwill and formulae valued at some £939,000. It remains to be seen whether the coming into force in July, 1942, of the provisions of the Pharmacy and Medicines Act, stipulating declaration of constituents, will fully justify this valuation. The 2s. 6d. deferred shares, at 9s. 6d., yield £7 12s. 3d. per cent.

THE STOCK EXCHANGES

London

Note.—All dealings are for cash.

DESPITE some profit-taking at the close of last week, the undertone throughout remained firm. The requisitioning of Canadian stocks led to some improvement in undated gilt edged issues. Home rail stocks enjoyed a boom, in anticipation of the new agreement. Elsewhere, the tone generally remained firm, while among industrial equities, textile, shipping and brewery issues continued to attract demand.

The gilt-edged market closed quietly at the week-end, 3½ per cent Conversion and 3 per cent N.D. Bonds declining ½, and Local Loans gaining the same amount. The Canadian requisitioning order occasioned some improvement in undated issues on Monday, 2½ per cent Consols and Local loans gaining ½, and 4 per cent Consols ½. Later, the market remained firm with prices rising moderately in response to strengthening demand for irredeemable stocks. In the foreign bond market, Brazilian bonds were supported by sinking fund operations, while Peruvian issues were strong, 6 per cent debenture stock rising 2 points on Tuesday. Chilean bonds were dull on Monday, and Japanese stocks showed intermittent weakness. French railways improved both before and after the week-end.

In the home rail market, optimistic rumours regarding the future of the agreement between the railway companies and the Government promoted a boom which provided one of the brightest features of the week's trading. Among ordinary stocks, Great Western ordinary put on 1½ on Monday followed by 2½ the next day, when Southern pref'd. gained 3½ and Southern def'd. ½. There was also lively trading in the senior issues, "Berwick" 5 per cent preference, 1955, led the market on Tuesday with a gain of 3 points while LNER 4 per cent first preference and LMS 4 per cent preference 1923 and 5 per cent Red. 1955 also enjoyed substantial gains. In midweek, profit taking caused prices to close below their best, LMS ordinary, exceptionally, easing ½.

The recent revival of support for Argentine railways continued to make headway.

Brewery shares continued to attract investors in the industrial market, Mitchells & Butlers, Watney def'd., Benskins, Charrington among others all registered good gains before and after the week-end. On Tuesday, Guinness and Ind. Coope reacted through profit taking. Small gains were general in the motor and aircraft group, although on Tuesday Morris and Hawker Siddeley moved against the trend. The heavy industrial group saw the revival of a speculative demand for coal issues, Bolsover and Wm. Cory improving at the beginning of the week. Richard Thomas preference was in demand, and, despite some irregularity, prices were generally higher. There were few features in the miscellaneous section, Boots and ICI being sold in a small way. The stores section reacted favourably to the interim announcements although Harrods eased after heavy buying at the close of last week. Shipping shares were encouraged by the

Royal Mail accounts and the resumption of preference payments by Bradford Dyers promoted a moderate boom in textile issues. General losses among the leading tobacco issues at the end of last week were reversed.

Turnover was small in the mining and commodity share markets. *Kaffirs* moved irregularly, Blyvoor improving before the week-end and Johnnies, Venterspost and West Wit Areas in early part of the current week when E. Daggas and Springs eased ½. The rubber market showed no response to the increase in the quota, remaining largely under the influence of Far Eastern military developments. Price changes consisted mainly in fractional losses which extended to Rubber Trust, Malayalam and Sendayan. The oil market was uneasy at the prospect of renewed tension in the Middle East, Anglo-Iranian ordinary losing ½ on Monday. "Shell" Transport, however, made good an early loss of ½ and both Trinidad Leaseholds and Attock were in demand.

"FINANCIAL NEWS" INDICES

	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	
1941.			30 Ord. shares*	20 Fixed Int.†
Aug. 14...	3,088	+2,342	77.7	130.0
" 15...	2,869	+2,292	78.0	129.9
" 18...	3,713	+2,475	78.1	130.1
" 19...	3,167	+2,333	78.1	130.2
" 20...	3,262	+2,387	78.4	130.5

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1941 highest, 78.4 (Aug. 20); lowest, 66.8 (Apr. 24). 20 Fixed Int., 1941: highest, 130.5 (Aug. 20), lowest 126.1 (Jan. 2). ‡ Excluding "Stop Prices" bargains.

New York

SENTIMENT remained hesitant on Wall Street before the week-end, with dealers generally awaiting repercussions to the Roosevelt-Churchill Eight Point Declaration. Turnover fell away to an exceptionally low level and there was little revival during the current week. Price changes were narrow and trendless in most sections, although, on Tuesday, there was some steady support for aircraft and rail stocks. Motor issues were out of favour and steel issues barely steady. In midweek, turnover improved and steadier trading raised prices up to 1 point.

The Iron Age estimates steel mill activity at 199.5 per cent of capacity against 98.5 per cent in the previous week.

(Continued on page 250)

Industry and Trade

A Production Crusade

The clogging force known as economic friction is at its most conspicuous in war, when changes in demand and supply conditions are frequent, sudden and unpredictable. To the individual observer, its effects are indistinguishable from those of inefficiency, and for the sake of the effect on foreign propaganda, he is therefore officially encouraged to give the benefit of the doubt when he encounters what appear to be cases of gross misuse of the nation's resources. Yet Britain cannot hope to win the war until its productive capacity is being used to the full, a state of affairs from which, as the National Expenditure Committee has pointed out, it is still somewhat distant. A constructive suggestion which merits examination has recently been put forward in a City firm's circular. It involves no washing of dirty linen in public, but suggests an organised drive, on the lines of the National Savings Campaign, to keep the question of production alive in every district. "At present," the author of the circular pithily remarks, "we are in danger of believing that it is more important for Little Puddlecombe to scrape together enough money to 'buy' a tank than for it to make sufficient effort to produce one (or to achieve whatever its part in war production happens to be or could be). Let us tell the truth about national savings, and abandon the pretence that they are part of the mechanism of production... Let the Government make the public really understand that the one paramount goal is the maximum of war production, which must be achieved at all costs." Recognising that a drive on these lines would be worse than useless until the Government is ready and able to remove impediments to production, the author returns to the demand for a new Ministry, but not a Ministry of the type recently rejected by Mr Churchill in his speech in the Commons. The suggestion is for a small "Ministry of Production Control" to co-ordinate the various supply departments, plan continuously the most systematic use of resources as a whole, and organise and run capacity clearing centres. It should be, for example, in a position to estimate roughly the effect of any new expansion project in terms of the consequent slowing down in other directions. An important function would be the maintenance of direct human contact between industrialists and the various departments, approach to which is at present hampered by a barrage of forms. If this freedom from red tape could be achieved, the proposed Ministry would certainly fulfil a most valuable function. The only question is whether, if formalism, delay and stupidity could thus be eliminated from the workings of Government departments, the establishment of a new one would any longer be necessary. It is doubtful to what extent the shortcomings of Government departments can be neutralised by the addition of new Ministries, but the proposal to give production the same type of publicity that has hitherto been given to savings might be seriously considered.

Further Control of Dock Labour

At the request of the Ministry of Labour and National Service, the National Joint Council for Dock Labour has drawn up a scheme for securing to the port transport industry a regular, sufficient and mobile labour force. In accordance with the scheme, an Essential Work Order has been prepared, which, together with new conditions of employment agreed by the National Joint Council, is to be applied to the Port of London and the principal ports on the Bristol Channel, the Firth of Forth, the Humber, the Tees, the Tyne and the Wear. It will not be applied without further consideration to the ports of Clyde-side and Merseyside, where there are already schemes in operation, under which the Ministry of War Transport is the sole employer. It does not apply in any port unless and until a scheme for that port has been approved by the Minister and is in operation. For the administration of the new arrangement, the National Joint Council is forming a company to be known as the National Dock Labour Corporation, Ltd., to finance, promote and administer schemes and to be responsible for the transfer of dockers from one port to another. It will appoint Local Boards and Port Labour Managers. The local boards will be responsible to it for matters of local policy and general administration, and will co-operate with the regional port directors and

port emergency committees in providing the labour required for the quick turn-round of ships. The port registration committees will continue to register workers and employers, but they will no longer control the arrangements for engaging labour. The local joint committees will continue to be responsible for industrial negotiations. While employed in work under the scheme, dockers will be paid the rate for the job, with piece work as widely as possible. When the job is finished the docker comes automatically into the employment of the corporation and as long as he fills the conditions he will be paid 5s. for each of the eleven half days for which he reports without being given work. He must be prepared to take any suitable work offered and to travel to other ports if necessary. Appeal panels will be provided to deal with appeals against disciplinary action taken by the management. There will be an annual week's holiday with pay of 75s. or 80s. Seven days' notice is required for resignation or discharge except in case of serious misconduct, when there is a right of appeal. Only registered employers will be allowed to engage in port transport and they will only be allowed to employ on it their own permanent men or men allocated to them by the manager. The scheme will be financed by the Corporation with some help from the Exchequer.

Registration of Builders

As a further step towards the closer control of the building industry, the Ministry of Works and Buildings has asked all builders and civil engineering contractors to register with the Ministry. The regulation applies to undertakings in the building and civil engineering industries, as well as to local authorities and public utility undertakings with building or civil engineering departments. Private firms with maintenance departments need not register them, unless these are also engaged on "outside" work. Applications for registration will have to be made by September 1st, while from October 1st no builder or civil engineering contractor will be allowed to carry on business in the absence of registration. The Ministry's decision to call for the registration of firms in the building and civil engineering industries can hardly be questioned. If the control of building activity is to be effective, the Ministry must have full information on the industry's capacity and on its employment.

Assistance to Collieries

The coal-mining industry is adjusting itself to the exceptional conditions due to the loss of the export trade with greater rapidity than many had expected. When authorising the Coal Mines (War Levy) Scheme in December last, providing for the collection of a levy up to 6d. per ton for the assistance of colliery undertakings temporarily impoverished by war conditions, the Mines Department expressed the view that the cost of the proposals then under consideration would not exceed 4d. per ton, which on the inland and export disposals of the industry in the December quarter of 1940 represented an annual expenditure at the rate of approximately £3 millions. In that period, Durham and South Wales were the only important coalfields operating at a loss; in other districts, the credit balances were appreciably higher than in the June quarter of 1939. It was probably partly for this reason that in the form in which it was first applied the scheme provided for a levy of only 3d. per ton, against the authorised maximum of 6d. per ton, and compensation at the rate of 2s. 6d. per ton instead of at 3s. 6d. on the relative deficiency between the volume of current sales and those in the corresponding period of 1939. The course of events in recent months has been more favourable to the financial position of the industry than was expected twelve months ago. The more recent ascertainties have shown substantial decreases in compensation receipts, and it is understood that the Central Council has decided to reduce the levy to 1½d. per ton in respect of the September quarter. The larger increases in coal prices authorised by the Mines Department in the exporting than in the inland coalfields have probably contributed most to the improvement in the financial position, but another factor stressed by the chairman of the great South Wales coal combine of Powell Duffryn Associated Collieries, Ltd., has been the concentration of production

ESTD. 1829



EXCHANGE CONTROL

In war-time summarised information on this subject is invaluable to those who trade or travel abroad.

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mainly at mines supplying qualities of coal for which markets remained available to the industry. It is understood that the Central Council is contemplating other modifications of the War Emergency Assistance Scheme, but that these are being opposed by some of the districts. The apparent delay in the authorisation by the Mines Department of price increases in the English (other than Bristol and Somerset) and Scottish coalfields to meet the cost of the guaranteed wage from the first pay week in June, and of the war wage advance of 4d. per shift from July 1st, is also being attributed to the favourable results of the latest joint audits.

Petrol Rationing in America

The long-threatened rationing of petrol in the eastern industrialised states of America is now an accomplished fact. The local shortage which necessitates this unprecedented step arose from the transfer to the service of Great Britain of 50 American tankers formerly used to transport oil from the Gulf Coast to the eastern seaboard. It is due, that is to say, not to a nation-wide lack of oil in this, the world's most important producing country, but to inadequate transport facilities. The measures adopted by the Government to counter the pending oil shortage are reminiscent of those taken in this country in the allocation of scarce supplies. First came an appeal to motorists in the eastern states to conserve petrol by cutting out unnecessary motoring, by avoiding "racing" the engine, by using low gear as little as possible, and so forth. When this method of approach failed to produce any decisive results, the Petroleum Co-ordinator, Mr Harold Ickes, decreed that filling stations in the area in question must cease to sell petrol between the hours of 7 p.m. and 7 a.m. But, so far from curtailing consumption, this measure was actually followed by a large increase in purchases due, no doubt, to the accumulation of private hoards against the anticipated introduction of a more rigid rationing scheme. This week's decision to reduce deliveries to filling stations by 10 per cent was therefore inevitable. It is estimated that the reduction for "non-essential" purposes (however this ambiguous phrase may be defined) will amount to as much as 20 per cent, since there is no intention of cutting supplies to vehicles used for "essential" purposes. Even so, it is questionable whether the Administration has been drastic enough; for the transfer of 50 tankers has already reduced the available transport facilities by about one-fifth, and the surrender of additional vessels to Britain in the near future appears to be inevitable. In the end, Mr Ickes will doubtless have to go the whole hog and introduce a comprehensive rationing scheme on British lines.

American Tin Control

Steps have now been taken in the United States to bring the tin trade under effective Government control. On August 15th the Office of Price Administration and Civilian Supply fixed the country's maximum price for tin at 52 cents per lb., which is slightly below the average market price of recent months, but 2 cents above the basis at which the Metal Reserve Company was buying its tin for the United States war reserve; from its recent transactions it appears, however, that that limit has been unofficially raised by 3 to 4 cents per lb. Concurrently with the introduction of the maximum price, the tin market of the New York Commodity Exchange has taken preparatory steps to discontinue futures trading, current dealings being confined to the liquidation of open contracts. Although no import monopoly has been set up, the fixing of the maximum price has given the Metal Reserve Company a virtual monopoly. Consequently, the only move still possible to strengthen Government control of tin is the introduction of restrictions on consumption, which may not be long delayed. In addition to regulating its market for metallic tin, the United States has taken steps to supplement its ore supply for the Texas City smelter of the Tin Processing Corporation, which is now being constructed by Messrs Ford, Bacon and Davis, Inc., at a cost of \$3,500,000, and which will probably be ready to start operations at the beginning of next year. In addition to the five years' agreement with Bolivia providing for an annual supply of 18,000 tons of metallic tin in concentrates, the Metal Reserve Company (which will take over the whole output of the new smelter) concluded an arrangement with producers in the Dutch East Indies last week, which covers the supply of 20,000 tons of tin in Banka and Billiton ore.

Shipments are to start at once and are to be speeded up as much as possible. This agreement has two advantages. It shortens the time within which the Dutch East Indies tin reaches the United States—and in view of the Pacific tension this time factor is significant—and it will help to overcome technical difficulties at the new smelter arising from the problem of treating Bolivian ore without the admixture of a richer mineral. Of particular interest are the facts that the Arnheim smelter in Holland used to treat its Bolivian ore together with Billiton ore and that the company which controlled the Arnheim smelter has been selected by the United States Government to manage the new Texas City smelter on its behalf. Consequently, there is all likelihood that initial technical difficulties at Texas City will rapidly be overcome. As far as is known, the smelter's initial capacity will be 30,000 tons per year and not 18,000 tons as first reported.

Farm Wages

While the claim of the representatives of the farm workers on the Central Agricultural Wages Board for an increase of 12s. to 60s. per week in the national minimum wage has been adjourned until November, some dozen county wages committees, consisting of representatives of farmers, farm workers, and of the Ministry of Agriculture, have already raised minimum wages in their districts well above the national minimum of 48s. per week. Since local agreements are the result of negotiations between farmers and farmworkers in the districts concerned, they do not involve the consent of the Government. Nor, presumably, can local wage increases be passed on to consumers in the form of higher prices. The inference seems to be that the prices of agricultural products have been fixed at a level which enables the farmers in the more prosperous districts to absorb these local advances. But the series of district wage increases already granted may make it difficult for the Government to refuse an advance in the national minimum next November.

Rise in Sheep Prices

The Ministry of Agriculture has decided to increase the price of sheep and lambs sold by farmers by 1d. per lb. for the six months ending April, 1942. This will raise the farmer's average return for the season ending June, 1942, to 1s. 4d. per lb., against 1s. 3½d. in 1940-41. True, the increase is a small one; but in principle it is difficult to justify. Ostensibly, it is designed to induce arable farmers to maintain their sheep flocks in the interests of the fertility of the soil. But it would seem that the prices of cereals have already been fixed at a level which is high enough to induce arable farmers to maintain their sheep flocks without an additional gratification.

Bovine Panel Patients

Compulsory health insurance has not yet been mooted to the animal world, but what may prove the thin end of the wedge is to be inserted shortly. The National Veterinary Medical Association has evolved a voluntary scheme, designed chiefly to deal with contagious abortion (which not only is a cause of serious economic loss to farmers, but sometimes infects human beings with undulant fever), mastitis and sterility. The National Farmers' Union and the Ministry of Agriculture are co-operating in the scheme. The Ministry takes no responsibility, but is making available certain facilities and supplying free vaccine and drugs at reduced cost. It has also agreed that veterinary surgeons doing panel work for farmers shall be employed by the Ministry on part-time inspection of dairy herds for mastitis and abortion. The scheme, applicable at first only to dairy herds, may later be extended to sheep and pigs. The insurance premium will cover, in addition to treatment, four routine visits a year, and extra charges for specially expensive drugs will be kept at a low level. It is very much to be hoped that the scheme will prove so successful as to give rise to a demand for its extension, for the principle is excellent. At present the smaller farmers shy of any increase in their expenses, are giving it a chilly reception, but when their more prosperous neighbours have proved its value they may come to recognise it as a sound investment. From the public point of view, anything which improves the condition of dairy herds is of first class importance, for the milk situation this winter is a subject on which the public rightly feels profound uneasiness.

For Commodity and Industry News see page 246.

COMPANY MEETINGS

WATNEY COMBE REID AND COMPANY, LIMITED

COL. O. P. SEROCOLD'S REVIEW

The annual general meeting of Watney Combe Reid and Company, Limited, was held, on the 19th instant, at the Windsor Castle Restaurant, S.W. 1, the chairman, Colonel O. P. Serochild, C.M.G., presiding.

His statement, which had been circulated with the report and accounts and was taken as read, was as follows: Our sales, which showed a decline in the first six months of our financial year, improved during the second half, so that on the whole period they are nearly level.

When we take into account the losses in licensed houses which we have experienced, and the shift of population, I hope that you will consider the result satisfactory, as the board does.

Being subject to a licence for brewing materials, we, in company with other brewers, have been confronted with many difficulties. The cost of barley has been very high indeed, and there seems to be little relaxation in sight at the present time. However, as the Government has expressed its desire that there shall be an adequate supply of beer forthcoming, we may perhaps feel a trifle optimistic as to an improvement in the access to materials required.

THE LABOUR PROBLEM

I will now say a word on labour. At this time last year I told you that 50 members of our staff and 300 of our workmen were serving with the forces. These numbers have now increased to 112 staff and 509 workmen. This depletion in labour, which is common to all brewing and malting concerns, had naturally brought its repercussions.

Although we have been able more or less to replace our men numerically and to some extent by the substitution of women, we find that an untrained personnel, with the best will in the world, does not maintain the former standard of work. In more than one department of the company's breweries there have been occasions when there has been delay, with the inevitable result that the rest of the machine is slowed down.

As more and more of our men are combed out the more difficult becomes the situation, since we are faced at the present time with an unprecedented demand for beer, which it is difficult to meet.

Our ARP organisation at each of the three breweries has continued to be elaborated, and I may say that without it there would have been more serious losses than those which have actually been incurred. The shareholders' thanks are due to all those who have so willingly responded to the calls made upon them, and especially to those who succeeded in extricating a number of horses on two occasions.

A prearranged mutual assistance pact exists under which we have been able to provide help to other London brewers from time to time when required. I would like to record our thanks to the whole of our staff and employees for their arduous work and co-operation during these trying times. I would also like to pay a tribute to all those tenants of our licensed houses who have stuck to their posts in spite of the damage inflicted on them.

PROFIT AND DIVIDENDS

The chairman, in the course of his speech, said that the profit on trading account at £2,056,000 was only £11,000 below last year. He considered that was a good result when taking into account the vast increase in the cost of materials, of which their malt alone cost £164,000 more.

The final profit was £822,350 and the directors proposed the usual 2 per cent. dividend on the preferred ordinary stock and a final dividend of 11 per cent. on the deferred ordinary. They had reduced the interim dividend from 6 per cent. to 4 per cent. in view of the considerable reduction in the first six months' profit. However, the profits of the second half-year had been better than they had anticipated. They had been able, therefore, to fix the final dividend at 11 per cent., making 15 per cent. for the year, the same as in the previous year, though they regretted that it would not be possible to repeat the bonus dividend of 2 per cent.

The report and accounts were unanimously adopted.

ANGLO-CEYLON AND GENERAL ESTATES COMPANY, LIMITED

SIR EDWARD ROSLING'S STATEMENT

The annual general meeting of The Anglo-Ceylon and General Estates Company, Limited, was held, on the 19th instant, in London, Sir Edward Rosling (the chairman and managing director) presiding.

The following are extracts from the statement by the Chairman, which had been circulated with the report and accounts and was taken as read:—The results for the past year's working may be considered satisfactory, the profit for the year—before allowing for taxation—being £143,150, as compared with £114,960 last year. This is by far the highest made by the company for some years.

As explained in the report, however, there has been an increase in taxation at home, in Ceylon and Mauritius, part of which is retrospective. Added to this there are complications arising out of the taxation in Ceylon and Mauritius, and the computations of the company's liability for taxes have yet to be agreed. In view of this, the directors decided to set aside £95,000 for taxation purposes, as against £50,000 last year, and from the balance to recommend a final dividend of 4 per cent., free of tax. Up to now our dividends have been declared less tax, but we think it simpler under present conditions to propose tax-free dividends. The counterfoil of the dividend warrant will give particulars of the gross amount represented allowing for Dominion income-tax relief.

TEA, CACAO AND RUBBER

In Ceylon the tea crop, amounting to 4,325,474 lb., shows an increase on the previous year of some 167,000 lb., and the price also shows an improvement of rather over 1½d. per lb.

Cacao again gave the large crop of 10,313 cwt., our Kondesalle estate giving 7½ cwt. per acre. Prices, however, were lower, only realising 28s. 9d. per cwt., as compared with 32s. 9d. in the previous year. Owing, however, to the size of the crop a small profit was secured. Our direct interest in rubber is very small; the crop secured amounted to 226,420 lb., netting an average price of 9.37d. per lb.

LABOUR UNREST

In my speech last year I referred to a certain amount of unrest among the labourers in Ceylon. This, I am sorry to say, recently became worse and for the first time two of our estates were affected. Unfortunately, on one of the estates I referred to, our manager was attacked by some of the labourers and he subsequently died. The perpetrators have been arrested and now await trial. The rest of the labour force on this estate has been dismissed and the estate remains closed for the present.

On the other estate a strike developed, but after a week the labour force returned to work and we understand everything is now proceeding smoothly. In neither case can any blame whatsoever be attached to the managers concerned. The reports from all the other estates continue to be satisfactory.

RECORD SUGAR CROP IN MAURITIUS

As to Mauritius, the sugar crop was a record one for the company; 41,708 tons of sugar were obtained, which compares with our previous highest make of 38,098 tons in 1939. All the crop was acquired by the British Government.

The progressive increases in crops and profits are largely the result of the board's policy of consolidation and reorganisation over the past few years and are very gratifying features.

In regard to the prospects for the current season, it is too early to give more than a very general indication. The Government has taken less of our tea—namely, 68 per cent., as against 85 per cent., leaving the balance to be realised on the local market. So far, the prices obtained locally have been quite satisfactory, but it is impossible to make any reliable forecast as to the future. Our crop is estimated at 4,200,000 lb. Cacao prices continue at a very low level, and to make matters worse, it has for months been impossible to obtain freight for shipment to this country.

Rubber remains at a satisfactory level, and there is no apparent reason for any appreciable fall in the price in the near future. Sugar promises to give another good crop and the Government are again taking over all our sugar.

The report and accounts were adopted.

Under Settlement Acts	12
Under War Damage Act	1,781
	1,793

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; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Mellie Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Egypt, of May 10th; Yugoslavia, of June 7th; Bulgaria and New Zealand, of August 9th; Argentina, Australia, Hungary, International Settlements, Japan, Roumania, Sweden, Switzerland, F. R. Board Member Banks, of August 16th.

U.S. FEDERAL RESERVE BANKS

* Million \$'s

	Aug. 15, 1940	July 31, 1941	Aug. 7, 1941	Aug. 14, 1941
12 U.S.F.R. Banks	18,388	20,303	20,301	20,301
RESOURCES				
Gold Certifs. on hand and due from Treasury	18,388	20,303	20,301	20,301
Total reserves	18,388	20,303	20,301	20,301
Total cash reserves	362	293	268	280
Total U.S. Govt. secs.	2,446	2,184	2,184	2,184
Total bills and secs.	2,457	2,199	2,199	2,203
Total resources	22,120	23,806	23,784	23,924
LIABILITIES				
F.R. notes in circ.	5,293	6,829	6,904	6,906
Excess m. bank res.	6,390	5,160	6,020	5,030
Mr. bank res. dep.	13,340	13,097	12,951	12,948
Govt. deposits	940	921	839	919
Total deposits	15,724	15,766	15,656	15,683
Total liabilities	22,120	23,806	23,784	23,924
Reserve ratio	89.3%	91.2%	91.2%	91.2%
BANKS AND TREASURY				
RESOURCES				
Monetary gold stock	20,689	22,673	22,682	22,703
Treasury & bank currency	3,027	3,163	3,169	3,172
LIABILITIES				
Money in circulation	7,944	9,697	9,795	9,792
Treasury cash and dep.	3,221	3,251	3,184	3,280

RESERVE BANK OF INDIA

* Million rupees

	Aug. 9, 1940	July 25, 1941	July 15, 1941	Aug. 8, 1941	Aug. 15, 1941
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	363	369	378	382	374
Balances abroad	237	465	432	446	448
Sterling securities	1,315	1,188	1,217	1,316	1,316
Ind. Govt. rup. secs.	496	913	885	785	785
Investments	89	53	80	76	76
LIABILITIES					
Notes in circ.: India	2,254	2,588	2,544	2,552	2,596
Burma	127	187	186	189	192
Deposits: Govts.	149	196	266	273	203
Banks	318	326	306	305	324
Reserve Ratio	67.2%	55.0%	56.8%	60.2%	60.3%

SOUTH AFRICAN RESERVE BANK

* Million £'s

	July 5, 1940	June 20, 1941	June 27, 1941	July 4, 1941
ASSETS				
Gold coin and bullion	35.37	52.88	51.79	51.27
Bills discounted	1.58	0.54	0.79	0.76
Invest. and other assets	32.59	41.65	40.66	40.70
LIABILITIES				
Notes in circulation	22.30	23.30	25.76	26.15
Deposits: Government	1.88	3.91	2.80	2.74
Bankers'	37.50	54.80	52.76	51.37
Others	7.47	8.80	8.70	8.46
Reserve Ratio	51.1%	58.1%	57.7%	58.1%

BANK OF GREECE

* Million drachme

	Mar. 7, 1940	Mar. 23, 1941	Mar. 31, 1941	Mar. 31, 1941
ASSETS				
Gold and foreign exchange	4,130	19,099	20,931	21,044
State ser. in for. exch.	118	122	122	122
Bills discounted	329	605	235	228
Advances	8,735	14,953	15,269	16,357
State debt	4,117	3,927	3,878	3,824
LIABILITIES				
Notes in circulation	8,075	17,614	18,743	19,371
Dep. and current accts.	9,749	20,067	20,346	20,908
Foreign exch. liabilities	303	2,191	2,465	2,578

CENTRAL BANK OF TURKEY

* Million Turkish pounds

	May 11, 1940	April 26, 1941	April 3, 1941	May 3, 1941
ASSETS				
Gold	115.9	118.7	119.0	119.5
Clearing and other exch.	38.6	40.6	43.3	47.3
Treasury bonds	139.9	138.5	138.5	138.5
Commercial bills	244.1	270.7	273.2	274.0
Securities	56.1	53.7	53.8	53.9
Advances	11.6	133.9	138.1	147.5
LIABILITIES				
Notes in circulation	321.9	477.5	487.5	499.0
Deposits	131.0	134.5	133.4	138.0
Clearing and other exch.	36.7	27.3	29.2	29.4

BANK OF CANADA

* Million Can. \$

	July 24, 1940	July 9, 1941	July 16, 1941	July 23, 1941
ASSETS				
Gold and foreign currencies	77	78	79	78
Bills and cheques	12,568	15,644	15,006	15,918
Bank notes	261	265	315	256
Advances	31	32	17	23
Sec. for note cover	142	22	14	18
Other assets	1,434	1,160	1,427	1,542
LIABILITIES				
Notes in circulation	12,594	14,689	14,046	15,210
Daily maturing liabilities	1,470	2,006	2,281	2,012
Other liabilities	458	297	332	354
Cover of note circulation	...	...	...	...

BANK OF PORTUGAL

* Million escudos

	May 8, 1940	April 23, 1941	April 30, 1941	May 7, 1941
ASSETS				
Gold	920.6	1269.8	1271.3	1271.3
Balances abroad	788.6	1276.1	1275.5	1279.0
Discounts	416.5	339.9	349.1	345.9
Securities	107.4	329.4	329.4	329.4
LIABILITIES				
Notes in circulation	2379.2	2862.6	3032.7	3067.1
Deposits: Government	446.3	467.8	407.5	416.7
Bankers'	605.1	1406.7	1342.9	1303.3
Others	61.4	192.7	190.5	179.7
Foreign commitments	294.6	294.1	255.9	254.1

PRAGUE NATIONAL BANK

* Million crowns

	June 7, 1940	June 15, 1941	June 23, 1941	June 30, 1941
ASSETS				
Gold	1,596	1,472	1,503	1,503
Foreign exchange	728	780	783	783
Other cash	2,536	1,057	1,138	795
Bills and securities	481	445	445	660
Advances	433	837	837	839
Other assets	4,535	8,317	8,450	8,939
LIABILITIES				
Note circulation	5,558	6,686	6,594	7,101
Cash certificates	1,034	1,780	1,756	1,731
Clearing deposits	1,257	1,828	2,170	2,091
Other liabilities	1,829	1,265	1,264	1,221

REICHSBANK

* Million reichsmarks

	May 31, 1940	April 30, 1941	May 25, 1941	May 31, 1941
ASSETS				
Gold and foreign currencies	77	78	79	78
Bills and cheques	12,568	15,644	15,006	15,918
Bank notes	261	265	315	256
Advances	31	32	17	23
Sec. for note cover	142	22	14	18
Other assets	1,434	1,160	1,427	1,542
LIABILITIES				
Notes in circulation	12,594	14,689	14,046	15,210
Daily maturing liabilities	1,470	2,006	2,281	2,012
Other liabilities	458	297	332	354
Cover of note circulation	...	...	...	...

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.													
All Saints' Brewery	June 30	23,964	£	10,085	50,474	1,714	6,600	20	...	1,771	23,629	16,737	25
Alton & Co.	June 30	53,037	...	24,417	87,134	5,375	18,812	35	1,635	1,405	54,938	37,125	45
Colchester Brewing	June 30	36,092	...	10,481	78,248	2,822	5,150	71	...	2,509	35,763	16,404	10
Showells Brewery	June 30	55,934	...	24,532	69,448	7,418	12,600	30	4,000	514	52,271	33,018	30
Stretton's Derby Brewery	June 30	200,028	...	81,023	132,626	6,919	55,313	35	18,717	74	154,839	88,137	40
Coal, Iron and Steel													
Briggs (Henry), Son & Co.	June 30	82,538	...	80,693	123,032	...	37,497	10	30,000	13,196	56,758	56,758	10
Darwins Limited	Mar. 31	96,886	12,755	32,813	33,183	...	12,729	5	18,104	1,980	61,343	24,583	NH
Rickett, Cockrell & Co.	Mar. 31	69,878	...	66,378	104,027	20,250	46,377	10	...	249	68,081	66,581	10
Financial, Land, &c.													
Beecham Maclean Holdings	June 30	502,144	...	248,296	249,397	52,317	107,312	251	88,044	623	503,500	313,821	27.4
Briggs (Henry) Trust	June 30	30,164	...	29,692	41,647	...	25,574	61	3,000	1,118	25,260	25,260	61
London & Westliff Properties	Sept. 30	35,762	...	1,155	9,081	2,600	...	...	...	1,445	46,553	9,368	NH
Oregon Mortgage	May 31	33,493	...	6,919	26,995	6,919	...	...	...	...	30,526	8,100	NH
Rhodesia Railways Trust	Mar. 31	199,593	...	121,225	279,819	...	121,459	12	...	234	78,736	48,292	6
Taylor's (Cash Chemists) Trust	Dec. 28	63,113	...	31,035	44,439	26,992	3,938	6.562	...	105	90,322	56,032	12.733
Rubber													
Glenshiel	Dec. 31	18,431	...	9,081	12,078	...	7,000	10	2,400	319	9,004	8,304	10
Kasintoe	Dec. 31	15,633	...	4,888	10,146	...	4,800	4	...	88	6,040	4,690	4
Vallambrosa	Mar. 31	69,012	...	11,591	22,938	...	10,192	221	...	1,399	44,816	12,338	20
Shipping													
Royal Mail Lines	Dec. 31	1,102,457	351,485	218,377	232,721	...	100,000	5	...	118,377	1,002,218	110,048	5
Shops and Stores													
International Tea Stores	April 26	843,504	80,000	495,995	615,833	210,771	186,000	12	100,000	776	794,662	507,815	12
Taylor's (Cash Chemists) London	Dec. 28	66,672	...	25,741	31,999	22,538	3,200	5.69	...	3	59,447	33,146	5.33
Taylor's (Cash Chemists) Midland	Dec. 28	57,775	4,990	18,840	31,326	4,981	13,725	(s)	...	134	49,598	27,351	44.1
Wallis (Thomas) & Co.	Jan. 31	36,262	4,179	4,156	10,638	...	...	...	...	4,156	24,655	2,619	NH
Whites (Timothy) & Taylors	Dec. 28	393,129	20,839	157,650	224,176	72,801	75,601	30	...	9,248	373,541	185,524	30
Tea													
Ceylon Proprietary	Dec. 31	13,311	...	7,255	10,070	1,306	6,750	71	...	801	15,172	5,740	71
East India & Ceylon	Dec. 31	24,565	...	13,375	18,424	6,000	7,500	6	...	125	24,252	12,845	6
Roma	Dec. 31	6,608	...	5,858	15,311	...	5,602	35	...	256	9,163	6,862	40
Textiles													
Bradford Dyers	Dec. 31	373,857	160,336	269,186	319,329	318,655(a)	...	...	...	49,469	233,556	187,370	NH
Grout & Co.	April 30	45,944	7,140	12,803	32,219	518	9,000	6	...	3,285	45,532	19,296	5
Other Companies													
Beechams Pills	Dec. 31	1,085,892	...	356,474	461,067	123,625	231,412	281	...	1,437	1,055,615	434,472	281
Bush (W. J.) & Co.	Mar. 31	172,640	14,377	44,715	184,648	6,250	25,000	10	...	13,465	142,581	57,090	10
Eno Proprietors	Mar. 31	259,231	...	105,697	141,722	33,657	72,000	14.4	...	40	(£)289,690	(£)180,003	(£)20
Lee & Co. (W.T.) Telegraph	Dec. 31	400,484	69,918	320,566	701,397	9,000	260,000	20	50,000	1,566	415,204	343,853	20
Lee & Co. Garages	Dec. 31	8,624	516	Dr. 12,847	2,514	...	...	...	...	12,847	Dr. 2,047	277,422	421
Maclean's Limited	Dec. 31	359,241	...	214,450	219,128	24,449	189,406	461	...	595	420,899	277,422	461
Manley & Reghu	Mar. 31	56,886	...	17,686	37,397	1,400	12,752	10	...	3,534	22,866	17,113	10
May (Joseph), Leeds	April 30	49,685	...	31,593	48,068	15,000	12,000	6	4,536	...	40,722	33,285	6
Mecano Limited	Feb. 28	224,205	9,358	Dr. 26,013	15,320	4,025	5,067	211	...	35,038	263,929	32,831	51
Pricard & Co. (South Africa)	Mar. 31	51,562	...	29,307	34,124	4,350	24,500	98	...	457	42,145	28,775	72.4
Saker, Bartle (South Africa)	Mar. 31	85,059	...	40,402	41,301	12,375	27,500	10	...	527	24,616	12,804	NH
Sherley (A. F.) & Co.	Mar. 31	3,725	...	1,992	42,107	5,972	...	711	...	2,403	15,527	8,469	26
Taylor's Drug Co.	Dec. 28	134,820	12,846	34,524	52,407	11,500	22,500	1871	...	524	113,802	54,457	134
Veno Drug	Mar. 31	405,412	...	214,677	219,146	31,588	182,812	...	...	277	275,190	190,317	122
Wiggins, Teape & Co.	Dec. 31	677,578	30,757	214,231	266,255	96,410	117,950	7	...	129	583,185	310,529	8
Yeast-Vite	Mar. 31	239,120	...	118,891	145,081	10,603	108,000	60	...	288	120,865	134,812	58
Totals (£'000's)													
Week to Aug. 23, 1941	No. of Cos.	8,764	779	3,730	5,482	1,160	2,174	...	320	76	7,903	4,034	...
Jan. 1 to Aug. 23, 1941	1,295	274,388	21,035	129,338	199,432	27,550	84,525	...	12,434	4,529	265,293	147,971	...
Notes: (a) 15 months. (a) 5 years' dividend to Dec. 31, 1937.													

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

000's omitted												
JULY, 1941	Barclays Bank Ltd.	Countts & Co.	District Bank Ltd.	Glyn, Mills & Co.	Lloyds Bank Ltd.	Martins Bank Ltd.	Midland Bank Ltd.	National Bank Ltd.	National Provincial Bank Ltd.	West-minster Bank Ltd.	Williams Deacon's Bank Ltd.	Aggregate
Date	29th	28th	23rd	29th	22nd	30th	30th	25th	30th	31st	28th	
ASSETS	£	£	£	£	£	£	£	£	£	£	£	£
Coin, Bank Notes and Balances with the Bank of England	59,163	3,213	12,269	4,597	56,791	15,057	61,944	3,520	42,966	41,156	5,647	306,323
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland...	18,663	721	3,632	1,710	17,157	3,622	20,732	207	15,184	15,896	3,248	100,772
Items in Transit	...	...	...	...	9,912	2,552	...	...	...	...	...	12,464
Money at Call and Short Notice	20,660	2,843	6,393	5,569	21,522	4,765	20,100	4,011	21,524	21,558	9,657	138,602
Bills Discounted	57,890	1,722	11,257	2,509	44,158	15,876	66,645	1,140	41,612	29,580	2,139	274,528
Treasury Deposit Receipts	93,500	2,000	16,500	5,500	93,500	14,500	103,500	500	65,000	73,000	8,500	476,000
Investments	156,272	12,131	43,420	19,984	145,862	53,435	184,392	15,789	124,396	129,480	17,316	902,477
Advances to Customers and other A/c's.	185,135	9,083	25,984	10,361	143,260	36,087	175,164	16,295	113,791	127,267	10,943	853,390
Liabilities of Customers for Acceptances, Endorsements, etc.	13,134	904	3,168	3,736	18,031	8,562	12,975	202	10,031	25,794	1,928	98,465
Bank Premises Account	7,954	412	1,533	740	7,143	2,853	9,396	556	7,219	5,232	.992	44,030
Investments in Affiliated Banks and Subsidiary Companies	6,280	...	...	...	3,775	...	8,200	...	2,514	2,992	...	23,761
	618,651	33,029	124,156	54,726	561,111	157,309	663,048	42,220	444,237	471,955	60,370	3,230,812
Ratio of Cash to Current, Deposit and other Accounts	10-23	10-67	10-67	9-37	10-98	10-68	9-95	9-27	10-32	9-63	10-14	10-24
LIABILITIES												
Capital Paid up	15,858	1,000	2,976	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875	78,197
Reserve Fund	11,250	1,000	2,976	850	10,000	3,600	12,410	1,160	8,500	9,320	900	61,966
Current, Deposit and other Accounts	578,409	30,125	115,036	49,080	517,260	140,966	622,504	37,961	416,227	427,504	55,667	2,990,739
Acceptances, Endorsements, etc.	13,134	904	3,168	3,736	18,031	8,562	12,975	202	10,031	25,794	1,928	98,465
Notes in Circulation	...	...	...	...	10	21	...	1,397	...	17	...	1,445
	618,651	33,029	124,156	54,726	561,111	157,309	663,048	42,220	444,237	471,955	60,370	3,230,812

AUSTRALIA AND NEW ZEALAND

T.T.	London on Australia and New Zealand*				Australia and New Zealand on London							
	Buying		Selling		Buying		Selling		Buying		Selling	
	Australia	New Zealand	Australia (any mail)	New Zealand (any mail)	Australia	New Zealand	Australia (any mail)	New Zealand	Australia	New Zealand	Australia (any mail)	New Zealand
Sight	126½	126½	126½	126½	125½	124½	124½	124½	125½	125½	124½	124½
30 days	127½	127½	126½	126½	...	...	124½	124½	125½	125½	124½	124½
60 days	127½	127½	127½	127½	...	...	124½	124½	125½	125½	124½	124½
90 days	128½	128½	127½	127½	...	...	124½	124½	125½	125½	124½	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, 125½; 30 days, 126½; 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.		60 days' sight.		90 days' sight.	
	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.
London on:	100	5 0	100	17 6	101	5 9	101	14 0	102	3 3
Rhodesia	100	5 0	101	17 6	102	0 9	102	9 0	102	17 3
S. Africa	101	0 0	101	18 6						

(SELLING RATES PER £100 STERLING)

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

Changed	From	To	1
---------	------	----	---

	Aug. 12, 1941	Aug. 12, 1941		Aug. 12, 1941	Aug. 12, 1941		Aug. 12, 1941	Aug. 12, 1941
	Cents	Cents		Cents	Cents		Cents	Cents
GRAINS (per bushel)—			METALS (per lb.)— <i>cont.</i>			MISCELLANEOUS (per lb.)— <i>cont.</i>		
Wheat, Chicago, Sept.	109½	111½	Spelter, East St. Louis, spot	7-25	7-25	Petroleum, Mid-cont. crude, per barrel	117	117
" Winnipeg, Oct.	75½	74½	MISCELLANEOUS (per lb.)—			Rubber, N.Y., smoked, sheet spot	22½	22½
Maize, Chicago, Sept.	77½	77	Cocoa, N.Y., Accra, Sept.	7-54	7-51	" Sept.	22½	22½
Oats, Chicago, Sept.	40½	42½	Coffee, N.Y., cash—			Sugar, N.Y., Cuban Cent., 96 deg. spot	3-80	3-80
Rye, Chicago, Sept.	66½	67½	Rio, No. 7	9½	9½	Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Sept.	1-75½	1-80
Barley, Winnipeg, Oct.	49½	51	Santos, No. 4	13½	13½	Moody's Index of staple commodities, Dec. 31, 1941 100	209-2	210-5
METALS (per lb.)—			Cotton, N.Y., Am. mid., spot	16-35	16-80			
Copper, Connecticut	12-00	12-00	" Am. mid., Sept.	15-60	16-10			
Tin, N.Y., Straits, spot	53-00	52-00	" Oil, N.Y., Sept.	11-78	11-95			
Lead, N.Y., spot	5-85	5-85	Lard, Chicago, Sept.	9-75	9-77½			

INSURANCE NOTES

Norwich Union Societies.—The fall in new assurances written by the "Norwich Union Life" compares favourably with other offices, bearing in mind the Society's important interests in France and Belgium, where sums assured were only £99,482, against £811,206. These Continental interests have materially affected the premium and interest income; no interest on investments in enemy-occupied territories which was not received by the society before the occupation has been brought into the accounts. War claims amount to about £100,000, but in spite of these the total claims were well below the mortality expected by the ordinary tables:—

due at December 31st last, and the report reveals a strong position. Liabilities were valued under life contracts at 2½ per cent, using the A 1924-29 table, and under annuity contracts at 3 per cent. Stock Exchange securities stand at or below market prices, with the exception of securities in enemy-occupied territory, which have been brought in at the rates of exchange and prices ruling on December 31, 1939; liabilities in those countries are approximately equal to the corresponding assets, the total in each case being about £2,000,000. The surplus disclosed by the valuation is £5,174,554, after paying £396,731 in interim bonuses during the quinquennium. As a precautionary measure the entire surplus is being carried forward undistributed, and the directors are of opinion that much more than sufficient provision has thus been made to meet all war contingencies, and that the assets are in the aggregate fully of the value stated in the balance-sheet. Interim bonuses are being maintained in respect of premiums for the four years 1936-39 inclusive.

	1941		July 30, 1941	Aug. 6, 1941	Aug. 13, 1941
	Low Apr. 30,	High Jan. 15			
347 Industrials	83-6	896-0	94-9	94-6	92-3
33 Rails	225-4	228-5	28-5	28-3	27-8
40 Utilities	67-0	78-7	70-1	69-9	68-9
419 Stocks	71-9	682-1	80-1	79-7	78-0
Av. yield*	6-80%	6-11%	6-12%	6-14%	6-23%
	(c)	(a)			

* 50 Common Stocks (a) Feb. 13. (b) Jan. 8.
(c) Feb. 11. (d) Feb. 18. (e) May 28.

DAILY AVERAGE 50 COMMON STOCKS

Aug. 7	Aug. 8	Aug. 9	Aug. 11	Aug. 12	Aug. 13
102-4	102-1	100-3	100-3	100-3	99-8

displayed by the figures are in keeping with the experience of other leading offices:—

	Close				Close		
	Aug.	Aug.			Aug.	Aug.	
	12.	19.			12.	19.	
1. Railroads.	1941	1941			1941	1941	
Balt. & Ohio . . .	4	48	Chrysler . . .		574	57	
G. Nthn. Pt. . . .	25½	26	Curt. Wr. "A" . .		27	268	
Illinois Cent. . .	9	9	Eastuan Kdk. . .	139	138		
N.Y. Cent. . . .	128	128	Gn. Elec.	311	312		
Northern Pac. . .	71	71	Gn. Motors . . .	391	391		
Pennsylvania . .	23½	23	Inland Steel . . .	78	77		
Southern	17	18	Int. Harvest . . .	52	52		
2. Utilities, etc.	15	15	Int. Nickel . . .	26	26		
Amer. Tel.	153	152	Liggett Myers . .	85	85		
Amer. W.wks. . .	4	4	Nat. Dairy . . .	14	14		
Pac. Light	36½	36	Nat. Distillers . .	21	21		
Pub. S. N. J. . . .	22½	22	Nat. Steel	55	53		
Stb. Cal. Ed. . . .	22½	22	Proct. Gamble . .	59	58		
United Gas	7	7	Sears Roebuck . .	70	69		
3. Commercial and			Shell Union . . .	14	14		
Indust. Bal.			Soco's N.Y. . . .	9	9		
Amer. Metal . . .	18½	19	Std. Oil N.Y. . .	41	42		
Am. Rolll. Mtl. . .	14½	14	20th Cen. Fox . .	7	7		
Am. Smelting . .	41½	41	U.S. Steel	57	56		
Anaconda	27½	28	West'hose. Et. . .	91	91		
Briggs	18	18	Woolworth	29	29		
Celanese of A. . .	26½	26	Yngsta. Sheet . .	37	37		

Nature of Borrowing (Conv. Excl'd.)

Nat. Savings Certs.†	3,238,849	3,238,849
3% Defence Bondst (s)	2,347,725	2,347,725
2½% Nat. War Bds.† (w)	36,255,058	36,255,058
3% Savings Bondst (t)	9,943,914	9,943,914
† Week to August 12, 1941. Total sales.		Nov. 22, 1941
1939, to August 12, 1941, £341,318,172.	(s) Total	
sales to August 12, 1941, £324,830,725.	(t) Total	
sales to August 12, 1941, £279,824,779.	(w) Total	
sales January 2, 1941, to August 12, 1941, £433,618,720.		

Year	Including Conversions £	Excluding Conversions £
1941 (New Basis)	1,039,289,967	987,155,385
1940 (New Basis)	1,065,962,591	713,007,495
1941 (Old Basis)	1,035,280,191	985,876,047
1940 (Old Basis)	1,050,594,934	608,122,931

Destination (Conversions Excluded)			
Year	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
'41 (New Basis)	983,804,539	3,280,846	70,000
'40 (New Basis)	985,962,591		

Capital Issues

Week ending August 23, 1941	Nominal Capital	Con- versions	New Money
To the Public	£ Nil	£ ...	£ Nil
To Shareholders	Nil	...	Nil
By S.E. Introduction ..	Nil	...	Nil
By Permission to Deal ..	25,000	...	25,000

Nature of Borrowing (Conv. Excl'd.)

Year	Deb.	Pref.	Ord.
'41 (New Basis) ...	983,189,703	304,460	3,661,222
'40 (New Basis) ...	697,749,490	1,458,755	17,999,215
'41 (Old Basis) ...	982,976,041	Nil	2,700,000
'40 (Old Basis) ...	696,842,669	77,500	1,208,132

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

New Business :-		Rise or Fall
Net sums assured	£6,791,312	—£3,509,836 (34·1%)
Income :-		
Net premiums	£4,325,921	—£216,796 (4·8%)
Net interest	£1,592,477	—£111,016 (7·0%)
Net interest rate earned.	£3 10 4%	
Outgo :-		
Claims by death	£1,165,489	+£102,343
Claims by maturity	£2,102,073	+£28,575
Surplus, incl. sur- renders, incl. bonu- s	£534,650	+£39,461
Commission and expenses	£607,918	+£1,668
Do., ratio to premiums ..	13·5%	0·1%

The society's quinquennial valuation was

THE ENGLISH, SCOTTISH & AUSTRALIAN BANK, LTD.

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Paid-up Capital	3,000,000
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CITY OF JOHANNESBURG 5 PER CENT INSCRIBED STOCK, 1950-60

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For Barclays Bank (Dominion, Colonial and Overseas),
C. D. ALCOCK, Manager.

Circus Place,
London Wall, E.C.
15th August, 1941.

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ASSETS EXCEED	£74,000,000
CLAIMS PAID EXCEED	£133,000,000

(1940 Accounts)

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AUGUST 30, 1941

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Middle Eastern Defence

FOR the third time in six months, British troops have—uninvited—crossed the frontiers of a Middle Eastern state. In May, it was Iraq, where the hostile Government of Rashid Ali was engaged in overturning the constitution, violating the nation's treaty obligations with Britain, and securing the active support of Germany. In June, it was Syria, where the Mandatory Power—Britain's ex-ally—was betraying its trust to the Nazis. Now it is Iran, a sovereign state with a legal Government and no treaty obligations to Britain, but like the other two states, menaced by Nazi activities and apparently incapable of taking by itself the strong measures necessary to restore the situation. As in Iraq and Syria, the British forces are meeting resistance. As in Iraq and Syria, Germany is appealing to the "moral conscience of an outraged world." There is, however, one big difference. The British action in Iran has been undertaken in company with another Great Power. The move was preceded by several joint diplomatic *démarches* on the part of Britain and Soviet Russia; and, when all these warnings had been either disregarded or answered in an unsatisfactory manner, British and Soviet armies jointly crossed the frontiers of Iran, the Russians in the north southwards towards Tabriz, the British from the Persian Gulf and Iraq to the oilfields and beyond.

There are obvious and solid reasons for this move. In the grand strategy of the war, the possession of the Iranian oilfields, with their annual output of 10 million tons, and annual refining capacity of over 14 million tons, is a major factor. It is not that Britain is anywhere near dependent upon these supplies. They are essential for the easy fuelling of the British forces in the Middle East, but other, though admittedly remoter, supplies are open to General Wavell and the British Navy. The position is fully discussed in a Note on page 262. The crucial factor is rather the advan-

tage the possession of such supplies would confer upon Germany's armies.

Again, there is the question of Russia's strategic necessity to remain in contact with the supply routes of the world—a need which has been underlined by the rapid advance of the German armies up the Gulf of Finland and the slow advance of winter on the northern trade routes to Archangel and Murmansk. With the Straits closed by Germany, and Vladivostok held open only by the doubtful courtesy of the Japanese—and the doubtful determination of the United States—Bushire, Basra and Bandar Shahpur are Russia's remaining outlets to the free world. There are obvious difficulties in overland carriage in the Middle East, but when account has been taken of them, the Persian Gulf could become a Red Sea where American supplies are concerned and the direct American ferry service might be extended. By the same token, Iran is the only land linking Britain to the last remaining landfront in Europe. Supplies must reach Russia throughout this crucial autumn and winter, and the railway from Bandar Shahpur to the Caspian, together with the roads from Bushire or Basra to Tabriz and the Russian frontier—via Baghdad or Teheran—can become the chief arteries pumping war materials and reinforcements into the bloodstream of Russian resistance.

Yet, in spite of these overwhelming strategic advantages, it is certain that British and Russian troops would not have moved across the frontiers of Iran in the dawn of August 25th if the Germans had not seen fit to draw the whole Middle East, and with it Iran, into the net of war. It has long been clear that Germany was bound at some point to turn east, for the simple reason that the road to world conquest runs both east and west. Only the timing was a matter of conjecture. The attack on Russia might have preceded the attack on Britain. The

Caucasus might have been opened from the south via Turkey and Iraq and Iran or from the north. As it is, Hitler is proceeding by the northern route via the Ukraine, and one reason why he has chosen this route is that the Balkan campaigns, coming on top of Italy's supreme idiocy in Greece, gave the British time to clear the ground in Iraq before Rashid Ali could prepare it for the Germans.

Similar preparations have long been on foot in Iran. The technique is as old as the Nazi régime—tourists, trade missions, key technicians and engineers, on the one hand, bribes, corrupt politicians, the exasperation of local rivalries, and the encouragement of nationalist ambitions, on the other. Iran was being prepared to repeat the story of Hungary, of Roumania and of Bulgaria. The British treaty in the case of Turkey and Egypt, and British intervention in the case of Syria and Iraq, have prevented these countries from succumbing to the same misfortunes. It must be said, too, that the truculent and unfriendly attitude of the Iranian Government has fully confirmed the conviction that their independence was in jeopardy. In spite of the scrupulously non-political administration of the British oil interests—which provide the Shah's Government with the bulk of its revenue—relations have frequently been strained; and, since the rise of Hitler, Iran has in a number of ways given preference to Germany and attempted to use the Nazis as a foil to the Russians and the British. Like others—including Von Papen in Germany itself—who have tried to use the Nazis, the Iranians have ended by being used themselves.

While the case for the entry of the Allied troops is obvious and overwhelming, much will depend upon the way in which the new policy is carried out. The first essential is speed and strength. The states of the Middle East have on the whole preferred a Britain that acts with resolution to one that holds back in hesitation from steps that are in its obvious strategic interests. The knowledge that Britain is both ready and able to act increases their sense of security, and it is extremely likely that the Turks' reaction will depend upon the vigour with which the Iranian campaign is conducted. With the Germans at their front door, the Turkish Government has naturally disapproved the Allied action. If Britain or Russia bungles the operation, then Turkish disapproval will be reinforced by the conviction that Allied incompetence will only encourage Germany to try conclusions with the Turks themselves. Vigorous and effective action, on the other hand, would reinforce their eastern frontier and give the Germans less encouragement to seek the road to Batum across the uplands of Anatolia. For the time, Turkey's attitude continues to be one of strict neutrality. It should be added that Iran itself is concerned with the strength of the Allied operation. The more firmly Britain and Russia are entrenched, the less inclined will Germany be to convert Iran into a vast battlefield by launching a counter-invasion.

The armies of Britain and Russia have entered a sovereign state uninvited, and the state is offering resistance. This fact cannot and should not be glossed over. It is a grim necessity of war, but it is a very disagreeable one; and everything must be done to ensure that the policy of the Allies towards Iran both during and after the campaign should give rise to no suspicion of hidden motives or duplicity. The record of both Powers with regard to Iran, if not black, is at least off-white; and the

Iranians will not have forgotten the virtual partition of their country before the last war or Lord Curzon's attempts to secure British hegemony there after it. It is true that, in the twenty years that have intervened, it is Germany and not the Allies that has been the small-state swallower. But Germany has been at its cannibalisms in more distant areas, whereas Iranians with long memories may still feel about Russia and Britain as Jonah felt in Nineveh about the whale.

It is, therefore, good news that the political independence and integrity of Iran have been specifically recognised by the two Allies, and the limited aims of the occupation officially communicated to all the Middle Eastern Governments. It is perhaps even better news that, as in the case of Syria, wheat and other foodstuffs are being brought in the wake of the troops to repair the ravages that a war economy with a German bias has wrought among the Iranian people. There must be no flirting with unconstitutional governments, however friendly disposed, and no opportunity must be missed to underline the provisional nature of the occupation. It is in the ultimate interests of both Russia and Britain that a strong independent Iranian State should exist. It is largely because such a state does not exist that the present action has become necessary. Allied policy in the post-war period should, therefore, be directed towards the creation of this strength and independence.

The strength of a state, however, does not only depend on its nationalist will to live, the one element fully provided by Reza Shah's Government. It depends, too, upon its economic connections with the outside world, and on its political relations with its neighbours. Just as the "new order" is designed to deprive Europe of independence by subordinating a satellite fringe of primary producers to the central point of German industrial power, so, too, do the trade relations envisaged by Germany for the Middle East entail the obstructing of local development and the exploitation of the area for Germany's

economic system. Again, one of the entry points of Nazi disintegration in Europe has been nationalist rivalries—the case of Hungary and Roumania is the most obvious example. So, too, in the Middle East, Nazi propaganda has fanned the flames of Great Persian imperialism in order to exacerbate Iran's relations with Iraq, Saudi Arabia and Gulf Sultanates.

Without greatly wishing it, Britain and, to a lesser extent, Russia will find themselves with a deciding voice when, at the end of the struggle, the future of the Middle East comes up for decision. It is essential that, from these first days of occupation, they should work on, and if possible agree on, progressive lines of approach to a fair and lasting settlement. The problem is essentially the same as that of Europe—to provide a framework of economic and military security within which States can work out their national destinies. To be strong and to be independent are no longer synonymous, if independence entails no relations or bad relations with neighbouring countries. Britain and Russia alone have the resources and the power to forward economic development, to encourage political understanding and to provide a background of security in the Middle East as a whole. And the best justification they can give for their present policy—apart from the overwhelmingly strong strategic justification—is that they will leave Iran—and Syria and Iraq—better fitted for the "strenuous conditions of modern life."



Wartime and Peacetime Farming

THEY will endeavour, with due respect to existing obligations, to further enjoyment by all States, great or small, victor or vanquished, on equal terms, to the trade and to the raw materials of the world." It is natural that *The Economist*, which was founded almost exactly 98 years ago as an "agricultural, free trade journal," should have found a peculiar satisfaction in this statement in the Atlantic Charter; and perhaps more natural still that the implications of this pledge for British agricultural policy should be canvassed in these pages. The danger in wartime, in all aspects of economic life, is that the policy dictated by strategic necessity may come to be regarded as the proper policy for peacetime; and this danger is especially great in agriculture, where war and peace aims are very different.

In wartime and peacetime alike, what is needed in agriculture is a consumers' policy, with safeguards for producers. But there agreement, very largely, ends. In peacetime, the object should be to maintain healthy and efficient farming without substantially increasing the cost of the people's food or harmfully disturbing the foreign trade on which the country's wealth depends. It may be reasonable to use methods that produce less food per acre than other methods might, if to do so is more profitable to the farmer and less expensive to the consumer. But, in wartime, the consumer can no longer pick and choose among the produce of the whole earth as well as of this country. And the object of policy is simply to produce as much food for human consumption as possible, in order to save shipping space and foreign exchange. It is a policy which, if it was to be extended to the post-war years, protected by tariffs, subsidies and quotas in place of the German blockade, would deprive the people of this country of precisely that equality of opportunity and access which the Atlantic Charter has promised to every nation.

At present, concern must necessarily be with the exigencies of wartime. Even the confident preparations of the National Farmers' Union itself, which has just invited applications from men, "even if they are not immediately available because they are now serving with the Forces or holding temporary appointments for the duration of the war," for vacancies in the "Parliamentary, Publicity, Organisation, Statistics and Economics" branches of their activities, do not mean that the end of the war is really in sight. But they may be the shadow of coming events; and it so happens that the question of post-war agricultural policy has recently been brought right into the foreground by the announcement of milk rationing.

More Milk?

An article under the title of "Food and Farming" in *The Economist* of August 2nd has attracted official notice. The argument of the article was that still more might be done to keep the supply of liquid milk for human consumption in line with the increased wartime demand. Its starting point was the fact that, while consumption has gone up by 120 million gallons, or 8 per cent, output, because of scarce feeding-stuffs and labour and transport difficulties, threatens to be down in the winter by appreciably over 10 per cent. It is a question, not so much of securing a large increase in milk output, because the process of re-seeding pasture after ploughing-up is not generally practicable during the war, when the object is to obtain the most rapid increase possible in the total output of human food. It is rather a question of preventing any fall in milk yields and of increasing milk production wherever possible. The conclusion was that "while the war lasts, the Ministry of Agriculture will have to aim at higher milk production, even if it must temporarily be at the expense of beef production." The limiting factor is, of course, feeding stuffs, and dairy herds have already first claim on the supply of imported feeds. The point is the allocation of home-produced feeding-stuffs; and the suggestion of the article

was, not that milk or beef must be chosen, but that somewhat more feed could, and should, be provided for dairy herds and less for beef cattle.

This conclusion was reinforced by reference to the long-term requirements of British agriculture. The trend of milk consumption has been steadily upwards. Milk, unlike cereals and meat, has a naturally protected market in this country, and is an essential element in the establishment of higher standards of nutrition. Before the war, the consumption of milk had risen so considerably, in relation to its output in this country, that it was only just possible to keep pace with the demand for liquid supplies in the winter months. Thus, it was argued that "in the long run, the prosperity of British agriculture may well depend on its being able to give the public milk, rather than on any insistence on protection to keep out cheap meat from the Argentine or cheap grain from the United States and the Dominions."

"Balanced" Agriculture

Some exception to this argument has been taken by the Ministry of Agriculture; and, in support of the Ministry's views, a memorandum has been sent to this office by Mr L. F. Easterbrook, the well-known agricultural writer, which is printed as a letter on page 266. This memorandum is only partially concerned with the immediate question of increasing milk output or arresting the present threatened decline in milk yields. Its main thesis is the case for a "balanced" agriculture, in reply to the implications drawn in *The Economist's* article about long-term policy. On the immediate issue, Mr Easterbrook contends that the shortage of milk in the coming months has possibly been exaggerated. He maintains that the chief reason for a shortage is the wartime increase in consumption, and not any fall in output because of inadequate supplies of feeding-stuffs for dairy herds; and he suggests that the public could manage with a return to pre-war consumption. In reply, it may be hazarded, on other information, that it will be surprising if supplies of liquid milk between next November and April next year are more than nine-tenths of last winter's supplies, when the season was a poor one on account of the weather; and Mr Easterbrook himself admits that it would be "tragic" if the demand for more milk were not satisfied as fully as possible.

Actually, Mr Easterbrook's chief point is rather that "milk production cannot be isolated from other agricultural activities." "Milk production involves, generally speaking, the use of the plough to get the best results; the plough enables the stored-up fertility from the grazing stock to be cashed in the form of corn, sugar and other crops, and gives us continually renewed pasture that can carry more stock and produce more milk." The argument is the familiar one that milk and beef are "complementary," because artificial fertilisers cannot be a substitute for organic manure. "We need the beef cattle to tread the straw, to make the dung, to grow the arable crops for feeding the dairy cows." This is the point which is perhaps most in controversy in discussions about farming at the present time. The function of organic manure in the production of arable crops, according to the only scientific evidence available, can be simply stated. First, it is to provide minerals which are derived from the food which the animals eat; this can equally well be done by the use of artificial fertilisers containing the necessary minerals. Secondly, its function is to furnish what is called "humus"; this can be described as the ability of the soil to hold water, which is given by the texture provided by the straw used to absorb the manure. It is hard to accept unquestioningly the view that organic manure is indispensable for the maintenance of this humus content. It is probably fair to say that, on something like 95 per cent of the soil of Great Britain, humus

can perfectly well be maintained by judicious crop rotation, wise cultivations and green manuring, with only a moderate admixture of animal manures. During the last twenty-five years, crop yields have been kept up and even increased in Germany, Holland and Denmark, without recourse to the folding of sheep or the maintenance of large beef herds. In England, in the Holland division of Lincolnshire, the most highly arable country in England, huge crops of wheat, potatoes and sugar beet have been produced over a considerable period without any exceptional numbers of sheep or cattle. It may, of course, be argued that these are especially good soils; but the point is that there has been no deterioration in yields—and it has been largely done by the use of fertilisers. Admittedly, in the remaining 5 per cent of British agricultural land, such as the light sandy soil of East Anglia or the thin soils over chalk in Southern England, it is not possible to get the same results; but special cases do not make sound generalisations or sound policy. Moreover, the statement that beef cattle are needed to provide manure for growing crops overlooks that crops are needed to feed the beef cattle in the first place.

Mr Easterbrook's argument that at least the present ratio of beef cattle to dairy herds is necessary for the sake of the dairy herds themselves does not end with this question of manuring. His second point is that the mixed grazing of cows and bullocks is necessary in order that the bullocks may eat up the coarser grasses and leave the finer pastures for the dairy herds. Actually, it is probably the case that a mixture of cows and sheep or cows and pigs, or even cows and hens, would be at least as good a grazing unit. Indeed, it is probable that, in all the aspects of mixed grazing, young dairy stock could probably do all that store cattle can; and while the manure produced by cows is admittedly poorer in minerals than that produced by fattening animals, if supplemented by straw it produces just as good humus. In Denmark, with the aid of liquid manure tanks, cows are efficiently and profitably combined with arable land. The argument that, without beef herds, straw is wasted insufficiently recognises the fact that it is not an economic proposition to keep steers simply to eat oat straw, because roots and kale must also be grown in order to make up a diet. Moreover, at the present time, hundreds of farmers are thankfully selling straw at £4 a ton for making paper instead of using it to make into manure.

These are technical considerations used to reinforce what is at bottom an argument that must be decided on economic grounds; and, to say the least, it is doubtful whether a sufficiently good case can be built up on these traditional foundations to rebut the short-term, wartime need for more milk, even at the expense of beef—or to deny that, in the long run, the future of a wealthy and efficient British agriculture depends upon milk, rather than upon the production of cereals or meat. The argument for "balance" is an old one. The basis of Mr Easterbrook's memorandum is that, in the nature of farming, there is a fixed ratio between dairy herds and beef herds, and between grass land and arable. This view would commit this country to the maintenance of something like its present beef population regardless of other considerations; and it would also commit the Government to a post-war policy based upon the high protection of cereals and meat with quantitative restrictions upon cheaper imports from foreign countries. It is on these grounds that *The Economist* is more than sceptical.

No sensible critic has ever argued that in wartime British agriculture should confine its attention to the production of milk. Mr Easterbrook would agree that the aim of wartime farming is to produce as much food as possible; and bread, oatmeal, potatoes, sugar, beef and beer are all needed. The problem is how to make the best use of available resources to get the most rapid increase in the total output of human food, in spite of the scarcity of labour and fertilisers. It has unquestionably been the right policy to plough up for arable uses as much land as can profitably be turned to the production of food. Plainly, the production of crops for direct human consumption makes the best use of the land,

though labour and fertilisers are severely limiting factors; and, by contrast to the grassland farming of peacetime, it is necessary to grow potatoes instead of turnips, cabbage instead of kale, wheat instead of grass. The question at issue here really concerns the best employment of whatever food can be produced for animals. The fundamental fact, both in wartime and in peacetime, is that the cow is many times more economical as a converter of feeding stuffs into human food than the bullock. Of the foods produced indirectly for human consumption milk comes easily first in worth, and is not replaceable, in its liquid form, from abroad; and the contention of *The Economist* is that a first charge upon feeding stuffs should be to maintain sufficiently high milk yields to satisfy the increased demands for liquid milk, even if this entails some further cutting down in the number of beef cattle; and only those other animals should be maintained which can be adequately fed from unproductive land, such as hill sheep, or from the by-products of human food—which, at the worst, might still enable something like three-quarters of the present beef cattle and sheep to be kept.

Milk has, of course, already been given precedence. Five or six million tons of feeding-stuffs that used to be imported no longer come in and what imports there are go entirely to dairy herds; the numbers of pigs and poultry have been drastically cut down; and the standard of feeding has been lowered. But the tendency is still for farmers, in the meat tradition of Britain, to grow more oats and barley, rather than wheat, and more roots rather than potatoes—and then to feed these to beef cattle rather than to dairy cows. It seems a reasonable suggestion that there should be some reduction in the numbers of beef cattle in certain areas and on certain types of farms: first, in order to permit the production of more wheat and potatoes for human use; secondly, in order to free oats for urban horses and cake for dairy cattle; and thirdly, in order to free hay for dairy farms. And the object of such a policy would definitely be a limited one—to stop the threatened decline in milk yields.

The Future

But it would do more than this. It would pave the way for a policy of increasing milk production after the war, and serve as the basis for a farming policy which would fit in equally with the needs of the nation and with the obligations accepted by the Prime Minister on its behalf at the Atlantic Meeting. It is undeniable that, on balance, the leaders of British farming, who have most influence, prefer beef to dairy farming, which is more exacting and requires more equipment; and the argument that there is an infrangible cycle of fertility renewed out of its own products by a semi-automatic process is attractive and traditional, as well as useful. But there is no doubt that to maintain meat farming on a large scale would entail high protection; and, on the technical side, there seems to be no scientific proof that, more often than not, artificial fertilisers will not serve as well as dung.

It is certain that, in peacetime, it will be no advantage even for national defence to have agricultural protection which will diminish shipping resources and lessen the good will of overseas food suppliers, inside as well as outside the Empire. It hardly appears disputable that the future for healthy British farming lies in the increased production of milk, eggs, fruit and vegetables, which are necessary to the health of the nation and enjoy natural advantages in British markets; and the most that the cereal grower and grazier can rightfully expect from an economical policy is a system of price insurance which will mitigate the effects of sharp falls in prices and leave them to make headway by their efficiency in production and the quality of their produce. The trouble is, of course, that, in wartime, farmers are in the position of munition makers, and have to be induced to produce crops which in peacetime will not pay them. But this is no ground for envisaging an artificial and costly system of protection to make these crops pay in peacetime; and the different aims of wartime and peacetime farming must be squarely and frankly recognised.

Commonwealth Dilemma

MR MACKENZIE KING, the Prime Minister of the Dominion of Canada, is in England, because his country wanted him to come. Mr Menzies, the Prime Minister of the Commonwealth of Australia, is not in England, because the Australian Labour Party does not want him to come. Mr Mackenzie King has no illusions about the importance or purpose of his visit. He was pressed to make it by Canadian public opinion, which seemed to feel that Canada would lose some of its prestige as the senior Dominion if its Prime Minister ignored the clear wish of the British Government for personal consultation; and he stated, on his arrival, that he came to emphasise the determination of Canada to be at the side of the British people to the end. In his opinion, there exists to-day "the most perfect continuous conference of Cabinets that any group of nations could possibly have"; there is the most perfect understanding between himself and the High Commissioner in London; the Canadian Government receives the fullest information from Mr MacDonald at Ottawa; and relations between the two Governments are closer than they have ever been. There is no need for an Imperial War Cabinet or for methods of closer consultation. Mr Menzies, on the other hand, thinks that Australia should be directly represented in the British War Cabinet, so that the Dominion's voice can be directly heard in the place where major decisions are inevitably made; and there can be no doubt that his opinion is endorsed by most Australians.

The reason for this divergence of opinion on the merits and drawbacks of the present system of collaboration lies in the very different effects which the course of the war has had upon each Dominion. Australia and New Zealand—which subscribes to Australia's views about Imperial representation, though less clamorously—have suffered heavily in Greece and Crete, and are constantly in the fighting in other parts of the Near East. Australia, in addition, is now directly threatened by Japan. Strategic decisions taken by the British Cabinet have thus cost Australia and New Zealand many lives and may at any moment cost them more. Canadian troops, on the other hand, have not yet been in action. South African troops have played an important part in the East African campaign. But that campaign was successful, so South Africa has apparently decided with Canada that the present system of Imperial consultation is adequate. Moreover, owing to the peculiar position of General Smuts, who, as both Prime Minister and the officer commanding the Union's Defence forces, combines a political and military authority wielded by no other Empire statesman, no strategic decisions affecting South African troops are taken which could possibly be said to override the views of the South African Government.

It is quite true that neither Mr Menzies nor Mr Fraser complains that his Government was not consulted before the Anzacs were moved to Greece; in fact, both emphasised that there had been the fullest consultation. In theory, there was not the slightest reason why, if they had wanted, they should not have withheld their consent, just as, in theory, their countries—and the other Dominions—came into the war by their own choice and nobody else's. But, in practice, all the Dominions, except perhaps Canada, were bound by Britain's decision then, just as to-morrow Australia will be bound to follow any vital decision taken by the British Government with regard to Japan. As Mr Hughes, the Commonwealth Navy Minister, said last week, Australia needs naval strength in the Pacific which is only obtainable from Britain. Britain is responsible for the defence of Malaya and Singapore, which, in Mr Menzies' words, are vitally important outposts in the defence of Australia.

But, in spite of the close strategic and economic interdependence of the Empire, which must weigh heavily whenever an "independent" decision is taken, Imperial consultation is, or should be, something more than a polite fiction. For the Empire's maximum war potential

can only be mobilised if there is some means of concerting the war efforts of each part and deciding on the best disposal, for the common—not the individual—weal, of its men and resources. From the very beginning of the war, therefore, steps have been taken to strengthen the machinery of consultation. It was announced when Mr Eden was made Dominions Secretary, that he would have special access to the War Cabinet, and the favour has been extended to Lord Cranborne. Later, the status of the High Commissioners in the Dominions was improved by appointing ex-Cabinet Ministers as vacancies occurred; thus, Mr MacDonald went to Ottawa, Lord Harlech to South Africa, and Sir Ronald Cross to Australia. Nor has the new tendency been confined to representation from the centre outwards. A military mission from New Zealand visited Australia in the spring to discuss closer co-operation in defence measures in the Pacific, and their two Governments have agreed to establish "a permanent consultative committee" of Cabinet Ministers "for regular consultation on matters of common interest."

Consultation has also been strengthened by flying visits to England from Dominion Premiers, who, during their stay, attend the British War Cabinet as honorary members. Mr Menzies was in London when the decision to move the Anzacs to Greece was taken; Mr Fraser has just completed a two-months' stay; Mr Mackenzie King is the latest arrival. Yet, welcome though these visitors are, their presence cannot really affect Imperial decisions. At the moment, it would certainly be useful for the British Government to have Mr Menzies on tap in order to hear a first-hand account of the measures Australia could take if war broke out with Japan. But the decision would be a London—or a London-cum-Washington—decision; and whatever part Mr Menzies played in it, he would still have to refer back to his own Government before Australia could be committed.

It is possible that the Australian Government contemplated giving executive powers to Mr Menzies such as have been given by the British Government to Mr Oliver Lyttelton in Cairo. But there are two differences here. The first is that Mr Lyttelton has no power to decide questions of high policy—and presumably it would be primarily for such questions that an Australian Lyttelton would be appointed. The second is that Mr Lyttelton is a member of a National Government. He is responsible to Parliament, and so would his Australian counterpart be; but there is a big difference between responsibility to a Parliament which is solidly behind an all-party Government, and responsibility to a Parliament which is divided, almost equally, for and against the Government. It is quite true that the Australian Labour party is wholeheartedly in favour of the defeat of Hitlerism, and there is no evidence that Mr Curtin differs from Mr Menzies in his attitude towards Japan. Nevertheless, Australian Labour sees no reason why it should abandon party politics, and its numerical strength in the Commonwealth Parliament is such that it could make the position of an overseas Minister of State quite untenable. In none of the Dominions would the political situation allow an envoy to London to have a higher status than that of Mr Duff Cooper, whose mission to Singapore is simply to examine and report.

The suggestion has been made, and Mr Churchill has welcomed it, that an Imperial War Conference should be held, at which the Prime Ministers and other representatives of all the Dominions should consult, together with the British Government, on all aspects of the Empire's war effort. Such a conference could have very useful results, particularly on the economic front. Not only would it enable the different representatives to compare and co-ordinate their countries' programmes; it would also be possible to set a highest common standard which each would then have as its goal. The American Administration has been "electrified" by Lord Beaverbrook's expectations. It might not be a bad thing if the

minions were occasionally electrified by being told at the Empire expects of them.

But an Imperial Conference, as every Imperial Conference has found, could have no far-reaching results. No binding decisions could be taken. Even if the minion Premiers were heads of National Governments, they would not be given mandates to commit their counsels to a policy decided at an Imperial Conference. This is the weakness of the Delhi Conference, which in theory had the excellent object of co-ordinating the super-programmes of all Empire countries east of Suez, but whose recommendations were not binding on any of the participants.

Another suggested solution is that the present British War Cabinet should be enlarged into an Imperial War Cabinet by the inclusion of representatives of the Dominions. The body set up would be both representative and binding, but the question—who is to do the representing?—immediately arises. Is it the proper function of a Dominion Prime Minister to be in his own country directing its war effort? The Australian Labour party says yes—though from ulterior motives—and most people will agree. But if another Minister is appointed as representative, he would in effect be superior to his own Prime Minister who would have to carry out the decisions of the Imperial Cabinet. This would obviously lead to an impossible political situation.

Still another suggestion is that Mr Churchill should pour the Dominions in his search for "strong men" to compose his Cabinet. The area in which talent may be found has already been enlarged by the practice of appointing Ministers from outside Parliament, and the inclusion of the Dominions in the area would simply be an extension of the present system. But if in his search Mr Churchill's eye happened to light on Mr Menzies,

who would thereupon be co-opted, the Imperial problem would be no nearer solution. Mr Menzies would doubtless be happy; so would his people, who could be confident that Australia's troubles would be given full tongue; and so would Australian Labour, because Mr Menzies could no longer be Prime Minister. But though Australia would thus be represented, it would still not be bound by anything Mr Menzies might agree to as a member of the British War Cabinet. Consultation through the Dominions Office and the High Commissioner would have to go on as before. And the other Dominions would be completely unaffected.

This problem of enabling the Dominions to participate in Imperial decisions and at the same time to keep their separate legal identities with their own independent legislatures is not new. It is inherent in the nature of the Commonwealth, though the issue was shunned in the Statute of Westminster. In normal times, it remains dormant; and the rare occasions on which a Government stirs it may be taken as a sign that the Dominion concerned is not altogether happy about the decisions being made at the centre. That is why it seems at the moment a peculiarly Australian problem; if the fortunes of war placed Canada in the position of the Pacific Dominions, it would not be merely to be in the fashion that the Canadian people would pack their Prime Minister off to London. But it would be a pity if Australia's struggles to find a solution were to obscure what should be the only object of Dominion concern no less than of the United Kingdom. If all the peoples of the Empire are determined to make the maximum war effort of which they are capable, there will be no need for constitution making. It is the only joint decision which their representatives need make; but it is a decision by which they must be jointly and severally bound.

NOTES OF THE WEEK

The Atlantic Charter

The magnificent sweep of Mr Churchill's oratory on Sunday night included the whole world with its hopes and ambitions in the compass of a single broadcast. For the United States, he had gratitude, but also a word of warning, the warning that Hitler has never abandoned the strategy of "one by one," and that the fundamental reason why the United States was not at war was because Hitler wished to finish with Britain first. For the Japanese, Mr Churchill also had a warning, a warning that aggression unlimited in the Far East "had got to stop." For the Russians, there was admiration for their terrific defence and a specific pledge that "we shall strive to our utmost to overcome all difficulties" to bring them the aid they need. For the oppressed peoples of Europe, among whom there runs to-day a ferment of sabotage, unrest and underground activity, there was the promise that by the Atlantic Charter both Britain and the United States are pledged . . . to the final destruction of the Nazi tyranny. In all this, there was little new, except Mr Churchill's untroubled art of marshalling the facts and presenting them on an heroic scale. What was new was the precision given by the Prime Minister to Mr. Eden's earlier statement of Britain's aims vis-à-vis Germany. This policy—which is included in Points 4 and 5 and Point 8 of the Atlantic Charter—is briefly to punish Germany in the military sphere and restore her economically. The reading of Mr Churchill and Mr Roosevelt of Point 8 is that the recurrence of war can be prevented only "by effectively disarming the guilty nations while remaining suitably protected ourselves," and that this time of unilateral disarmament will last on into "any period we can foresee." This interpretation, coupled with the lack of all reference to international institutions, almost suggests that the ineffectual career of the League has driven the two democratic leaders back into a dangerously negative frame of mind. International institutions failed between the wars because there was no power behind them and because they were superimposed upon economic anarchy. It would be folly after this war to supply the force and to remedy the anarchy, but to abandon the institutions. Unilateral disarmament is inevitable in the first hours of victory by the mere fact of

one side having won the war. It is not, and cannot be, a permanent condition of security. Yet, in a world in which wars will recur—just as burglary and arson will recur within the national community—police power there must be. It is the task of the democracies not to rest content with a balance of power tipped overwhelmingly in their favour. Their aim must be an organised society of nations, in which institutions match the force behind them and all are underpinned by the creation of a sound economic community.

They Call It Peace

Mr Churchill's broadcast at the week-end perhaps put into the background a timely speech by Mr Herbert Morrison in South Wales. His starting point was that "once again a number of people have begun indulging in day-dreams of victory coming by itself." Mr Morrison examined the reasons for these daydreams. "Continued Russian resistance (he said) in staving off the German assault means that we shall be given a few more months in which to make a great effort before the launch of German attacks in the spring; and that is the most optimistic forecast." "Do not let us be carried away (he urged) into the romantic belief that the war will be won for us in American factories." "Have we yet made headway (he asked) in reducing Germany's tremendous lead over us in equipment for mechanised war? I doubt it." These words were opportune because two kinds of peace talk have come to enervate the war effort. There are the daydreams spoken of by Mr Morrison and shared by great numbers of people in all walks of life, day-dreams which still ignore the fact that "all the time we are facing the most deadly military power in history, and the process of defeating it has hardly yet even begun." And there are more dangerous folk, those who write in newspapers, in pamphlets or in books on military strategy about the folly of prolonging total war to an exhausting conclusion, those who argue as if it were possible, now or in a few months' time, to make a peace with the Germans that will make the world safe from aggression, that will restore its liberties and that will establish all over the earth the freedoms

laid down by Mr Roosevelt and Mr Churchill in the Atlantic Charter. There are those who argue in this way because, quite explicitly, they are afraid of the growing power either of the United States or of Soviet Russia; and attacks have been made upon Britain's Allies in at least one weekly newspaper, which would seem at least to tempt the fate which befell the *Daily Worker*. These small knots of peace talkers are men with axes to grind, with warped visions and with no conception of the destinies that hang upon the decision of the British people to see this thing through to an end. In numbers, they are very few indeed and in influence not very strong, but their writings, whether they appear in newspapers with a great tradition of integrity or whether they crop up in books by scholars and experts, are insidious forays against the nation's war policy, if not conscious attempts to make use of the natural questioning of ordinary men and women about the precise way in which this war will be brought to an end.

After the War

Lord Baldwin once said that "another war in the west would mean the end of civilisation," and very few remember that he added, "as we know it." For various disingenuous, twisted and interested reasons, people here and there are beginning to return to this theme. The best known of all clerical journalists has just sounded a characteristically gloomy note in a pamphlet which begins with the promise that "there will be no recovery of health in the present century," though "a return to the Dark Ages may be averted." "We must face the fact (the pamphlet goes on) that the country is rapidly bleeding to death . . . the goose that laid the golden eggs for the tax collector and the ducks that laid the silver eggs have both had their necks wrung . . . John Bull will be a fraudulent bankrupt." The learned cleric appeals to his readers to "cease to listen to those who prophesy a good time coming after the war." He speaks of "disgraceful ruin." The writer of these words is presumably an intelligent man, and it can only be assumed that it is with deliberation that he paints this quite unjustified picture of "an unparalleled disaster" arising, he cynically claims, from the fact that "many believed that war was forced upon us" and from the further fact that the Labour party believed that war would mean "a greater supply of material comforts for their own clients." It is, of course, easy to point out that there are Defence Regulations which, if necessary, would amply cover this kind of irresponsible writing, and to point out that it is a remarkable tribute to the flexible freedom of this democratic country, even in war-time, that these things can be written with very little fear of the consequences.

The more important point is that these dire prognostications about the aftermath of the war have no foundation. A war causes loss of life and property; the community loses wealth that could have been produced by the capital equipment that is destroyed. But a country lives and bases its standard of life, not mainly on the accumulation of wealth in the past, but on what it can currently produce; and the only way in which a war can brand the post-war generation with permanent poverty is by its rendering the community very much less able to create wealth when it is over than they were when it began. This did not happen after the last war. In 1924, the net output per worker in the United Kingdom—and, therefore, his consumption—was higher than it had been in 1913, although working hours had been reduced by 1/10; and the same was true of the other belligerent countries, even of Germany, whose post-war troubles were caused far more by the inflation than by the war itself. There is no reason to suppose that there will be any difference this time. The physical destruction of capital equipment, factories and ships, though considerable, has been much less than most people feared, and so far much less than the devastation which was caused in Northern France during the last war. There will be some loss of income from the foreign assets which have to be disposed of to pay for wartime imports, but the total income of the United Kingdom from overseas investments is no more than 1/25th of the total national income. There is the danger that export markets will be lost while the war is on; and there is the possibility that this time, as last time, there may be widespread unemployment after the war. But wise policy, on the part of export industries as well as the Government, can minimise both of these dangers. The second danger does not follow automatically

and inevitably from the effect of war, but from the inability of governments to organise the transition from war to peace. There is no reason why the re-mobilisation of British industry should not be carried through without the consequences of economic and financial bungling that were evident in the twenties after the last war. Britain's power to produce will remain after this war sufficiently high to sustain the standards of material civilisation which are the anxious concern of the gloomy prophets. They need have no fear, except of the widespread resentment that will be caused by their attempts to spread alarm and despondency and to set one section of the community against another.

The Opposition in France

Marshal Pétain's decision to transform Unoccupied France into a police state on the Fascist model has caused a sharp rise in the temperature of resistance. It is as though the creation of totalitarian police powers had of itself created the need for them. The opposition that has come out into the open is worth analysing. On the one hand is the attempt of 100 deputies to form themselves into an opposition, a sort of parliamentary group operating without a parliament. These deputies are mainly men of the Centre of the Herriot stamp, and their opposition may be called the backward-looking type, for they seem to be seeking to preserve in France the nucleus for a return to the parliamentary government of the Third Republic. The other opposition, more numerous, far more violent, perhaps more fully organised, is forward-looking in the sense, not of progress, but of no return to France's old institutions. These are the Communists, to whom the Russian war and the resistance of the Russian people have given an enormous advantage. The sensational shooting by a young Communist, Colette, of Laval, Déat and Duvry, at a parade of anti-Bolshevist "volunteers" on the point of leaving for the Russian front, is only a symptom of an underground ferment which runs the length and breadth of France. It is France's tragedy to lie at the moment between only three alternatives, the prolongation of the

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semi-Fascist, Pétainist, clerical rule of the *bienpensants*, the return to a discredited parliamentary régime, or a plunge into Communist revolution. If events were left to their own momentum, the third alternative is the most likely. Only if Britain and America can evolve some genuinely creative answer to the internal and international problems of the European community is a fourth alternative—with order and freedom combined—conceivable. No nation is so spiritually disintegrated as the French. No people are in greater need of genuine leadership. Have the democracies any realisation of the fact that they alone can supply it? If so, now, and not the crowded hours of victory and armistice, is the time to work for a solution.

Critical Days

After a particularly dangerous crisis, the fury of the third Gerran offensive seems to be slackening a little. True, the line has been pushed further east along the entire front, Novgorod has fallen in the north, Gomel in the centre and the Germans claim the capture of Dnepropetrovsk in the south. But the situation is a little more stabilised than at the height of the offensive, when Marshal Voroshilov issued a "defend or die" order of the day to Leningrad, and the drive of General von Bock's armies beyond Gomel threatened to separate Marshal Timoshenko's army from Marshal Budyonny's, and to turn the right wing of the Russian armies in the Eastern Ukraine. A smashing counter attack by General Koniev appears to have steadied the fighting round Gomel, and rain is helping the defenders of Leningrad. Nevertheless, the position remains critical. It is impossible to estimate the relative losses on each side, both in men and materials, but they have been fantastically heavy. The Russians have compiled the following table of losses:

	GERMAN	SOVIET
Men	Over 2,000,000 killed, wounded and prisoner	Killed... 150,000 Wounded 440,000 Missing... 110,000
Tanks	8,000	700,000
Guns	10,000	5,500
Planes	7,200	7,500

They cannot, of course, be accepted without severe reservations, though the ratio is a possible one as between attacking armies and armies retreating fairly intact. The figures underline the fact that, while Germany's problem is probably man-power, Russia's problem is supply. The tanks, guns and planes lost represent an inordinate drain upon what is still a very young industrial system. If any line is to be held west or east of Moscow, the losses must be made good by the Allies. Nor is there any real reason to suppose that the coming of winter will give the Russians their needed respite. The Finnish campaign was fought out in the dark months of a sub-arctic winter, and it would be crass stupidity if the democracies were to delay their aid to Russia on the grounds that General Winter will now do their job for them. Far too many people are already doing the job for the democracies for them to add to the weary list.

Back from America

At a Press conference this week on the state of production, Lord Beaverbrook mingled praise for what has been achieved with criticism of what is still left undone. The output of tanks has reached a fresh record and "we are doing very well in guns and explosives." But, he added, "I am not at all satisfied with what is being turned out by the supply industries . . . At present we are in the unhappy state of having more troops than weapons." Like Mr Morrison in his speech last Sunday, Lord Beaverbrook emphasised the immense task still ahead—and he deprecated any tendency to rely on Russia to win the war or on America to produce the weapons. In any case, records in production should be a matter of course in the present phase of the war effort. While the Minister of Supply paid a tribute to the quantity and quality of the weapons produced in the United States, he also disclosed the fact that that country's growing requirements of raw materials had rendered it necessary to curtail its exports of certain commodities to Great Britain, and to abandon shipments of iron and steel scrap. Fortunately, as was pointed out in an article on steel supplies on page 235 of *The Economist* of August 23rd, the need for importing large tonnages of steel scrap is not indispensable for

the maintenance of crude steel output in this country at a satisfactory level. There is probably sufficient scrap in this country to enable the Steel Control to make good the loss of American material, and stocks at furnaces are quite substantial. Nevertheless, if the flow of domestic scrap to the furnaces is to be increased to the requisite rate within a few months, drastic steps will have to be taken immediately, without regard to pre-war practices and conventions, to ensure the necessary additional supplies.

The Common Effort

Although the loss of American scrap and other materials can probably be made up from domestic sources, it is not mere cavilling to ask whether the supplies which the United States is now not going to export will, in fact, be more usefully employed in that country for the joint war effort than they could be here. The figures given by the President last week of the production of various weapons, while very much above those which had been bandied about by some critics, were still small; and there is more than a little evidence to show that the production of non-essential goods—and the use of vital materials in their manufacture—is still running at levels which, in the circumstances, are remarkably high. The leading fact about the United States, industrially as well as strategically, is that the country is not at war; and a not unimportant cause of the shortage of key materials is their continued heavy use outside the defence industries—a fact which is America's own business and no one else's. But a decisive factor in the distribution of resources from the common Anglo-American-Russian pool should be the question of where they will be best used against aggression. There is little doubt, for instance, that at the moment, the destination of finished goods of war should almost always be the Russian front—or China. War production in the States is held up, *inter alia*, by the controversy between the people who want rationing, those (in Wall Street) who want deflation and cut wages and those "super-inflationist" New Dealers who believe that there is no problem and that the civilian and defence sectors can both be given all they want; and, until it reaches a more rapid rate, and supplies to civilian production are more rigorously limited, there is some ground for wondering whether the materials which the United States has been exporting could not still be more effectively used in this country—or in Russia.

America Hangs Fire

The dismay with which the British people received the news of the passing by only one vote of the bill to extend the time of the United States Army draft is apparently shared by important sections of the American public. The suspicion has arisen that the United States is still trying to play at peace in a world at war, that "all aid short of war" means just that and not a preliminary to "shooting," that the real issue has not for a moment been squarely faced, so that it is still possible to talk of utterly defeating Hitlerism in one breath and of avoiding European Wars in the next. In their exasperation at this humiliating and irresponsible situation, some American critics are turning on the President and laying the blame on him for the manifest insufficiencies of the United States. The criticisms cover two different spheres: on the one hand, that the war effort is being hopelessly mismanaged and the tools of war simply are not coming off the lines; on the other, that the President's political leadership has lacked "high seriousness" and has failed to rouse the necessary sense of responsibility in the American electorate. Of the two charges, there is more substance in the first. Even the keenest admirers of the New Deal admit that the experiment has been somewhat vitiated by the vague and empirical planning and inadequate administration upon which it is based. The same errors have crept into the development of America's war industry. There is much overlapping of function and responsibility owing to the President's custom of setting up a new *ad hoc* body for new aspects of the work without adequate definition of what each body's purpose is to be. There is insufficient delegation of work and authority. There is a dangerous bottleneck at the very top, on the President's desk. But the shortcomings are not all those of the Administration. Like British industry in similar conditions, American industry, after thriving on monopoly and restriction, is creaking in every joint in the effort to work a vast programme of expansion. The business men with drive and

vision have not been found. There is even the suspicion that they are not there at all. And the President, who has relied on getting their support and enthusiasm, and is somewhat committed to working with them, is thrown back on his own resources. As for the other charge, defective leadership, here surely it is Congress and, behind Congress, the Constitution, that are to blame. Congress is obstructing the President. That is what the Founding Fathers designed Congress to do. The tentativeness, the hesitations and withdrawals, the tendency to underground methods which observers have criticised in the President are forced on him by the fact that his actions can at a crucial point be checkmated by Congress. The President is like a man advancing to his goal across a quagmire. It is not surprising that he does not go forward with a bold, unheeding stride.

More Appeasement?

Mr Churchill's reference to the Japanese in his recent broadcast in which, after outlining their career of aggression in China and Indo-China and their threat to Thailand and Singapore, he said, "It is certain that this has got to stop," and immediately capped this by saying, "every effort will be made to secure a peaceful settlement," is perhaps typical of the rather confused situation in the Far East. On the one hand, the freezing of Japanese assets still places an almost complete embargo on Japan's foreign trade outside the yen bloc; Imperial reinforcements are steadily arriving at Singapore; the United States is to send a military mission to Chungking; and the Administration has announced its adherence to the 1937 Declaration, which called for a full recognition of the rights of other nations in the Far East. On the other hand, an uneasy impression has been created by the steps taken to create machinery for a resumption of Anglo-Japanese trade; and negotiations are on foot between Japan and the United States to reach a settlement—nobody knows what kind of settlement—which Mr Churchill has pledged this country to support. Now what, in these circumstances, can a peaceful settlement in the Far East mean? One thing only—that Japan abandons its threat to Russia in the north, to Thailand in the south, and puts an end to the "China incident." Does anyone suppose that this is the agenda of the unofficial talks between Admiral Nomura and Mr Cordell Hull? If this is not the agenda, then there are bound to be shrewd suspicions that Japan is attempting to secure a relaxation of the blockade by a temporary—guarantee to push no further, which is almost equivalent to saying, "What will you give me if I don't give you another kick in the pants?" Again, the possibility that the Japanese are trying to barter their willingness to allow the United States to supply Russia through Vladivostok in return for modifications in the American licensing system, points to this same kind of appeasement, since the United States has a perfect right to use Vladivostok unmolested and without Japanese permission. The truth is that the embargo is something which ought to have been imposed in 1937, and there is nothing, short of closing the China incident, that Japan can do now to deserve it less. It is not the Japanese that should be demanding concessions under threat of further action. It is Britain and America, and, unhappily, the uncertainty whether either of the two democracies is really ready for further action is the surest guarantee that Japan's aggressions will go on.

An Imperial Nuisance

The Australian Labour party is an extremely irritating body. It refuses to allow Mr Menzies to visit London because it considers that he has important work to do in his own country, "implementing the prospectus of an unlimited war effort, which Labour wishes to accelerate as speedily as possible." This would seem to imply that the party has a high opinion of the value of Mr Menzies to Australia. Actually, it is trying to use the proposal of a London visit to jockey the Australian Government out of office. When Mr Menzies heard its decision, he immediately proposed the formation of a National Government, composed of an equal number of Government and Opposition members. This proposal has often been made before, but this time Mr Menzies went so far as to offer to resign the Premiership and serve under Mr Curtin or any other leader chosen by some agreed method. This was the most generous offer that Mr Menzies could have made. But it has been refused by Federal Labour, which says that the offer is an indication of Mr Menzies' inability to give

Australia a stable Government, and that he ought to resign—which Mr Menzies has naturally refused to do. The Labour party opposes an all-party Government, because "it would stifle honest, patriotic criticism," without which a successful war effort would be impossible; and it believes that the people would be more satisfied if the war effort were directed by a Labour Government, which would expect similar critical co-operation from those now in office. This assumption of popularity is amazing in view of the present balance of parties which still gives the Government parties a majority of one; but it seems that Mr Curtin is relying on alleged dissension between Mr Menzies and some of his nominal supporters in the Country Party. It does not follow, however, that these dissidents would be willing to support Mr Curtin, still less that he would gain more support than Mr Menzies from the Australian people, who must be heartily sick of such an exhibition of party politics at such a time.

Army Posting

The important report of the Beveridge Committee on the use of skilled men in the Services was not published until this issue of *The Economist* was actually going to press; and it will be discussed in a leading article next week. It has become a truism to say that the wide gap between Britain's available man-power and Germany's can only be narrowed by the most skilful distribution of men—between factories and the Forces, and, in the Forces themselves, between the specialised units and the other arms. The Commons' Select Committee, in its 22nd report, was mainly concerned with the latter. It recommends that the medical examination of recruits should be made more thorough, both from the physical and psychological standpoints, and that a preliminary intelligence test should be imposed before a man is posted to one of the Services. If practicable, a scheme should be devised by which recruits for the Army should, after their medical examination, be sent to central depots instead of direct to a unit. Here they would be sorted out and further tested for vocational and other aptitudes, and at the depots for the less intelligent they would be separated into the possibles and the impossibles, the latter being rapidly discharged. The Committee also recommends that the impossibles already in the Army—and they are by no means few—should be eliminated; that the existing members of specialised units should be carefully scrutinised; and that the capabilities and qualities of youth should be better utilised. The discharge of Army misfits is an obvious step, especially as many of them, living under normal conditions at home, could do useful civilian work. The other two recommendations would be more difficult to carry out, but are none the less essential. Except in Abyssinia, the offensive in this war has depended on the tank; it follows, therefore, that the Royal Armoured Corps should be the most highly trained and efficient of all the Army units. It has been said that its members—at least, those composing the tank crews—should have the temperament of Spitfire pilots; whether this is true or not, they should certainly not include any misfits. Unfortunately, even if these recommendations of the Select Committee are accepted by the Army Council,

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it still does not follow that they will be acted upon. Putting them into effect will still depend upon individual commanding officers, and the capacity of some of these to ignore or render ineffectual Army instructions seems unlimited.

Checks on Output

Another report of the Select Committee deals with the most effective use of manpower in industry. Assuming that the average output per worker is considerably lower than it could be, it discusses the various factors which might impede it—long hours of work, wages, management, discipline, welfare and lack of incentives. Most of these have now been discussed *ad nauseam*. It is accepted that long hours of work reduce output, and that workers will work better if they are properly fed and housed, if their journey to and from work is made as easy as possible, and if they work under favourable conditions of light and heat. The remedy here lies almost entirely in the hands of the Government, and the Select Committee urges the departments concerned—the Ministry of Labour, the Ministry of War Transport, and the Ministry of Food—to take a greater responsibility in the matter. But the effect of management on output has received less publicity. Complaints of inefficiency have certainly been made very frequently, but quite apart from this the relations between managements and workers, especially now, when large numbers of new and inexperienced workers are being drafted into industry, must also be considered, when determining whether a management is good or bad. The allegation made at a shop stewards' conference last week-end, "that three-quarters of those in charge of the engineering industry were incapable of organising it properly, and were inefficient," must be a gross exaggeration; but there are individual cases of clear inefficiency, which, added to border-line cases and to the wrong handling of workers discussed by the Committee, lead to an aggregate loss of output that is by no means small. There are also occasions when the trade unions themselves are to blame; for instance, there is the case of the district delegate in a ship-repairing industry who the Committee found was preventing his union's members from working overtime without his permission. Neither one section of industry nor another can at the moment afford to grumble about mores elsewhere.

Iranian Oil

Had the Nazis been given time to establish themselves in Iran, they would have been in a position to launch an attack against the Caucasian oilfields, upon which the Soviet forces rely for the bulk of their supplies. They might, moreover, have been able to do great damage to the Iranian oil wells and refining facilities which provide much of the petroleum products needed by the British forces in the Middle East. The oil installations are safely in British hands. The significance of the Anglo-Russian move may be appreciated when it is pointed out that Iran, with an annual production of over 10 million tons, ranks fourth in the list of world oil producers. The oil industry in Iran is the product of British capital and enterprise, the sole operating concern being the Anglo-Iranian Oil Company. The output comes from the Masjid-i-Sulaiman and Haft Kel districts of southern Iran, though these are by no means the only areas known to be oil-bearing. A small part of the crude oil production is exported as such, but the bulk is refined in the enormous plant situated on the island of Abadan, at the head of the Persian Gulf; this is some 150 miles from the producing fields, with which it is connected by a system of pipe-lines. In peacetime, Iranian oil products found their way, not only to the markets of Africa and Asia, but also to the United Kingdom and other parts of Europe. In view of the extreme length of the journey, now that the Mediterranean is more or less closed, it is unlikely that much oil has come to this country from Iran during the past twelve months. But it is one of the natural sources of supply for the British military, naval and air forces in the Middle East; and although its place could probably have been taken by Iraq, and possibly by other sources of supply in case of necessity, the loss of Iranian oil would have been a grave inconvenience to Britain. It would, moreover, have hit a number of British investors, whose relief is suggested by this week's rise in the company's shares.

Licensed Dealing

Control of food distribution is being extended slowly but steadily. The Food (Restriction on Dealings) Order made by the Minister of Food on August 20th will go a long way to provide the authorities with an effective sanction for use against black market dealers. The purpose of the Order is to extend the list of foodstuffs for the sale of which both retailers and wholesalers must secure licences, to cover in the case of retailers some sixty foods. Among the wholesalers, grocery and provision dealers are the class most affected, but the list also includes a number of the greengrocer's wares such as tomatoes, onions, apples and—hollow mockery—bananas and bitter oranges. The Ministry of Food provides illuminating indications of the type of offence for which licences will be revoked—and it is emphasised that revocation will definitely take place and will generally affect all foods for which the dealer is licensed. The offences which Lord Woolton is anxious to prohibit add up to those time-honoured devices for market manipulation, forestalling and regrating, illicit slaughtering and the offer of excessive prices, coupled with falsification of accounts to conceal the subsequent sale price. The dates at which trading without licence will become an offence are to be announced separately for each group of foods affected. It is to be hoped that the application of this admirable Order will be swift and without compunction.

Shorter Notes

The *Economist* has received from the salvage department of the Ministry of Supply a letter for publication in order to draw the attention of its readers to the urgent need for salvaging waste paper of every type. The letter reveals that since the war the waste paper already recovered would fill a string of lorries stretching from London to Glasgow. The *Economist* fully subscribes to the admirable exhortations expressed in the letter which, since its own supplies of paper are so scanty, it is not able to publish in full. But it finds it a little curious that it should have received no less than nineteen copies of the letter, each in a separate envelope. Eight were postmarked 7.15 p.m., August 25th; four 12.45 p.m. and one 1.15 p.m., August 26th; and the remainder 2.45 p.m. of the same day. Both letters and envelopes will, of course, give a good send-off to The *Economist's* share in the Ministry's "great Salvage Drive."

Within a fortnight of assuming supreme direction of France's national defence, Admiral Darlan has made sweeping changes in the North African Command. General Weygand retains his position as Delegate General of North Africa and General Noguès as Resident-General of Morocco, but General Huntziger is to become Commander-in-Chief and General Juin is to succeed Noguès. The Commands at Tunis and Algiers are also reorganised. This seems a partial strengthening of Darlan's position since the new men depend on him. Nevertheless, not one of them is known as an out-and-out German collaborator.

In view of the virtual termination of hostilities in East Africa, the War Office has announced that an East African Military Command directly under the War Office will be created, to enable the Commander-in-Chief, Middle East, to devote his whole attention to more active theatres of war. Lieut.-General Sir Alan Cunningham, who commanded the East African forces, is transferred to a Command in the Middle East; and the General Officer Commanding-in-Chief of the new Command is Lieut.-General Sir William Platt.

The Jamaican Legislature has rejected the Colonial Office's proposal for a new Constitution and has adopted an amendment in favour of full representative government.

A Central Council for Works and Building has been appointed to advise the Ministry in its direction and control of the building and contracting industries. Its members have been chosen by Lord Reith to represent the industry as a whole, including the manufacturers of raw materials and finished articles; they are apparently not delegates of the sectional interests concerned.

THE WORLD OVERSEAS

Polish-Soviet Relations

(By a Correspondent)

August 19th

THE first positive results of the Polish-Soviet Agreement are now apparent. A Polish Military Mission, under General Szysko-Bohusz, ex-commander of the Polish Expeditionary Force to Norway, has arrived in Moscow, and a few days after his arrival a special convention, defining the status of the Polish forces to be raised in Russia, was signed. (Four to six divisions are to be set up in the immediate future.) General Anders, who had been interned as a prisoner of war since 1939, has been appointed Commander-in-Chief of the Polish Army on Soviet soil. A Polish Ambassador is soon to go to Moscow, and in the meantime a *chargé d'affaires* is keeping in touch with the Soviet Government. Immediately on the resumption of diplomatic relations, several hundred thousands of Polish prisoners of war and political prisoners regained their freedom, and some prominent Polish politicians, released from internment, have since arrived in this country. Two of them, M. Grabski and General Januszajtis, will join General Sikorski's Government, from which three Ministers recently resigned.

Very significant are the repercussions of the Polish-Soviet Pact on Soviet propaganda. Soviet transmitters send out several Polish bulletins daily and address the Polish people with vigorous appeals to resist the common foe. Workers of Moscow's factories appeal directly to the working youth of Warsaw's factories, calling on them to sabotage or to slow down production. Such unusual terms as "the great immortal Polish nation," which some time ago was preposterously blamed as a nation of *pans* (landlords), and "our heroic Polish brethren" occur frequently; and not even the most suspicious listener is able to detect the faintest trace of Communist propaganda in these bulletins.

Polish delegates played a prominent part at the Conference of Slav Nations held in Moscow. Their foremost spokesmen were the well-known leader of the National Democrats, Januszajtis, and the prominent writer and sympathiser of Communism, Wasilewska. They seemed to symbolise an unusual reconciliation of the two extremely opposed factions of Polish society which, under Polish rule before 1939, as well as under the Soviet regime after 1939, had been separated from each other by prison bars. Hitler has achieved the miracle of uniting the jailor and prisoner in a common purpose.

The Conference of the Slav Nations was organised by the Soviets in order to obliterate any unpleasant memories which might have lingered in the mind of the Poles. The old Czarist monarchy used pan-Slavism as a smoke-screen for its expansionist policy, and the paternal gestures of the Czars towards the Slavonic race contrasted sharply with the oppression of Poland by Russia. The last great Russian-inspired Pan-Slav Conference, held in Prague in 1910, was strongly opposed by Polish patriots, who at that time refused to join the Czechs and Southern Slavs in a demonstration of racial solidarity. Only Dmowski, the leader of the National Democrats, who stood for collaboration with the Russian dynasty, took part in it. At the recent Moscow conference, Soviet representatives disowned the pan-Slavist tradition, and gave solemn assurances that, in calling the conference, they had no other ambition than to unite the Slav nations for the common struggle against the danger of their extermination by the Germans.

It would, however, be futile to pretend that the change in Polish-Soviet relations has been welcome in all Polish quarters. Three Polish Ministers have resigned from General Sikorski's Government because of their disagreement with his policy, and the treaty itself has met with bitter criticism in some of the Polish papers published in Great Britain.

Opposition to the Pact

The reasons for this opposition are manifold. First of all, there is the ambiguity about the Polish-Soviet frontiers; and the remark of the Soviet official *Izvestia* that the Polish-Soviet frontier of 1939 should not be regarded as immutable did little to allay the anxiety of some Poles. On the other hand, the Soviets have agreed to transfer former Polish subjects, now serving with the Red Army, to the Polish forces, which logically implies an indirect recognition of the 1939 frontiers. There is, also, resentment at grievances recently suffered at Soviet hands, an emotional factor which, however justified in itself, has unfortunately obscured for some Poles the picture of the new relationship of forces in Europe. And there is, last but not least, the inertia of an inveterate political controversy which is partly contributing to the present dissension. The dispute between anti-Russians and anti-Germans swayed Polish political life for about half a century. In 1914-18, the Left Wing was predominantly anti-Russian, the Right Wing anti-German. The adherents of Pilsudski were, at that time, closely associated with the Left. It is interesting to note that the Left Wing (the influential Peasant Party and the Socialists) have now endorsed General Sikorski's policy, in spite of their anti-Russian traditions. The main opposition comes from the Pilsudskists; two of the departed Ministers, M. Zaleski and General Sosnkowski, belong to that group. (General Sosnkowski was Minister of War during the Polish-Soviet conflict in 1920.) The nationalist Right Wing has split over the treaty; in spite of the strongly anti-German and pro-Russian tradition of the Right, some of its members, like the ex-Minister, Seyda, oppose the treaty, whereas others, like the Minister of Information, M. Stronski, General Januszajtis and the intellectual spokesman of the movement—former Polish Minister of Education—M. Grabski, have unreservedly endorsed it. General Sikorski himself was brought up in and associated with the anti-Russian school of Polish political thought. It testifies to his political courage and flexibility of mind that he was able to discard an obsolete political notion and to adopt a new line such as has been called for by the new alignment of European forces. His critics have no prospect of success, since the Neither-with-Germany-nor-with-Russia-Blind-Alley, into which they have driven themselves, condemns them beforehand to political passivity; though it must be said that some statements in the British Press, such as the *Times* article about Russia's hegemony in Eastern Europe, have played into their hands by hurting Polish national ambitions and arousing misgivings about Britain's attitude in the future settlement of Polish-Soviet relations.

Most important, however, is the response with which the Russo-Polish Pact has been met in Poland itself. The attitude of the Polish population towards the new war in their country was clear from the beginning. The Poles made up their mind from the first day of the outbreak of Russo-German hostilities that their chief enemy was not Russia, but Hitler. The Russian-Polish conflict was, however, a great obstacle to full collaboration, and before the negotiations for the pact were completed the official declaration of the Soviet authorities, assuring the freedom and independence of Poland, favourably influenced the attitude of the Polish people towards the campaign. Immediately after Stalin's call for a guerrilla war against the advancing Nazi forces, groups of partisans were formed all over the country. Polish partisans are operating in the forests of Central Poland, and also nearer the front in the forest of Bielowieza and in the Pripiet marshes. Their activities are concentrated mainly on communications and on the stores of fuel and foodstuffs built up by the German authorities behind the lines. The large quantities of abandoned war material, ammunition

and guns are sufficient to equip the guerilla campaigners with the necessary weapons, and the number of well-armed men now runs into tens of thousands. The Soviet forces are watching carefully the activities of the guerilla partisans and are doing their best to help them by sending supplies by air and dropping instructors by parachute.

An American Farmer Asks

[FROM OUR WASHINGTON CORRESPONDENT]

August 11th

FOR the past few months, members of the Soil Conservation Service have kept track of the questions asked them by the farmers with whom they are in contact. Since the SCS staff numbers about 12,000, distributed over the major agricultural areas, the questions may be taken as indications of what has recently troubled the minds of farmers; unlike the questions in the public opinion polls these are not questions asked of farmers, but questions asked by farmers.

A high percentage of the questions concern the changes in the agricultural situation and the farm programmes resulting from the shift in the American economy toward an economy of total war. For instance:—

We understand that the prices of certain farm commodities guaranteed by the Government are a minimum floor. If products get out of line (for example, if corn goes up out of proportion to hog prices) will action be taken to fix a ceiling? Will a ceiling be fixed if they all go too high in proportion to other goods?

Is there a current shortage of farm equipment? Is one in prospect? What steps are being taken to recognise agricultural needs in establishing priorities for aluminium, steel, rubber, gasoline, etc.?

What is being done by the Government with the surplus stores of cotton and tobacco now piling up? What effect is national defence going to have on these surplus commodities?

At the present time, it seems that farmers are using mechanised practices in agriculture because of the labour shortage. Because of the adjustments due to mechanisation, what will happen to labour after the emergency? Should we advocate increased use of mechanised methods in agricultural production?

A second series of questions indicates sectional and occupational rivalries brought out by changes under the defence programme:—

Is it true that ten States have 90 per cent of defence contracts? If so, why?

How much aluminium and rubber are available, without importing, in comparison to the amount required?

Critics of strikes say that strikes are settled in favour of labour because management is willing to give in because if it doesn't pay in wages it pays in excess profits tax. Is this true? Why pay labour \$1 to \$1.50 an hour when farmers' income is little higher and soldiers get \$21 a month?

How can strikes and drafts be reconciled, that is, a situation in which ploughboys are drafted at \$21 a month while well-paid workers strike?

The strike situation is frequently linked with the activities of fifth columnists:—

What part have subversive or un-American elements played in the defence efforts of the United States and, in particular, in labour leadership and strikes?

The query—What is the United States policy on the shipment of food products to Axis-occupied countries?—is paralleled by anxiety about trade development within the hemisphere:—

Will it be possible to increase trade with South America or to maintain the present volume? What products are now being exchanged and how much of each? If our trade with South America develops, will it mean a sacrifice on the part of the American farmer?

The political and military situation in Latin America is as interesting as the economic:—

Do any South American countries have dictatorial governments now? How many observe the principles of the Bill of Rights and employ democratic processes? How many are pro-Axis and how many pro-United States?

Are we forcing hemispheric solidarity on Latin American countries?

What is being done by the United States to offset Nazi propaganda in South American newspapers?

What steps are Central and South American nations taking for military defence?

England has said that her war aims are to create a new moral order of freedom for all nations. Is this America's aim, and, if so, can we achieve it by merely defending the Western Hemisphere?

As to Germany:—

What is the comparison between our industrial capacity and Germany's?

If the Germans can conquer the Near East, North Africa and Suez, will this give them all the soil they need?

How important is our export trade? What percentage of our national income does it represent? Is it worth fighting a war about?

Why couldn't the United States trade with Germany if the Nazis defeat England?

Questions about the operation of the Lease and Lend Act, about the economic activities of Britain and the Dominions, and about the period just after the war take the following forms:—

What percentage of the aeroplanes we are building for Great Britain actually reach her? What types of aeroplanes are being sent to her and in what numbers? What percentage is being "ferried" and what percentage is being sent in ships, and in whose ships?

How could a total defeat of Great Britain affect the standard of living; hours, wages and working conditions of the average labourer or office workers; military and naval requirements and their cost; and permanent peace?

Are colonies giving all-out support to Britain? What are they doing, how much are they spending, and are they giving or selling goods to Britain?

Why did Canada buy 300,000 bales of cotton from Brazil when the United States has a huge surplus for sale?

Why is England still using part of her merchant marine for shipping non-war materials to the colonies and other nations?

What are the facts on British shipping losses?

If it is impossible for Germany to bring England to terms by an all-out air attack, how can air superiority on England's part, if achieved, ever bring Germany to surrender? Or does England plan an eventual land attack on the Continent? If so, could it succeed without an American expeditionary force?

After the war is over what methods of cushioning the enormous debt payments for defence are likely to be employed? Will we see another depression that will make our previous depression of the early 30's seem mild by comparison?

Labour Troubles in Canada

[FROM OUR OTTAWA CORRESPONDENT]

August 5th

THE Government's policy of trying to anchor wages to the cost of living by adding a cost-of-living bonus to wages has not prevented considerable labour troubles arising from demands for higher wages. There has been a "ca' canny" movement in the coalfields of Cape Breton in Nova Scotia, which has seriously diminished the output of coal, and there have been strikes in munitions plants in Toronto and Hamilton. The industrial outbreak which has had the most serious consequences occurred at Arvida in Quebec, where the Aluminium Co. of Canada operates the largest single war industry in Canada. On July 24th,

Income Tax for Palestine

[FROM OUR JERUSALEM CORRESPONDENT]

July 15th.

AN income tax will be introduced in Palestine on September 1, 1941. The help of an adviser, well acquainted with conditions in India, which are not unlike the conditions here, has been enlisted for drafting a law which will make the introduction as simple as possible technically. The taxfree exemption limit has been fixed at rather a high level, £P400 for a married man, £P300 for a bachelor with dependants, and £P250 for a bachelor without dependants. The tax is levied at a compound rate, beginning with 50 mils (one shilling) for every pound in the first chargeable £P400 and rising to 300 mils for every chargeable pound above £P3,500. A married man with an annual income of £P500 will have to pay £P5, while on an income of £P5,000, £P890 will have to be paid.

As the law is to come into force on September 1st, only seven-twelfths of the full amount will be levied during the current fiscal year. The most reliable estimates put the number of taxpayers under existing conditions at about 7,000 out of a total population of about a million and a half, and the yield for a full year at about £P250,000. This last figure would compare with a budget total of about £P8½ millions in the fiscal year 1940-41. Mr Strathie, the income tax adviser, explained that the high exemption limit and the few and limited personal allowances were intended to avoid "a vast amount of unremunerative clerical work."

It would have been very difficult, too, to build up a department out of nothing to deal with large numbers of possible assesseees. From wage-earners the tax will be deducted at the source, though not very many will be affected; the adviser, judging by his Indian experiences, believes that even somewhat difficult cases, such as money-lenders, can be dealt with satisfactorily. The reductions allowed follow the usual lines and do not call for special mention. The tax upon the chargeable income of a company is to be a uniform 10 per cent.

As the war is steadily drawing nearer Palestine, the necessity for war risks insurance has become even more pressing, and a few weeks ago a draft ordinance for that purpose was gazetted. It is to be supposed that the actual ordinance will contain the same provisions; these are compulsory insurance for goods with a minimum value of £P1,500 and voluntary insurance for goods of a value less than that amount. The insurance is to cover war risks (excluding losses due to invasion and consequent seizure) on goods owned in the course of business and situated in Palestine. The schedule lists not less than 44 types of commodities, including livestock, timber, bricks, metals and ores, machinery of diverse kind, paintings and sculptures, philatelic collections, old books and mineral oils. The rates have not yet been fixed.

During 1941, orders placed by the military authorities have increased, and reliable estimates state that the value during the first four months of 1941 equals the total value of orders given during the year 1940. As far as can be judged, May has been even better than the preceding months. The types of industries working for the armed forces have increased, and whereas in 1940 the bulk of the orders were for canned food, this year the metal industries are receiving a fair proportion of the total of orders. A new development in industry is due to the difficulty of providing raw materials; the Government departments concerned make many establishments work against fixed compensation, while they themselves provide the necessary raw materials.

trouble came to a head; some 300 men employed in the plant took forcible possession of it and retained control for three days until troops arrived from Quebec. But, meanwhile, 5,000 workers actually in the plant and 4,000 more engaged in the construction of a huge extension to it had been thrown out of work. The most serious consequences of the trouble was that the aluminium in the enormous pots, in which the final process of purification takes place, had been allowed to cool and harden; and the laborious work of chiselling it out gradually may mean a loss of two or three weeks' production, which, since there is already a grave shortage of aluminium products, will hamper the aeroplane industry. Mr Howe, the Minister of Munitions, alleges that saboteurs were at work, but officials of the local labour unions maintain that the strike had its sole origin in the failure of the company to concede a just demand for better wages. The King Ministry is being severely criticised for its failure to send in troops as soon as it learnt that the plant had been seized by the workers; and its lagardness is attributed to fear of rousing antagonism in Quebec by employing military force to suppress French Canadian workers.

Supplies to Britain

The war orders continue to keep industrial activity at a record level, but some papers have been pointing out that the shipments of goods to Great Britain are falling below the scale expected. Both Mr Mackenzie King and Mr Ilsey, the Minister of Finance, stated in Parliament that Canada planned to furnish Great Britain during the fiscal year, 1941-42, with munitions, raw materials and foodstuffs of an estimated value of \$1,500,000,000, but the trade figures for the first quarter of the current fiscal year ended June 30th show that the exports of Canadian domestic goods to Britain in that period had only a total value of \$190½ millions. It is pointed out that if the scale of exports to Britain does not increase during the remaining three-quarters of the fiscal year, Canada will only be furnishing Great Britain with a little more than one-half of the supplies to which she committed herself. However, a spokesman of the Government has explained that lack of shipping facilities has delayed the shipment of large quantities of goods, and that a number of factories, which are destined to make a large contribution to the volume of munitions and armaments shipped to Britain, will not come into full production until late in the summer. It is consequently predicted that in the remaining three-quarters of the fiscal year there will be a very large increase of exports to Britain and that Canada's commitments will be adequately fulfilled.

The Bureau of Statistics' survey of economic conditions in June gave the index of the physical volume of business at 135.3, compared with 132.0 in May, and the index for industrial production at 149.3, compared with 143.4 in May. In recent weeks there has been no material change in the business situation and given below are data about the weekly economic index of the Bureau of Statistics and its major components:

Week Ending	Carloadings	Wholesale Prices	Bank Clearings	Weekly Index
July 27, 1940	92.6	82.0	81.9	102.2
July 12, 1941	103.6	90.6	105.3	112.9
July 19, 1941	104.6	91.2	99.7	112.2
July 26, 1941	107.0	91.1	103.8	113.5

Employment continues to expand, and the Bureau's employment index for May 1st, at 145.5, was 27 per cent above the figure for the same date of 1940. The problem of securing adequate manpower for both the fighting forces and the industrial machine is now demanding serious attention. The national registration taken in 1940 disclosed that, during 1941, after making allowance for men already enlisted, about 91,000 young men who reached the age of 21 during the year would be available. But it has also been estimated that, during the year, the fighting forces would need 132,000 recruits and the war industries 200,000 additional pairs of hands. It is therefore clear that women will have to be drafted into industry in increasing numbers; and there will have to be evolved at Ottawa some coherent and effective policy about the allocation of manpower.

Proof of the expansion of Canada's steel industry under the stimulus of the demands of war is furnished by its output for the second quarter of 1941, which attained the record figure of 593,953 tons, an increase of 7 per cent over the previous record figure for the first quarter and of 20 per cent over the figure for the same quarter of 1940.

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Letter to the Editor

Milk and Beef

TO THE EDITOR OF THE ECONOMIST

SIR,—The belief that farming can be reduced to factory terms dies hard. The well-known story of the business magnate who bought a sheep farm in Australia and, on reading in his paper that wool prices had fallen while mutton prices had hardened, cabled to his manager: "Stop shearing, start lambing," may be fabulous; but it is true in spirit of a certain kind of mind. Farming concerns the soil, and the soil is not a factory. Liberties can be taken with it in reason, but the point is soon reached when Nature asserts herself above economics and man can go against Nature only at the risk of unbalancing the true economy of food production.

Milk is a good example. There is little doubt that milk production could be increased, even at the present low rate of imports of feeding-stuffs. But we are not contemplating a war-time diet of milk alone, and so there are human competitors as well for the products of arable land, for we need bread, oatmeal, potatoes, sugar—and even a certain amount of beef and beer. We are not robots, and there is not much doubt that the damage done to morale if meat were entirely to disappear would outweigh not only the consequent saving in shipping space, but also the gain to public health by pushing milk consumption to fresh records in every month of the year.

Some reduction in our beef cattle population is a war-time necessity that is accepted and has already taken place. But milk and beef are also more complementary in our present system of self-contained mixed farming than many people realise. It is generally recognised that artificial fertilisers, however valuable, should be a supplement to, and not a substitute for, organic manure. We need the beef cattle to tread the straw to make the dung to grow the arable crops for feeding the dairy cows. If it be suggested that dairy cows should do this treading, the answer is that the dairy cows do not exist on the farms where large quantities of this straw are produced, nor the buildings for housing and milking them. If we abolished the beef cattle we should be committing a crime against economy that would be shocking enough in peace time, but under present conditions would be suicidal lunacy. For the straw would be wasted and the soil cheated of that increased power to produce that is all important.

We are producing our beef cattle with little or no resort to imported oil cake. That is reserved for dairy cattle. Other stock must be content with the leavings from the milch cow's plate. Hay, oat-straw, silage and home-grown roots and fodder crops form the basis of their diet, together with grazing. Moreover, the dairy cow must be pampered to some extent. She cannot be used to eat off the rough grass that is to be found on so many farms, and on a large number of fields coarse grass is a recurring enemy to the finer pasture needed to produce our milk.

There is an obstinate belief that milk and the plough are enemies. In fact, they are essential partners, even in peacetime. In the summer of 1939, the writer made a point of asking the Agricultural Organisers in some fifteen counties the following question: "If most of the permanent pasture in your county were ploughed up, re-sown with a modern grass mixture and brought into some system of ley farming, with crops and grass alternating, by how much would the stock-carrying capacity of the county be increased?" There was not one who did not say it could at least be doubled, and at least half thought that trebling would be nearer the mark. It will be seen, therefore, that the plough, even in peacetime, is the surest way of increasing milk production, especially since it would increase it by raising the output on farms fitted to produce milk rather than by bringing more dairy cattle to the cold, wet land, unfitted for milk production at all, or the dry soils where pasture is obtained with difficulty, or the hill districts from which milk cannot readily be transported. But there cannot be a sudden and wholesale ploughing up of all permanent pasture. It will be noted, also, that periodical use of the plough is part of this system of management that is suitable for the greater part of our grassland. For the plough enables

the stored-up fertility from the grazing stock to be cashed in the form of corn, sugar beet and other crops, and, with very little exception, gives us continually renewed pasture that is able to carry more stock, and produce more milk, than pasture left down indefinitely. But unless this ploughing up and re-seeding is to be impossibly expensive, making the milk expensive too, corn must be grown for a year or two in between the re-seedings. In a large number of cases, even in dairying districts, beef cattle offer the best means of turning this straw to good account, either by eating it or turning it into manure for the land; in the main arable districts beef cattle are essential in this respect.

Mixed grazings is sound economy, for sheep and bullocks tend to eat different kinds of grasses, the sheep preferring short varieties, the bullocks the longer grasses they can get their tongues round.

Milk production, therefore, cannot be isolated and divorced from other agricultural activities, except under a system of deliberately neglecting and misusing the land and aiming at a target far short of maximum production per acre. Milk production that is both intensive and cheap involves, generally speaking, the use of the plough to get the best results; the plough means some corn growing, and, in a large number of cases, the bullock is a partner in both grass and corn production. It has been suggested that beef should give way to milk on an even larger scale than is now occurring, because of the anticipated shortage of milk this coming winter. The danger of a winter milk shortage may well be exaggerated. That there will be a shortage is certain, but it may not be greater than last winter, and is more likely to arise from increased consumption than from decreased production, unless the weather is exceptionally unkind. Milk consumption during the war has risen by 120 million gallons a year, beating all records. Last winter, which was a bad one from the point of view of weather conditions for milk production, we scraped through without any serious shortage. With open weather and farmers becoming more skilled in producing and feeding home-grown rations, it is even conceivable that we may produce more milk this winter than last, especially in view of the much greater amount of silage likely to be made.

In addition, the scale of rationed feeding-stuffs announced for next winter provides an ample supplement to the fodder grown on the farm, and, being based on milk sales, has evidently been designed to give every encouragement to maximum output. By comparison, the beef animal must be content with the products of his owner's land. There are to be no coupons for the fattening bullock.

The very fact that so much more milk is being drunk means that the nation's health would be able to stand something in the nature of pre-war milk consumption for a month or two without suffering harm, although this is not to say that every effort must not be made to meet the demand to the full. It would be tragic if the growing milk habit, which is one of the best things that has come out of the war, were checked by inability to meet the demand.

But surely it would be alarmist procedure to begin a wholesale slaughtering of our beef cattle simply because it may, or may not, be temporarily impossible to meet a record demand at the height of the greatest struggle for our existence we have known, especially when steps are being taken to see that those who need milk most will receive adequate supplies. Nor is it by any means certain that getting rid of our beef cattle would be followed automatically by a big increase in milk production. The cow has very much the first call on available supplies of feeding-stuffs, and the suggestion that milk production is declining because beef cattle are getting supplies that ought to go to dairy cattle is far from the truth.

There is also this consideration. We are making heavy demands upon our soil. We are straining for high production of certain crops, and in the opinion of many we are already pushing the reserves of fertility in much of our soil to the limit. We have had to sacrifice large numbers of our pigs and poultry, potent agents for manuring the land. Our flocks of sheep have also had to be reduced, and a culling of beef cattle is in progress. To deprive the soil still further of the means of maintaining its health is surely not only bad farming and bad economy but also bad hygienics.

West Sussex.

L. F. EASTERBROOK.

THE BUSINESS WORLD

Insurance under the Nazis

THE present masters of Germany have always seen in insurance a powerful adjunct to their ambitions of world domination. Long before the outbreak of war, an increasingly close control was being exercised over the activities of German companies, for it was early realised that they provided excellent media for the accumulation of capital to feed the war machine; between 1933 and 1939 the proportion of Treasury bonds and Reich loans to their total investments increased from 8.8 per cent to 32.9 per cent. Profits were heavily taxed, both through official taxation and the numerous "contributions" to party funds and the like. The authorities also did what they could, in the atmosphere of economic autarky for which Germany was herself so much responsible, to foster the development of overseas connections, in order to provide much-needed foreign exchange for the purchase of raw materials; it is estimated that in 1937 the gross income from foreign transactions was some £16 millions, the major part of which was provided by the reinsurance companies. On the outbreak of war, many of the markets formerly exploited by German offices were closed, but fresh opportunities for profit were opened up as one European country after another was overrun; and these opportunities were enhanced by the enforced withdrawal of the British companies, with their long-established connections, especially in Western Europe and in Scandinavia.

The organisation of insurance in the occupied territories, to serve the purposes of the new order, has been put in hand with characteristic Nazi thoroughness. There is evidence of systematic efforts to penetrate markets, of the centralisation of reinsurance, of rating control and limitation of dividends—all measures aiming at German financial hegemony. It cannot be doubted that these activities are directed from one centre; it is known, for example, that the planting of agencies of German offices in the occupied areas is subject to the jurisdiction of the *Reichsgruppe Versicherung*. But the extent to which the screw is applied, naturally varies considerably from one country to another, and depends on how far the aggressors are still hoping to induce the people to "collaborate" in the establishment of Nazi ascendancy, as an alternative to compliance extracted under conditions of complete subjection.

At one extreme there is the *Gouvernement Général* Poland, now apparently regarded by the Germans as finally incorporated in the Reich. Here it is decreed that, while the local offices formerly operating may be permitted to continue, the transfer of insurances from one office to another is forbidden and the existing premium must not be altered; contravention is punishable by fines or imprisonment or, in flagrant cases, even by penal servitude. By contrast, in Denmark, where resistance to the occupation was negligible, the local supervisory authorities have, it seems, been permitted to carry on without much interference, and even to make their own arrangements for the liquidation or transfer to Danish insurers of the numerous portfolios of British companies.

The most important areas lying between these two extremes of policy are France, Holland and Belgium, where German offices have respectively opened some seventeen, twenty and sixteen new agencies. In France, an agreement is understood to have been entered into between German and Italian companies, whereby the former acquire two-thirds and the latter one-third of the British portfolios; and the premiums on fire insurances have been increased by 30 per cent, British insurers being blamed for the previously inadequate level of rates. From Holland, it is reported that, apart from the requisitioning of the business of British companies, 50 per cent of the whole of Dutch major and medium fire business must be given to German companies; policy is being directed at reducing the

number of Dutch companies and bringing others under German control. In Belgium, the *Nordstern*, one of the largest German companies, has apparently taken over most of the business previously finding its way to the British offices. Direct German control is suggested by a report from Norway that dividends have been restricted to between 5 per cent and 8 per cent.

In the sphere of reinsurance, the German plan of centralisation is sufficiently evident from the establishment, in March this year, of a *Vereinigung zur Deckung von Grossrisiken*, or "corporation for covering major risks." This is a kind of cartel regulating reinsurance in the whole of Europe, to be administered by the Munich Reinsurance Company, with the support of Italian and Swiss reinsurers. 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 absorb its own risks and, where this is not possible, the cartel will arrange for their distribution on a quota system. The power over rates, and in consequence over requisitionable funds and taxable profits, which such a reinsurance monopoly gives, needs no elaboration.

This is sufficient to illustrate Nazi policy in the countries they have overrun. How far is it possible to assess the loss which British insurance has suffered through the temporary closure of the European markets? The paucity of published information makes it difficult to consider this question in any detail. Certainly there have been no untoward reactions on the financial position of the offices, for most of them have already written-off, or established reserves against, their assets in the occupied territories, without noticeable embarrassment; indeed, it seems likely that, in certain areas, the assets held were less than the corresponding liabilities—this appears from the accounts of some companies, and is suggested also by the information that, in France, the German offices, in taking over the British portfolios, have found it "appropriate" to enlist the support of the French banks. The loss of premium income, except in one or two instances, is small against a background of world-wide activity; in fact, a study of the accounts of British companies discloses that many have more than made good any loss of premiums through expansion in other directions. A fair proportion has doubtless been secured of the business in countries outside Europe formerly going to German and Italian companies; and much of the reinsurance on world-wide British portfolios which was previously placed with Continental offices has been assimilated without outside assistance by reciprocal arrangements among direct-writing offices.

Whatever the dimensions of the loss in premiums from European sources experienced in the aggregate by British companies and Lloyd's—and the vital factor is, of course, profit rather than premiums—the loss is unlikely to prove more than temporary, for the goodwill British insurance has enjoyed on the Continent is likely to be enhanced after the war. In the chaotic conditions which the Germans will leave behind them, British capital and experience will have their part to play in the process of reconstruction, when, in the terms of the Roosevelt-Churchill Declaration, it is hoped to bring about "the fullest collaboration between all nations in the economic field, with the object of securing for all improved labour standards, economic advancement and social security."

In the meanwhile, there have been developments in German internal insurance which are not without interest as an illustration of some of the difficulties with which the Nazis have to contend at home. It seems that they have found it necessary to bestow on their war-weary people lavish promises of reorganisation of social insurances, embracing life assurance and pensions, sickness and unemployment insurance; the changes are not, however, to

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become effective until after the war. The proposed measures in some directions involve merging State or party insurance schemes with the business of the companies, and have not unnaturally evoked protests, which have been met by assurances from responsible State officials that there is no

intention of nationalising private insurance. It may thus be inferred that the familiar Nazi technique of using soft words to prospective victims still has its uses in the domestic field, even though it may be approaching the end of its tether in the realm of international relations.

Finance and Banking

End-Month Stringency

The discount market was again hard put to it in the first part of this week to find the accommodation requisite for its day-to-day needs. There were three factors at work in making for this stringency of credit. The aftermath of the last minute rush for National War Bonds was still evident in a considerable running down of bank cash and in a corresponding accumulation and sterilisation of funds in Government accounts at the Bank of England. It will not be possible until next week's monthly debt return to gauge the immediate impact of these subscriptions to War Bonds on the credit position, for only with the help of this return will it be possible to see how far the substantial applications to War Bonds were in fact financed by the recall of Treasury deposits. In so far as this has occurred—whether in respect of the banks' own subscriptions or of those for clients—the net effect on the credit position must have been nil. The second factor making for tighter credit conditions was the monthly making up in which most banks have been engaged this week. This has made them even more diffident buyers of bills than they otherwise would have been. To cap it all, the market found itself rewarded with the embarrassingly generous allotment of 57 per cent of its quota application at last week's Treasury bill tender. The greater part of these bills were admittedly taken up in the latter part of the week, by which time credit conditions had become more normal, but none the less the market would for once have wished to have encountered somewhat greater competition at the tender. In the first part of the week, conditions in the money market became decidedly difficult. Help was given to the market by a little special buying on Tuesday. In addition, one or other of the clearing banks always seemed to be ready to help with loans when the position got really difficult, and it was suggested in the market that such help was made possible by official purchases of short bills from these banks, thus indicating a return to the technique of open market help applied in the first half of 1940.

Return to Normal

At no time does the total of available credit appear to have fallen short of the aggregate requirements of the market. Where the shoe may have pinched rather more painfully was in what is becoming known as the "black market" for bills, that is, among houses on the fringe of the market and not members of the syndicate, which apply for considerable amounts of Treasury bills on the confident expectation of being able to sell them after the minimum interval. These institutions may have been seriously inconvenienced by the generous allotment they obtained on Friday of last week and, it should be noted, they have not the same facilities for obtaining official assistance, and even clearing bank assistance, as the recognised members of the market. By Thursday the position had virtually returned to normal. The banks' making up was by then almost complete, and these institutions had returned to the market as ready buyers of bills. Their resources had moreover been replenished by the sudden deceleration of subscriptions to Government issues, by larger Government disbursements and by the fact that during the past week they were not called upon to make Treasury deposit payments. These various influences had already been at work by Wednesday, as may be seen from the latest Bank return. This shows a rise of £23,056,000 in bankers' deposits and an accompanying fall of £20,754,000 in public deposits. The former have now recovered to the more normal level of £125,666,000. The money position is also being eased by a gradual reflow of currency from circulation, the latest return showing a return of £672,000 for the week. Although the tenders for £1,000,000 Northern Ireland three months' bills took place on Tuesday when the stringency

of credit was at its height, the rate at which they were allotted was the very fine one of £1 os. 4.67d. per cent.

Iranian Exchange

The Anglo-Russian entry into Iran is not being accompanied by the customary financial trappings of belligerency. Iran is not to share the fate of enemy and enemy-occupied territories, or even of Japan, in having its sterling assets frozen. Iranian nationals are to have complete freedom—within the framework of sterling exchange control, of course—to operate their sterling accounts and deal with their sterling securities. The developments of the past few days have caused a suspension of normal communications between Iran and this country, and all financial transactions between them are in temporary abeyance. It should be added that the practical effect of such suspension on foreign exchange operations between the two countries has been very slight, because no appreciable market in rials—the Iranian monetary unit—has existed in London since the outbreak of war. The rial was, until March 1932, a gold standard currency with a gold content of .07322 grammes of fine gold. In that month, the obligation to pay out gold was suspended, and the quotation of the currency tended to follow that of sterling. In March, 1936, a definite link with sterling was forged, establishing a middle rate of 80.24 rials to the pound. After the outbreak of the war and the depreciation of sterling, that link was severed, and in December, 1939, the rial was tied to the American dollar at the rate of 17.11 to the dollar. There is exchange control in Iran, and only authorised banks are allowed to sell foreign exchange. The official market in which sterling is now quoted at around 68.50 rials to the £, is extremely nominal, and operations are restricted to the comparatively few import and export transactions invoiced in local currency. There is a much more active unofficial "bazaar" market in which the rate of exchange has recently been quoted at around 300 rials to the £.

Remittances from Australia

Certain restrictions have recently come into force on the use of Post Office money orders for effecting remittances from Australia to this country. The purposes for which such method of remitting funds may be used have been more rigidly defined and exclude a number of operations, among them being the payment of premiums on insurance policies issued by British companies. The announcement has led to some difficulty, since a fair number of such money orders were in transit to this country when the new regulations were announced and have not been honoured on this side. It should not be assumed, however, that these regulations imply that the Australian authorities have been compelled, by a deterioration in the sterling reserve position, to exercise greater severity in allowing remittances from Australia to London. It is true that the London funds of Australian banks have been falling somewhat recently, but this is a seasonal movement which will be corrected with the inception of the next wool season. It must be realised that a form of exchange control has been in operation in Australia quite independently of the general scheme of sterling control affecting the whole of the sterling area. Under this control, certain types of personal remittances to the United Kingdom have been barred. The object of the new restrictions placed on money order remittances has been to bring these payments into line with other forms of payments. The Post Office organisation is in most countries the least "exchange conscious" of any branches of the financial machine. In this country, it will be recalled, the Post Office organisation, in 1919, innocently continued to sell dollar remittances to the United States at the pegged rate of 4.76 for some time after the open market rate had been allowed to break away

from the peg and was quoted down to \$4 to the £—thus giving opportunities for extremely profitable arbitrage on the part of some wideawake operators. At a much later date, the Australian Post Office took an astonishingly long time to learn of the break in the exchange rates which suddenly carried the Australian pound to a discount of some 20 per cent on sterling and for some days went on remitting at around par, within the limits allowed to them. The latest restrictions on money order remittances from Australia merely indicate that the same "slowness off the mark" has again been at work.

Anglo-Soviet Clearing

Although full details of the financial agreement with the USSR have not yet been published, the general outlines of the scheme are becoming known. The clearing will be operated in sterling through a centralised account, which the Bank of England has opened in the name of the Gosbank. As a number of the commodities which the Empire will be delivering to the USSR would, but for these shipments, have been sent to the United States and thus swollen Britain's dollar resources (tin and rubber are cases in point), it is reasonable to assume that some provision should have been made in the agreement for partial payment for deliveries to the USSR either in dollars or in gold. There should be no difficulty for Russia in complying with this, as it holds fairly substantial dollar resources and has an annual gold production of between 5,000,000 and 6,000,000 ounces. As the new sterling clearing account will centralise the whole of the payments between the two countries,

other than those for which stipulation of dollar or gold payments may have been made, it is also reasonable to assume that it will handle the maturity of the Soviet 5½ per cent five year notes under the £10,000,000 five-year credit granted in 1936. Such notes will soon begin to mature, and it is probable that the funds required for their repayment will be made available through the general Anglo-Soviet clearing and will thus rank in common with the rest of such payments for the new £10,000,000 credit.

Standard Bank of South Africa

The accounts of the Standard Bank for the year to March 31st last show the effect of war economy in the Union. Deposits are up by £17 millions to £87,897,000, owing, as the chairman, Lord Selborne, said in his address to the shareholders, to the volume of money put into circulation by the Government's war expenditure. This increase in deposits has not been reflected in advances, which, with bills discounted, are down by £3 millions, and has been allowed to build up the bank's cash holdings by £13 millions while £7 millions went into the purchase of investments. The same banking trends are therefore apparent as in other parts of the British Empire; the lack of demand for accommodation, owing to the incursions of the Union Government into industry, is intensified by the crop purchases undertaken by the British Government. The bank has therefore done well to show only a small decline in profits, from £563,860 to £561,837. The dividend for the year is maintained at 12 per cent and the bonus at 2 per cent.

Investment

Stagnation Once More

After a month of steadily rising prices, equities suffered a reverse during the past week. The movement is associated with the renewed progress of Germany in Russia, but this, in fact, produced no selling; only the habitual drying up of demand. In consequence, quotations, as measured by the index of *The Financial News*, have lost the ground they gained in the preceding eight days. The tone is, however, definitely firm and a slight revival in business has been encouraged by the entry into Iran, and by the Prime Minister's Sunday broadcast. The former affected principally oil shares of the Anglo-Iranian-Shell-Burmah group, which have shown a marked rally. The latter was responsible for a sustained improvement in Japanese bonds, which seems to argue a belief that the Eastern partner of the axis will listen to American arguments, at least so long as there is no decisive action on the Russian front. Throughout the week, there has been little or no change in gilt-edged stocks, beyond a very minor reaction at the opening, but there is little sign that the closing of the tap for National War Bonds has, as yet, had any effect on the demand for issues available through the market. Equities have recently touched their best since pre-war days, and the reaction from this new peak has been slight. It is difficult to speak of the future of the general level of these securities, except that, in so far as fixed interest securities rise, they should drag the whole body of ordinary shares after them. A moderately good case can, however, be made for the continued appreciation of a number of the lesser-known equities. The slowness of these to catch up on the rise of the leaders is explained by the fact that few people are prepared to risk having to wait for some time to avoid a sale on an unreceptive market. This is an argument against putting all, or even most, of one's exiguous supply of eggs into this particular basket. It is not an adequate reason for not taking a reasonable mixture of such shares, and brokers are still making recommendations along these lines. The supply is not as large as it was, and it will not be surprising if, apart from more speculative ventures, these continue to be the firmest section of the market. That the more risky type of venture still has attractions, is shown by a sudden rally in home railway ordinary stocks on unsubstantiated rumours of an impending statement about the new agreement. The future of this particular type of investment is so closely associated with political issues, and, leaving this on one side, the intentions of the authorities as to the reorganisation of transport in general are still so fluid, that any venture into the field can only be described as a speculation.

Building Society Policy

Two recent articles on building society policy in wartime (which appeared in *The Economist* of May 31st and June 7th) did not spare criticism, but it is encouraging that they have been received with ready understanding by certain leaders of the movement. A correspondent has recalled an address which he gave before a building society audience nearly three years ago, after the Munich crisis. Even that brief experience of crisis exposed weaknesses in the structure of the movement, which had sprung from typical peacetime malpractices. These are familiar enough—unqualified promises to repay shares on demand; trading on bank overdraft (frequently covered up in the annual report); and the competitive scramble of certain societies after "bad" money. The decade before the war was a golden period for societies whose principles of financial construction were "façade first; foundations last," and loose financial practice has, in all too many instances, met its nemesis in chronic inability to meet commitments. In the process, it has frequently been the small genuine building society investor who has suffered when weak societies became frozen; the large "bad money" share investor has usually managed to flee with his funds well in advance of any overt signs of financial stringency. Most of these points are sadly acknowledged in building society circles to-day, but it needed some courage to say them three years ago. The question remains, how can their consequences be mitigated now and avoided after the war? The current problem of the movement is to build up and preserve its liquidity. In terms of the individual society, the impact of that problem is governed almost entirely by its pre-war financial policy. The balance sheet of one leading society, which has been kindly furnished for our inspection, shows liquid assets amounting to 14 per cent of total assets; of these liquid assets, cash and Post Office Savings Bank deposits account for about two-fifths of the total and investments for the remainder. The detailed portfolio of investments shows that they consist of loans to local authorities (frequently terminable at six months' notice) or of fairly short-dated gilt-edged and municipal stocks. It is no accident that this society has not been compelled to introduce a rota rule for withdrawals, and that withdrawals in prospect for the ensuing six months (of which notice had been given on June 30th under the society's rules) were covered well over twenty times by available liquid assets, and could have been largely paid off from the surplus of new investments and mortgage repayments over the corresponding outgoings during the month of June. Such a financial position is a legacy of good man-

agement in peacetime, and it may be wondered how many societies could show a comparable record. The answer is not known, but it can be suggested that the Building Societies' Association might consider whether they could present the information which reaches them from the member societies in a composite form for the assistance of building society investors. It is understood that a monthly return is made by societies to the Association, showing their liquid position, receipts and payments on investment and mortgage account, withdrawals of which notice has been given covering six months ahead, and the withdrawal policy in force. The financial part of this information might surely be presented in aggregate form each month. At present, facts about the movement as a whole can only be obtained from the Registrar's annual returns, which appear many months after the year has closed. There seems little reason why the Association of Building Societies (now fully representative of the movement) should be any less willing than, say, the clearing banks to issue monthly statements. The regular issue of such statistics would provide facts by which building society policy could be appraised and adjusted. If they had been available in the past, some of the peacetime excesses of competition might have been curbed more promptly. If they are made available in future, they will assist the direction of building society policy towards the fullest contribution to post-war reconstruction.

Inter-Exchange Communications

In *The Economist* of February 22nd, attention was drawn to a demand which had been made by the Post Office for the surrender by London brokers of all, or nearly all, the private lines and teleprinters used to maintain rapid communication with the principal provincial exchanges. Although action was considered imminent at that time, the matter has been allowed to stand over for six months and is only now raised as one of urgency. As was argued in February, the criterion which must be applied in deciding what lines are to be retained is that of the national interest in maintaining an efficient, nationwide market, at least in Government securities. In the none too active days immediately prior to the war, the number of channels of communication was just short of one hundred, of which several served four or five provincial centres. The fall in turnover and voluntary restriction of operations by certain firms have caused almost half of these to be abandoned, while a few have gone out of use because Post Office engineers had more pressing work than the maintenance of brokers' circuits. According to the London brokers principally concerned, virtually no further reduction is possible without seriously impairing the facilities offered for dealing in gilt-edged securities, business in which accounts, in their view, for more than half the value of the total inter-exchange transactions. Some allowance must be made for the fact that they have to defend their position as well as they can, but a study of such details as are available suggests that the margin is not large. The matter is one which concerns the Treasury and the investor, who deals through the leading provincial markets, at least as much as the couple of dozen London brokers and the similar number of their confrères throughout the country, who enjoy these facilities. But it is the London broker who is being called upon to put up the defence. Very properly, the London committee has decided to invite representatives from the Associated exchanges directly affected to meet a sub-committee of their own members to prepare a joint statement. This is one of the fruits of the new co-operation of the whole profession of stockbroking, and if, as seems probable, they show themselves willing to subordinate personal to national interests, their views should carry weight. To deprive provincial markets of facilities would be a retrograde step only justified after every effort had been made to reduce the demands of the departments to the minimum consistent with efficiency and after due contribution had been levied on other users of these facilities in industry and finance, some of whom have not, so far, been approached.

Richard Thomas Future

The annual meeting of Richard Thomas showed that feelings still run high among shareholders. This is not unnatural, since they are debarred from all influence in the operation of the concern and any return on their money,

sunk in a venture which, at the time of its inception, was both bold and well conceived. It cannot be said, however, that either Sir William Firth, the former chairman and managing director, or Mr Barnabas Russell, who claims to represent 3,000 shareholders, was well advised in insisting that a dividend should have been paid on the ordinary capital. The latter talked of earnings of 18 per cent for the year just ended. But these are earnings before providing for depreciation of stocks, and the net figure is less than half that rate. Even so, a payment might have been possible had the outlook been good instead of extremely obscure. In normal times, half the production of tinplate, to the manufacture of which the company is very largely committed, goes overseas. At the moment, the prospect of any considerable volume of exports being permitted is slight, and the industry is faced with a drastic programme of concentration. Recommendations for effecting this are to be made by an independent committee, recently appointed. It may be that, in the national interest, the best method would be to concentrate a large part of the production of tinplate at Ebbw Vale, where a highly specialised plant has been constructed for that purpose, and to leave the older, and possibly more adaptable plants, to do less specialised work. But it is impossible, without detailed study, to say that this is the ideal solution, and equally uncertain that it will be the course recommended. Even if this course were adopted, it is by no means certain that it would greatly benefit the shareholder, for there would be the question of compensation to the less fortunate firms to be considered. The outlook is indeed the reverse of cheerful, and the dissident shareholders will have to find a stouter stick if their attempt to scourge the board is to succeed. Had Sir William so wished, it is possible he might have found this in the composition of the board, which, despite several changes, still seems to represent financial control and other elements in the heavy industries, rather than a team whose first object is the interest of the equity holders. But although this matter was mentioned, the only serious charge was that of dual allegiance, a practice which is far-reaching and deserves more ventilation than it has so far received, although there is some sign of a reduction in its prevalence in this industry.

Company Notes

Ford Motor Profits

The full accounts of Ford Motor Company for 1940 show a rise in gross profits, less directors' fees and a loss of £3,799 suffered by the Near East branch, from £2,744,417 to £2,776,594. The setback to net profits, which has turned earnings for ordinary shares of £605,787 into a deficit of £37,321, is due mainly to the jump in tax provision from £1,110,000 to £1,655,000. The company is also required to provide £102,500 against nil for war damage contribution. Total allocation for depreciation, at £851,559 against £845,222, includes provision for repairs which cannot be undertaken during the war. That the company is able to maintain the 6 per cent dividend and to allocate £100,000, against nil, to contingencies, without reducing the carry forward by more than £82,321 to £961,716 is due to the inclusion of a surplus of £325,000 on the company's guarantee in respect of indebtedness of

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August 30, 1941

associated companies to America, which has now been terminated.

	Years to December 31,		
	1938	1939	1940
Gross profits less directors' fees	1,388,754	2,744,417	2,776,594
Depreciation	863,723	845,222	851,559
Taxation	231,979	1,110,000	1,655,000
Employers' funds and A.R.P.†	122,593	171,643	202,536
Exchange differences	1,453	11,765	2,320
War damage contribution	...	...	102,500
Ordinary shares:—			
Earned	169,006	605,787	Dr. 37,321
Paid	326,250	337,500	270,000
Earned %	2.6	10.8	Nil
Paid %	5	6	6

Contingencies Reserve..... 100,000
Carry forward..... 755,750 *1,044,037 *961,716

† A.R.P.: 1938, £2,241; 1939, £50,000; 1940, £15,000.
* Includes £20,000 reserve against Spanish company not now required in 1939 and £325,000 surplus on Guarantee premiums previously held in suspense in 1940.

The directors indicate that export trade was severely curtailed last year, but that the supply of tractors for the Ministry of Agriculture formed an important section of activity in the home market. The company's balance-sheet position remains strong, as the chairman, Lord Perry, points out in his statement, liquid assets, exceeding current liabilities by some £5,250,000, against some £4,585,000 in 1939. A decline in cash holdings from £2,935,774 to £2,416,222 helped to finance a rise in stocks from £1,899,176 to £3,008,090 and purchases of Government securities amounting to £103,547. The total of reserves and undistributed profit is up from £4,826,837 to £4,936,586 and that of trade creditors from £946,000 to £1,141,808. The company is fortunate in having been supplied with materials by Ford Motor Company, Dearborn, U.S.A., last year. In the absence of a further fortuitous credit, it seems that the directors will have to draw on reserves to maintain the 6 per cent dividend for the current year. The fact that at 20s. 9d. ex dividend the ordinary shares of £1 yield £5 15s. 8d. suggests some doubts as to future earnings.

Union Cold Storage

No strict comparison is possible between profits of Union Cold Storage at £975,970 for 1939, shown before tax on dividends, and profits for 1940 at £628,252 after all taxation. That the year's trading results were wholly satisfactory is indicated by the rise in the rate of equity earnings from 10.7 to 11.5 per cent after placing the usual £125,000 to depreciation and meeting preference service. The 10 per cent dividend, paid throughout the last decade, is maintained and the carry forward raised from £235,650 to £243,348. A footnote to the accounts states that net profits of subsidiaries were only transferred in part to the parent company, part being retained to reduce the cost of certain investments. In the absence of a consolidated profit and loss account and a consolidated balance sheet, and in view of the extreme reticence of the Union Cold Storage accounts, the stockholder must content himself with this somewhat cryptic statement. The need for fuller information is the more urgent since shareholdings in subsidiary companies now amount to £9,433,088, out of a balance-sheet total of £18,308,856. The depreciation reserve, increased by the annual provision from profits and by a surplus on insurance claims of £300,550, is lowered by the transfer of £332,488 in reduction of assets. The total of the fund, in consequence, amounts to £1,705,128 against £1,612,066. The group pursues a trade which is vital to the country's war effort, and there is reason to believe that capacity was stretched to the limit last year. Both creditors and debtors are substantially higher and stocks are up from £293,000 to £453,000. Cash holdings are some £25,000 lower at

£350,896. The decline in the value of ships, at cost less depreciation, from £2,696,000 to £1,317,000 provides an indication that enemy action took a serious toll of the company's resources last year. The ordinary stock is privately held. The £1 10 per cent cumulative preference stock, at 25s., yields £8 per cent.

Two Brewery Results

Brewery shareholders are suffering a very varied experience with regard to the results of 1940-41, in so far as dividends are concerned, but, in most cases, published profits are lower, even after credit has been taken for the higher rate of income tax. The full accounts of *Barclay Perkins* show a fall in trading profits of some £30,000 to £321,592, while other revenue is little changed. As the tax provision is more than doubled at £67,500, and other costs show a modest fall, the net figure is £165,444, the lowest for a very long time, and comparing with £225,908 for 1939-40. After covering the preference dividend, the earnings for ordinary are reduced from 10.8 to 6.4 per cent. As in the case of *Wainey Combe*, the interim was cut, but the final is maintained, making a total distribution of 3½ per cent and carry forward is £25,548 against £76,405 a year ago. It appears from the chairman's speech that one of the main causes of lower earnings before tax was interruption of output by enemy action. Certain damage has been sustained, but this is only reflected in the balance sheet in a footnote to that effect. A more encouraging result is that of *Arthur Guinness and Son*, who, after maintaining their interim, repeat the final and increase the cash bonus from 3 to 4 per cent, making a total distribution of 26 against 25 per cent. The preliminary figure, after tax and slightly increased depreciation, of £1,281,348 appears to compare with £1,485,243. So far as can be judged at this stage, this means that earnings for ordinary were little changed at rather over 30 per cent. The increase in distribution is at the expense of a reduction in the transfer to contingencies from £275,000 to £200,000 and a draft on the carry forward—virtually unchanged a year ago—of £20,000. The ordinary shares of *Barclay Perkins*, at 15s. 6d. ex dividend, yield £4 10s. 4d. per cent, and the units of *Guinness*, at 83s., some £6 7s. 6d. per cent.

Richard Thomas Addendum

In view of the strong interest aroused by the non-payment of a dividend on Richard Thomas ordinary capital, the reason for which is explained above, it is perhaps desirable to make even more explicit the details of the table contained in *The Economist* of August 16th. Advantage is taken of this opportunity to adjust the rates of ordinary earnings then given.

	Years to End March		
	1939	1940	1941
Surplus.....	271,781	566,871	861,809
Special charges.....	(a) 537,212	(b) 177,500	(c) 573,677
Paid on Pref.....	Nil	Nil	101,411
Available.....	Dr. 265,431	389,371	186,721
Preference earned %.....	Nil	10.0	10.0
Ordinary earned %.....	Nil	7.6	5.5

(a) Costs of running-in Ebbw Vale £337,212, proportion of debenture interest attributable to reconstruction £200,000.

(b) Commutation of agreements.

(c) War Damage contribution £200,000, written off stocks £363,677, agreements and compensation £10,000.

The surplus is in each year the amount available, after normal charges, for the share capital of Richard Thomas, consisting of some £3,120,000 6½ per cent non-cumulative preference, with rights to participate up to a total of 10 figures represent the gross amount available before providing for special charges arising out of the war situation. For the most part, these are not the less obligatory for being exceptional. In fact, the only one which can reasonably be questioned is that for writing down the value of stocks at March 29th last. There will be those who hold that, although these stocks are at present unsaleable, their cash value when sold is likely to be above current valuation rather than below it. But this is a risk which a prudent board ought not to take and, consequently, it has been assumed that this is also a necessary charge against profits before determining the amount available for the ordinary shareholder. If this were excluded, the yield would rise to 20.5 per cent.

August 30, 1941

London

Note: all dealings are for cash

NEWS of continued German pressure in Russia, together with some profit-taking, led to a general decline in prices in all sections of the market before the week-end, but the undertone remained firm. Although sentiment was improved by news of the Allied entry into Iran, most sections, apart from a revival of interest in leading oil issues, remained quiet. Renewed rumours, now denied, of impending agreement gave rise to fresh buying of home rail issues. Elsewhere, the volume of business remained small, and among industrial issues price movements were slight and irregular.

In the gilt-edged market before the week-end, undated issues suffered some losses, 2½ per cent Consols declining ½, while 3½ per cent Conversion and War Loan, Victory Bonds and Local Loans were all down ½. The market opened quietly steady on Monday, and in the early part of the week, apart from a gain of ½ in Local Loans and losses of the same amount in 3½ per cent Conversion and 2½ per cent N.D. Bonds on Tuesday, prices were mainly unchanged. No improvement took place in midweek apart from a gain of ½ for Old 2½ per cent National War Bonds. After closing quietly before the week-end, the chief feature of the foreign bond market was the strong recovery of Japanese issues in the early part of the current week. Brazilian bonds and the San Paulo Coffee Loan were also supported. In other directions, Mexican issues returned to favour and there was moderate buying of Greek and Egyptian bonds.

In the home rail market, profit-taking before the week-end led to a general decline in prices, but, on Tuesday, rumours of an impending Government statement led to a jump in the prices of junior stocks. GWR ordinary rose 2 points, while LMS ordinary gained ½ and Southern deferred ½ point. Among senior issues, "Berwick" 4 per cent 1st and 2nd preference issues improved 1½ and 1½ points respectively. Prices reacted in midweek, Great Western and LMS ordinary both losing ½ point. The foreign rail market was dull, the chief feature being the weakness of Argentine issues on the Government's claim for wage arrears.

Profit-taking and lack of buyers in the industrial market before the week-end gave rise to a general decline in prices in all sections. Among brewery issues, losses of 1s. were common, but Distillers improved against the trend. The motors and aircraft group moved irregularly. Heavy industrials were weak, BSA, John Brown and Richard Thomas preference, among others, suffering moderate losses. Electrical equipment shares lacked support, while both shipping and textile issues, after general declines at the close of the week, continued to lose ground this week. Apart from Imps, tobacco shares failed to recover losses of ½ incurred before the week-end, while elsewhere Cable and Wireless preference and ordinary fell back on balance.

Before the week-end general uncertainty overshadowed the mining and rubber markets, and losses of ½ were general among kaffirs. On Monday, the news from Iran provided the impetus for

THE ECONOMIST

THE STOCK EXCHANGES

a general advance, during which Blyvoors gained 2s., Western Reefs 1s. 3d. and Venterspost 1s., among many other small gains. Later, however, Sub Nigel fell back. The oil market was depressed before the week-end, but on Monday developments in the Middle East stimulated buying. Led by a rise of ½ in Anglo-Iranian ordinary, Shell Transport and Burmah rose ½ and ½ respectively, and on the following day the upward movement spread throughout the market. Both before and after the week-end business was at a low level in the rubber market, and there were few price changes.

"FINANCIAL NEWS" INDICES

	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	
1941.			30 Ord. shares*	20 Fixed. Int.†
Aug. 21...	3,320	£2,479	77.8	130.3
" 22...	2,943	£2,408	77.3	130.2
" 25...	3,389	£2,543	77.2	130.1
" 26...	2,833	£1,554	77.2	130.1
" 27...	2,826	£1,890	77.4	130.0

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1941 highest, 78.4 (Aug. 20); lowest, 66.8 (Apr. 24). 20 Fixed Int., 1941; highest, 130.3 (Aug. 20); lowest 126.1 (Jan. 2). † Excluding "Stop Press" bargains.

New York

APART from some slight selling, business on Wall Street before the week-end was at a low ebb, and prices generally remained unchanged. The news from Iran was well received but caution continued to be the dominant market sentiment at the opening of the current week, and conditions remained dull, with the majority of issues unchanged. A short revival on Tuesday resulted in gains up to a point in steel, motor and rail issues. In midweek, the modest revival continued and markets closed firm.

The Iron Age estimates steel mill capacity at 97 per cent of capacity, the same as the revised percentage for the previous week.

New York Prices

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1941	Aug. 6, 1941	Aug. 13, 1941	Aug. 20, 1941
	Low Apr. 30	High Jan. 15		
347 Industrials...	83.6	109.0	94.6	92.3
32 Rails.....	425.4	428.5	28.3	27.8
40 Utilities.....	67.0	78.7	69.9	68.9
419 Stocks.....	71.9	88.1	79.7	78.0
Av. yield*.....	6.80%	6.11%	6.14%	6.23%
	High (c)	Low (a)		

* 50 Common Stocks. (a) July 30. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 28.

DAILY AVERAGE 50 COMMON STOCKS

Aug. 14	Aug. 15	Aug. 16	Aug. 18	Aug. 19	Aug. 20
100.1	99.1	99.6	100.1	100.3	100.7

1941 High: 105.80, January 10. Low: 90.70 April 30.

Total share dealings: Aug. 21, 390,000; Aug. 22, 360,000; Aug. 23, 150,000; Aug. 25, 330,000; Aug. 26, 460,000; Aug. 27, 430,000.

* Two-hour session.

	Close Aug. 19, 1941	Close Aug. 26, 1941		Close Aug. 19, 1941	Close Aug. 26, 1941
1. Railroads.					
Balt. & Ohio...	44	48	Chrysler.....	57 1/2	56 1/2
Ill. Cent.	9	9 1/2	Eastman KdK.	138 1/2	139 1/2
N.Y. Cent.	12 1/2	12 1/2	Gen. Elec.	31 1/2	32 1/2
Northern Pac. ..	7 1/2	7 1/2	Gen. Motors ..	38 1/2	39 1/2
Pennsylvania... 23 1/2	23 1/2	23 1/2	Inland Steel ...	77 1/2	79 1/2
Southern..... 18	18 1/2	18 1/2	Int. Harvest ...	52 1/2	52 1/2
2. Utilities, etc.			Int. Nickel.....	26 1/2	27 1/2
Amer. Tel.	152	154 1/2	Liggett Myers ..	85 1/2	85 1/2
Amer. W'vks.	4 1/2	4 1/2	Nat. Dairy.....	14 1/2	14 1/2
Pac. Light..... 36 1/2	36 1/2	36 1/2	Nat. Distillers ..	21 1/2	22 1/2
Pub. Sv. N.J. ...	22 1/2	22 1/2	Nat. Steel.....	53 1/2	53 1/2
Sth. Cal. Ed.	22 1/2	22 1/2	Proct. Gamble ..	58 1/2	59 1/2
United Gas..... 7 1/2	7 1/2	7 1/2	Sears Roebuck ..	69 1/2	72 1/2
3. Commercial and Industrial.			Shell Union....	14 1/2	14 1/2
Amer. Metal.... 19	19 1/2	19 1/2	Socony Vac.	9 1/2	9 1/2
Am. Roll. Ml. ...	14 1/2	14 1/2	Std. Oil N.J. ...	42 1/2	43 1/2
Am. Smelting... 41 1/2	42 1/2	42 1/2	20th Cen. Fox ..	7 1/2	8 1/2
Anaconda..... 28 1/2	28 1/2	28 1/2	U.S. Steel.....	56 1/2	57 1/2
Briggs..... 18 1/2	19 1/2	19 1/2	West. Hose. El. ..	91 1/2	91 1/2
Celanese of A. ...	26 1/2	25 1/2	Woolworth.....	29 1/2	29 1/2
			Yngstn. Sheet ..	37 1/2	37 1/2

Capital Issues

	Week ending August 30, 1941	Nominal Capital	Conversions	New Money
To the Public.....	Nil	Nil	Nil	Nil
To Shareholders.....	Nil	Nil	Nil	Nil
By S.E. Introduction.....	Nil	Nil	Nil	Nil
By Permission to Deal.....	Nil	Nil	Nil	Nil
Nat. Savings Certs.†.....	3,813,071	3,813,071	3,813,071	3,813,071
3% Defence Bonds† (s) ..	2,860,485	2,860,485	2,860,485	2,860,485
2 1/2% Nat. War Bds.† (w) ..	59,873,948	59,873,948	59,873,948	59,873,948
3% Savings Bonds† (d) ...	3,335,079	3,335,079	3,335,079	3,335,079
Do. Series A (d).....	3,413,790	3,413,790	3,413,790	3,413,790

† Week to August 19, 1941. Total sales, Nov. 22, 1939, to August 19, 1941, £345,131,783. (s) Total sales to August 19, 1941, £327,691,210. (w) Total sales to August 19, 1941, £283,159,858. (d) Total sales January 2, 1941, to August 19, 1941, £493,492,668. (e) Total sales August 12, 1941, to August 19, 1941, £3,413,790.

Year	Including Conversions	Excluding Conversions
1941 (New Basis).....	1,112,586,340	1,060,451,758
1940 (New Basis).....	1,081,335,264	728,380,131
1941 (Old Basis).....	1,108,576,564	1,059,172,420
1940 (Old Basis).....	1,065,889,760	713,134,627

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
41 (New Basis) ..	1,057,100,912	3,280,846	70,000
40 (New Basis) ..	727,395,459	984,672	Nil
41 (Old Basis) ..	1,056,272,420	2,900,000	Nil
40 (Old Basis) ..	712,992,171	142,456	Nil

Nature of Borrowing (Conv. Excl.)

Year	Deb.	Pref.	Ord.
41 (New Basis) ..	1,056,486,076	304,460	3,651,222
40 (New Basis) ..	712,784,816	1,458,756	14,166,560
41 (Old Basis) ..	1,056,272,420	Nil	2,900,000
40 (Old Basis) ..	711,847,895	77,500	1,806,132

"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

Jamaica 4½ per cent Stock.—The £690,614 outstanding of Jamaica 4½ per cent stock 1941-1971 will be repaid at par February 15, 1942.

Wemyss Collieries Trust.—The £100,000 outstanding of Wemyss Collieries Trust 4 per cent mortgage debentures will be repaid at 102½ per cent on November 11, 1941.

PUBLIC OFFER

Bristol Waterworks Company.—Issue of £170,000 4 per cent perpetual debenture stock at 110½, free of stamp duty.

RESULT OF TENDER

Northern Ireland Bills.—Applications for £1,000,000 three months bills on August 26th totalled about £6,000,000. The full £1,000,000 was allotted. Average rate of discount £1 0s. 4.67d. per cent, minimum price £99 14s. 11d.

TO SHAREHOLDERS ONLY

Smith and Nephew Associated Companies.—Issue of 150,000 5½ per cent Cumulative £1 Preference shares

(Continued on page 274.)

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

Industry and Trade

The Miners' Attendance Bonus

There has been considerable friction in the coal-mining industry over the administration of the attendance bonus of 1s. per shift. The provisional agreement of May 22nd between the Mining Association and the Mineworkers' Federation, providing for this wage increase in addition to that automatically secured under the cost-of-living sliding scale, came into operation at the beginning of June, simultaneously with the guaranteed week under the Essential Work Order; while the immediate occasion for it was the miners' application for a national minimum wage of £4 a week, it was negotiated by the Joint Standing Consultative Committee on the understanding, stressed by the President of the Board of Trade in the House of Commons on May 28th, that "it was of vital importance that any increase which was given should operate to increase and stimulate production." The expedient suggested by the owners to achieve this purpose, and provisionally accepted by the miners' representatives on the committee, was to make the weekly payment of the bonus conditional on regular attendance. The only exception originally admitted was disablement by accident at the mine, and it was provided that in such a case the miners would be paid the bonus in respect of the shifts they had actually worked. From the very outset, however, the Executive Council of the Mineworkers' Federation resented these stringent conditions. The owners have made many concessions in their desire to meet the objections of the miners' leaders. On June 6th they agreed that absence due to sickness, treatment during working hours in a hospital or clinic from the after-effects of an accident, trade union business, attendance at meetings of public authorities, Civil Defence services, and cases of hardship affecting the aged and infirm, should not involve disqualification. When these failed to satisfy the Executive Council, further exemptions and assurances of the sympathetic administration of the scheme by colliery managements were given at a meeting of the Joint Consultative Committee on July 3rd, when Mr Ebby Edwards, the general secretary of the Council, described the decisions as representing "the greatest victory for common sense displayed by both sides that I have ever known," while Mr Lawther, its president, added that "practically every aspect of non-attendance due to legitimate reasons has been accepted by the owners."

Despite the concessions made by the owners and their approval by leading officials of the Mineworkers' Federation, the Executive Council remained unappeased, and on August 5th it deprived its representatives on the Joint Committee of any power of further negotiation on points of detail by demanding the abolition of all conditions, and suggesting instead the setting up of local machinery "to deal with any person who may impede production by his conduct"—a step that was approved by the annual conference of the Federation held at Ayr during the month. At the meetings of the Joint Consultative Committee on August 7th and 21st, the owners' representatives informed the miners' leaders that they were not necessarily wedded to the method of dealing with voluntary absenteeism laid down in the bonus scheme, and that they would be willing to abandon it in favour of any alternative method suggested by the workmen which would be equally effective as an incentive to regularity of attendance. Apparently, no acceptable alternative has been forthcoming. The procedure for dealing with absenteeism under the Essential Work Order is considered too cumbersome and inconclusive, and civil action too unsuitable, for the special problem which the bonus system was intended to solve, and further consideration of the dispute has been deferred till September 4th. Hopes are strong that in the meantime a basis of agree-

ment will be found. There are indications that the irritation of the miners and their leaders is subsiding. In districts where the local Pit Joint Production Committees are functioning most efficiently, little or no difficulty is experienced in the removal of the grievances; and in some coalfields the rate of absenteeism has been reduced by nearly 50 per cent since the bonus scheme and the guaranteed week have been in operation. As the extra 1s. per shift has been financed on the authority of the Mines Department by a 10d. per ton increase in the price of coal, the Government is also likely to bring pressure to bear in favour of a prompt settlement.

The Shopping Problem

The increasing importance which attaches to the question of woman power is raising the problem of shopping difficulties from an inconvenience to a serious clog on production. The difficulty of obtaining supplies to feed their families is not only an important cause of absenteeism and bad time-keeping among women war workers, it is actually in many cases a discouragement to volunteering. Replies to a questionnaire circulated among the employees of a Middlesex firm showed that 92 per cent of the women questioned spent a considerable time in queues, and 96 per cent found the stores sold out of the things they wanted. More might be done to improve this by the placing of orders in advance, to be collected after they have been made up. Unfortunately, owing to shortage of staff, such orders are often not ready when called for, and this discredits the system, as does also the conviction not altogether unfounded, that the only way to secure a share of unrationed goods is to be present in person as soon as possible after their arrival in the shop. The crux of the matter is that the shops, which exist to serve the public, can now only do so by altering fundamentally their established customs. In view of the severe difficulties under which they labour, they cannot be expected to do this without Government guidance. Substantial changes in their hours of opening will be necessary in some districts, but hard thinking will be needed to solve the staffing problems arising therefrom. One excellent suggestion is that in districts where the shopping problem is rendered acute by the presence of large war factories, these might co-operate with the shops by supplying clerical and even sales help. As the sale of unrationed goods on works premises offers one of the best contributions to a solution of the problem, and at the same time one most likely to be opposed by the trade, mutual concessions along these lines might be very fruitful. Here, too, the Government should give a lead. One compulsory step which only the Government can take is that of limiting the number of shops with which a family can register. At present the greedy can spread their registration very widely in order to secure more than their share of unrationed goods. In doing so they waste a great deal of other people's time, and add considerably to the congestion in those shops upon which they inflict their custom. The objection to compelling individuals to register at or shop for all groceries is becoming less as the variety of unrationed goods diminishes, and could be largely removed by a revised wholesale distribution of these commodities. Compulsory registration for fruit and vegetables would prevent a great deal of unfairness, and reduce queues, but an attempt to prohibit queues without removing their cause seems futile.

Mutual Assistance

Some of the Regional Boards of the Production Executive are beginning to take a more enlightened view of the

(Continued on page 277.)

Shorter Comments

Ordinary shareholders at par. Additional finance required to replace working capital invested in the acquisition of controlling interests in companies producing raw materials for company's manufacturing subsidiaries and in the development of their resources. Issue underwritten by Seton Trust.

Associated Gas and Water.—This company has acquired a majority interest in Steyning and District Waterworks Company.

Consent Spanish Ore Company.—Seeks authority to reduce its capital of £55,200

to £36,800 by repayment of 6s. 8d. 1 share.

Transvaal Gold Output.—Total gold output July 1941 1,225,772 (1,181,212 fine ozs).

Electrolux Corp.—Net profit 15 £1,397,165 (\$1,658,469), earnings 1 share \$1.13 (\$1.34). Net profit in 1st 6 1941, after tax, \$432,916 (\$521,424).

COMPANY MEETINGS

STANDARD BANK OF SOUTH AFRICA, LIMITED

SATISFACTORY RESULTS IN DIFFICULT CONDITIONS

THE EARL OF SELBORNE'S ADDRESS

BROADENING OF SOUTH AFRICAN TRADE

The one hundred and twenty-eighth ordinary meeting of the Standard Bank of South Africa, Limited, was held, on 27th instant, in London, the Rt. Hon. the Earl of Selborne, K.G. (the chairman), presiding.

The following is the address by the chairman, circulated with the report and accounts:—

Turning to the balance sheet as at March 31st last, which shows the record total of nearly £107,000,000, I will refer briefly to the principal features in comparison with the accounts for the previous year.

On the liabilities side notes in circulation have fallen by £354,000. This decrease is due to the fact that the notes of the Southern Rhodesia Currency Board, for which we act as agents in London, were put into circulation as from March 1, 1940. From that date the right to issue notes in Southern Rhodesia was vested in the currency board alone, although notes issued by the commercial banks remain legal tender for two years thereafter.

It may be mentioned that during the period under review Nyasaland joined the Southern Rhodesia Currency Board.

Deposit, current and other accounts show a further large rise of £17,000,000, principally in the funds held on current account. The major portion of the increase is due to the volume of money put into circulation by the Union Government on account of expenditure for war purposes.

On the assets side, cash in hand and at call and short notice shows an increase of £13,000,000, and investments are higher by £7,000,000. Bills discounted and advances to customers show a decline of £3,000,000, which may be attributed mainly to the abundance of funds in South Africa consequent on the disbursement of large sums by the Union Government for supplies required for their war effort and by the British Government in the purchase of the South African 1940-41 wool clip.

RESULT OF YEAR'S OPERATIONS

The balance of profit for the year, after making a suitable appropriation to contingencies account, was £561,837, which, with the amount of £157,932 brought forward, left for disposal the sum of £719,769. The interim dividend paid in January absorbed £125,000, and after appropriating £75,000 to writing down bank premises, there is available a balance of £519,769.

It is recommended that £150,000 be allocated to the officers' pension fund, that a final dividend of 7s. per share be paid, together with a bonus of 2s. per share, making a total of 14 per cent. for the year, and that £144,769 be carried forward.

Having regard to the extraordinary difficult conditions that prevailed during the year, I think the results shown will be regarded as satisfactory.

POSITION IN UNION OF SOUTH AFRICA

In the Union of South Africa commerce and industry adapted themselves smoothly to war conditions, and business on the whole remained remarkably steady. Important contributory factors were the success which attended the quest for new markets and the fairly steady arrival of material from overseas.

Fresh production records were established by the gold-mining industry, on which the basic financial stability of the Union mainly rests, and the amounts disbursed in wages and stores purchased, as well as in taxation and dividends, reached new high levels; in addition, the technical skill and resources of the industry have played a most important part in the enlargement of the Union's war effort.

The production of other minerals and metals also reflected an upward trend.

The flow of Government orders for wartime requirements gave full employment to a large number of factories and stimulated the development of new industries for the production of munitions and articles previously imported. Every effort has been made to encourage industrial activity and with this end in view steps have been taken by the Government to foster potential markets in other African territories.

Positive indications of the broadening of trade and industry are to be found in the figures of imports and exports for the year 1940. As compared with the figures for the previous year the value of imports rose by nearly £14,000,000 (15 per cent.), and the value of exports, excluding gold and wool, were higher by £7,000,000 (27 per cent.). While this increase was due to some extent to the advance in prices it is the fact that more was due to an advance in volume.

The healthy economic condition of the Union was exemplified in the figures given by the Minister of Finance when introducing the Budget for the current year. In place of the deficit of £6,500,000 anticipated by the budget for 1940-41 it was estimated that actual receipts and expenditure would result in a surplus.

The farming industry was faced with serious marketing difficulties during the year. By agreement with His Majesty's Government of the United Kingdom, however, provision was made for the clearance of the wool clip and of the exportable surplus of other important products. Seeing that the arrangement with the British Government regarding the wool clip is to remain in force for the duration of the war and for a season thereafter, and, as the clearance of the main portions of most other crops and products by export or in the local market should not be impossible, the immediate outlook cannot be regarded as unfavourable.

While it would be unwise to attempt to forecast the future, I may say that very careful attention is being directed towards the maintenance of the financial stability of the Union and the prospect of its ability to carry the burdens imposed by the continuation of the war may be viewed with steady confidence.

SOUTHERN RHODESIA

In Southern Rhodesia the year under review, which marked the Golden Jubilee of the Colony, witnessed an appreciable improvement in many important sections of business. The maintenance of economic activity is still founded upon the gold mining industry, but the base metals and tobacco industries have increased in importance owing to wartime demands. The establishment of the Empire Air Training Schools in the Colony has helped to develop trading activity, and further expansion is foreshadowed as the result of the agreement with the Government of Australia, which provides for the entry of tobacco, chrome ore, and asbestos, into Australia in return for favoured treatment for the import into Southern Rhodesia of wheat, butter, agricultural machinery, clothing, and other manufactured goods.

In Northern Rhodesia the production of copper, which continues to be the most important factor, has expanded considerably since the outbreak of the war. It may be assumed that further progress will be made in the current year.

In Nyasaland general business conditions improved as the result of the satisfactory clearance of the tobacco and tea crops. As the outlook for these two products is not unfavourable there should be no diminution in general trading activity.

SOUTH-WEST AFRICA

In South West Africa business conditions on the whole were fairly favourable, but there may be some recession owing to the restriction of mining activity and to the adverse effect on the farming industry of a poor rainfall in a number of districts.

As regards the East African Territories Kenya Colony received a considerable stimulus from the presence of the army massed within its borders. In the other territories the benefit was less marked, although they were able in part to contribute their quota to supplying the needs of the temporarily augmented population. Notwithstanding shipping difficulties exports were well maintained. The ability of the various countries of the Empire to supply East Africa with goods previously purchased in markets now closed has been most marked.

RICHARD THOMAS AND COMPANY, LIMITED

CONSERVATIVE DIVIDEND POLICY

The ordinary general meeting of Richard Thomas and Company, Limited, was held, on the 22nd instant, in London.

Mr E. H. Lever (the chairman), in the course of his speech, said: You will notice in the profit and loss account of the company a special provision of £236,081 for writing down book values of stocks at March 29, 1941. A new agreement has been reached between the Iron and Steel Federation and the Revenue authorities as to the basis of valuation of stocks for tax purposes, and the items referred to are the adjustments necessary to bring our valuation into line with the new basis. The provision of these amounts has involved little material strain on this year's net profits, inasmuch as they are for the most part compensated by a corresponding adjustment of the amount of tax payable. By the nature of the case the items are non-recurring.

UNISSUED BALANCE OF DEBENTURE STOCK

A further amount of £237,833 of the 4½ per cent. prior lien debenture stock has been redeemed. Of this stock there still remains £1,052,590 unissued; not all of this unissued balance is available to the company; the amount at our disposal is £864,803. It not being clear to what extent and when it would be necessary to issue further debenture stock, negotiations were commenced about a year ago with the bankers concerned with a view to defining the position. The outcome of the negotiations has been that the company retains the right to call up to this total of £864,803 at any time and from time to time, until August 1, 1942, on the understanding that any stock not issued by that date will be cancelled.

Your directors take the view that the need for conserving our financial resources is just as acute to-day as formerly, particularly as the immediate outlook on the tinplate side of our business is very obscure, and it is our bounden duty to do all in our power to ensure that the company will be able to ride out any storms which it may encounter. After giving full weight to these considerations, your directors felt justified in declaring a full year's dividend of 6½ per cent. on the preference shares.

With regard to the ordinary capital, the position is somewhat different, and, after taking into consideration all the arguments on both sides, we decided that we could not yet recommend the resumption of dividends on this class of share capital. In any case, any immediate hardship caused by the non-receipt of a dividend is compensated by the enhanced value of the equity.

It is obviously difficult to make any reliable forecast, but there are factors operating in the tinplate and sheet industries, quite outside our control, which, unless events take a more favourable turn at an early date, will almost certainly result in a lower turnover and a lower rate of profit for the current year.

CONCENTRATION OF PRODUCTION

Until the committee of inquiry has finished its work and action has been taken as a result of its findings, it is clearly impossible to forecast the effect upon our own business, and this is an added reason for maintaining a prudent policy with regard to dividends.

Since the last annual meeting agreement has been reached with Sir William Firth as to the amount of compensation legally due to him for loss of office. This amount has now been paid and an appropriate discharge given in return. It was no part of this settlement—indeed, it could not be expected—that Sir William should modify his views concerning his personal position, nor is it to be implied that he, in any way, forgoes his right of criticism as a shareholder in the company; indeed, as the person mainly responsible for the creation of the plant at Ebbw Vale upon which the prosperity of the company must, to a large extent depend, it is only natural that he should watch its future development with a critical eye.

In a circular issued to shareholders in October last, I indicated in general terms the policy of your board concerning the development of the company's business. The keystone of this policy is to derive the utmost possible benefit from the modern plant at Ebbw Vale and to do this with as little capital expenditure and with as little dislocation in other directions as possible.

The report was adopted on a poll.

WIGGINS TEAPE AND CO. (1919), LIMITED

MR F. L. T. BARLOW'S SPEECH

The annual general meeting of Wiggins Teape and Co. (1919) Limited, was held, on the 22nd instant, in London. Mr F. L. T. Barlow presided, and, in the course of his speech said:

The year 1940, especially the latter half, has been most difficult for the paper industry. As you doubtless know, a high proportion of the raw material of the industry consisted of wood-pulp, imported largely from Scandinavia, and esparto grass, imported from the North Coast of Africa. The German invasion of Denmark and Norway sealed the Baltic, while the entry of Italy into the war and the defeat of France practically ended the importation of esparto. As for the alternative source of supply of wood-pulp from the North American continent, you can understand the effect that the battle of the Atlantic has had in reducing importation of such supplies as could be acquired.

The result of this drastic curtailment of raw material supplies necessitated the rationing of paper by the Ministry of Supply. Paper Control, with the inevitable result of a reduction in production. As a consequence, some of the machines in the mill owned by our group of companies have had to be shut.

As explained in the directors' report, the internal reserves have been substantially increased during the year in order to write down the valuations of our paper stocks and to strengthen our general reserves for bad debts. In addition to this, we have had to provide for War Damage Insurance. All these provisions your directors consider it prudent to make, but unfortunately they are no allowable deductions for taxation purposes. Such provisions have therefore, to be made out of taxed profits. This explains why with only a moderate expansion in the profits for the year 1940, the items of taxation bear so heavily compared with the year 1939.

Your directors recommend a reduction in the final dividend on the ordinary stock from 5 per cent. to 4 per cent., making the dividend for the year 1940 7 per cent., against 8 per cent. for the year 1939.

The report and accounts were unanimously adopted.

MORRIS MOTORS LIMITED

ANNUAL GENERAL MEETING

The fifteenth ordinary annual general meeting was held on the 22nd instant, at the Works Club House, Cowley, Oxford.

The Right Hon. Viscount Nuffield, G.B.E., F.R.S., M.A., D.C.L., LL.D., (chairman) presided, supported by the vice-chairman, Mr W. M. W. Thomas, and the managing directors, Mr H. A. Ryder, Mr H. Seaward and Mr J. Shaw.

The adoption of the report and accounts, and the payment of dividends were proposed, seconded, and carried unanimously.

The retiring directors, Mr A. E. Keen, Mr C. Kimber, Mr H. Landstad, Mr H. C. R. Mullens, Mr V. Riley, Mr E. C. Ruffle, Mr T. C. Skinner, Mr S. G. K. Smallbone and Mr B. G. Williams, were re-elected; and the auditors, Messrs Thornton & Thornton, were re-appointed.

The proceedings then terminated 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*, Brettenham House, Lancaster Place, W.C.2.

BEECHAMS PILLS, LIMITED

CONSIDERABLE EXPANSION

The annual general meeting of Beechams Pills, Limited, was held, on the 28th instant, in London.

Mr Philip E. Hill (the chairman) said: For the ninth successive year our trading profits show an increase. The profit for the year amounts to £1,085,893, which is comparable with £1,055,615 for the preceding year. This figure is arrived at after providing in the accounts of two of the subsidiary companies £97,758 for the redemption of redeemable preference shares (you will appreciate that this cost the company, including tax, some £195,000). In addition, we have increased our reserves and carry-forwards in the accounts of subsidiary companies. Moreover, we have not raised our selling prices since the outbreak of war, although our costs of production and overheads during the year under review have increased by nearly £350,000 as compared with 1939.

The company's normal trade, both at home and overseas, without accounting for Government contracts, shows considerable expansion.

(Continued from page 274)

tasks. For example, the exchange of information on a multitude of practical problems is being encouraged, while one of the Boards now publishes regular bulletins containing a wealth of interesting information which are sent to practically every firm in its area. Firms with machinery to spare, as well as those in need of tools, are listed in great detail in the bulletin, and this practice has already been of considerable assistance in reducing the volume of idle capacity. There are also many useful notes on technical and labour problems which should assist production. It is to be hoped that the publication of these bulletins by the other Boards will be encouraged and that the practice will shortly become general.

Reduction in Textile Sales

The month of June witnessed a sharp increase in sales of goods affected by the clothes rationing scheme which came into force on June 1st. Thus, the index of the value of wholesale trade in textiles, calculated by the Wholesale Textile Association in collaboration with the Bank of England, was 26 per cent higher last June than in the corresponding month last year. The retail returns for June, published in the *Board of Trade Journal*, show a similar tendency. The average daily value of sales of piece-goods was 88.3 per cent higher than a year earlier; the turnover in boots and shoes was up 14.9 per cent. There can be little doubt that the introduction of rationing has been responsible for the marked spurt in buying. It will be interesting to see whether the increase in sales was maintained in July. While the retail trade figures for that month are not yet available, the index of wholesale trade in textiles registered a fall of 38 per cent compared with June, and was actually 8 per cent below the level of the corresponding month last year.

Improvement in Coffee Position

Since the breakdown of the Brazilian coffee restriction scheme in 1928, the international coffee market has been suffering from a permanent malaise caused by excessive supplies. Never, however, did the future of the coffee trade look as black as twelve months ago, when, after the collapse of France, the Continental market, which absorbed about 11 million bags (of 60 kilos each) per season, equivalent

Our report and accounts indicate that our contribution to the national exchequer for the year is estimated to amount to over £1,000,000. Since we last met, Parliament has passed the Pharmacy and Medicines Act, 1941, one of the results of which will be the abolition of the Medicine Stamp Duty, as and from September 2nd next, which, as far as this company is concerned, amounted last year to £166,000. Generally, it is hoped that the new Act will improve the status of proprietary articles and patent medicines. The directors have decided that the full benefit of the savings effected as a result of the passing of this Act shall be given to the public.

It is no easier to forecast the future to-day than it was a year ago, but it is necessary to issue a word of warning and that is—if costs of production continue to increase, we shall ultimately be bound to raise selling prices. Whatever the future may have in store for us, we can be more than ever satisfied that our widespread developments have established our business on a sound basis.

The report was unanimously adopted.

to nearly 45 per cent of world deliveries, was closed. Last October the United States Government came to the assistance of the 14 Latin-American coffee-producing countries by concluding a scheme which provided for an annual import into the United States of 15,900,000 bags of coffee for a three-years' period beginning October 1, 1940. This quantity appreciably exceeded the imports of the United States in the three last pre-war seasons, when they averaged only 12,992,000 bags. But as the scheme contained a clause under which the import quota could be increased or decreased by 5 per cent, producers feared that they might not be allowed to make use of their full quota. This fear proved groundless, for last May the Pan-American Coffee Board raised the quota by the maximum of 5 per cent owing to the expansion in demand. This increase in the increased consumption and hoarding. This increase in the quota coincided with a very poor Latin-American crop. In Brazil, the latest estimate for the 1941-42 crop is as low as 12,700,000 bags, against 20,850,000 bags a year ago, which was also a bad crop year. In the smaller coffee-producing countries about 9,000,000 bags have been harvested, against 10,000,000 bags in the previous season. While the total quantity of coffee available in all Latin-American countries, at 21,700,000 bags, still exceeds the United States' import quota by a wide margin, the Governments of the producing countries, especially in Brazil, are making determined and not unsuccessful efforts to eliminate the surplus. In Brazil a scheme has been prepared by which 35 per cent of the total crop has to be delivered to the National Coffee Department before any coffee can be shipped abroad. Of the remainder, only 30 per cent can be shipped immediately, while a further 35 per cent is retained until a firm demand exists. Fine coffee is excluded from the scheme. It is likely that the 35 per cent "sacrifice quota," which is 10 per cent higher than last year, will reduce the country's supplies slightly below its American import quota, which is 9,300,000 bags and will probably again be raised by 5 per cent in the year beginning October 1st next. Moreover, it is reported that coffee will be amongst the products to be stored, with Allied and United States assistance, in order to supply the European market after the war. As Brazil's coffee surplus in the interior—there is but a small surplus in the other producing countries—does not cover much more than one year's requirements of the European Continent, the outlook of the coffee market appears not unfavourable, and it is not surprising that the New York price for Rio coffee type 7, which opened this year at 5½ cents per lb. has now risen to 9½ cents.

COMMODITY AND INDUSTRY NEWS

The tin market has been quiet. Standard cash was £256 5s.-£256 15s. a ton on Wednesday, compared with £256 15s.-£257 a week before. Three months tin was £259 15s.-£260 a ton compared with £259 18s.-£260.

Food News.—The Ministry of Food has issued a maximum price list for pickles and sauces. After September the manufacture of these products may only be carried out under licence. Maximum prices for honey have also been fixed, ranging from 1s. 9d. per lb. for imported honey to 4s. for home-produced heather

honey sold in ½-lb. containers. Wild blackberries are to be subject to a maximum price of 5½d. per lb.

Cotton Market Position.—There has been increased activity in piece goods as cloth merchants have now received their quotas for the rest of the year. Most of the buying has been for South America, especially the Argentine, for the United States, and for the Dominions, in particular Canada and South Africa. Government contracts have been placed in fine strong cloths and there has been buying of essential goods for the home services.

Spinners have for the most part been refusing to sell on any terms and are expected soon to apply to the Controller for an increase in margins. It is officially announced that after the end of this month previous preference direction certificates will not be valid and fresh application may be made for the use of yarn for all cloth contracts.

Purchase of Egyptian Cotton Crop.—The Egyptian Government has decided to raise the purchase price of the next crop by 2 per cantar. The entire inc-

(Continued on page 282)

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended August 23, 1941, total ordinary revenue was £30,067,000, against ordinary expenditure of £74,804,000 and issues to sinking funds of £130,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £1,169,853,000 against £892,351,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	Receipts into the Exchequer (£ thousands)				
		April 1 to Aug. 24, 1940	April 1 to Aug. 23, 1941	Week ended Aug. 24, 1940	Week ended Aug. 23, 1941	Week ended Aug. 23, 1941
ORDINARY REVENUE						
Income Tax	756,000	75,315	143,463	2,295	10,805	
Sur-tax	80,000	9,900	10,654	310	290	
Estate, etc.	82,000	35,490	38,026	880	1,260	
Duties	14,000	6,400	5,131	1,020	1,300	
Stamps	210,000	19,510	75,396	1,300	3,892	
N.D.C.	1,000	180	165			
E.P.T.						
Other Ind. Rev.						
Total Ind. Rev.	1143,000	155,835	278,165	6,325	17,993	
Customs	310,700	115,909	135,337	6,867	5,725	
Excise	266,660	57,900	120,200	1,184	4,284	
Total Customs & Excise	577,360	173,809	255,537	8,051	10,009	
Motor Duties	39,000	9,271	8,920			
P.O. (Net Receipts)	3,300	9,850	8,050	350	1,000	
Crown Lands	1,100	540	430	90		
Receipts from Sundry Loans	2,600	581	1,898		65	
Miscell. Receipts	20,000	11,863	22,699	385	1,000	
Total Ord. Rev.	1786,360	361,749	575,699	15,202	30,067	
SELF-BALANCING P.O. & Broadcast	99,346	30,050	35,050	1,900	1,650	
Total	1885,706	391,799	610,749	17,102	31,717	

Expenditure	Estimate, 1941-42	Issues out of the Exchequer to meet payments (£ thousands)				
		April 1 to Aug. 24, 1940	April 1 to Aug. 23, 1941	Week ended Aug. 24, 1940	Week ended Aug. 23, 1941	Week ended Aug. 23, 1941
ORDINARY EXPENDITURE						
Int. and Man. of Nat. Debt	255,000	103,045	118,370	432	1,405	
Payments to N. Ireland	9,200	3,022	2,600	380		
Other Cons. Fnd. Serv.	7,800	3,322	3,181		59	
Total	272,000	109,389	124,151	812	1,464	
Supply Services	393,497	114,187	161,854	60,400	73,340	
Total Ord. Exp.	420,697	125,137	174,235	61,212	74,804	
SELF-BALANCING P.O. & Broadcast	99,346	30,050	35,050	1,900	1,650	
Total	430,633	128,126	177,785	63,112	76,454	

After decreasing Exchequer balances by £55,229 to £2,594,463, the other operations for the week (no longer shown separately) raised the gross National Debt by £42,515,857 to about £12,562 millions.

NET ISSUES (£ thousands)	
P.O. and Telegraph	200
Overseas Trade Guarantees	51
Total	251

NET RECEIPTS (£ thousands)	
Under War Damage Act	2,547

AGGREGATE ISSUES AND RECEIPTS

Aggregate issues and receipts from April 1, 1941, to August 23, 1941, are:—	
(£ thousands)	
Ordinary Exp.	1,742,735
Ord. Revenue	575,699
Gross. borr.	1,155,135
Less—	
Sinking fds.	2,817
Net borrowing	1,152,318
Miscell. Receipts	
(net)	14,686
Dec. in Balances	32
Total	1,742,735

FLOATING DEBT

(£ millions)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1940					
Aug. 24 1941	836-0			Not available	
May 17	895-0			Not available	
" 24	905-0				
" 31	905-0				
June 7	915-0	1410-4	136-0	" ... "	498-5 2949-9
" 14	925-0			Not available	
" 21	935-0			" "	
" 30	2357-0				
July 5	955-0			158-7 " 28-2	519-0 3063-0
" 12	960-0			Not available	
" 19	965-0			" "	
" 26	960-0			" "	
Aug. 2	960-0	1491-7	174-3	" 12-0	515-5 3153-5
" 9	960-0			Not available	
" 16	960-0			" "	
" 23	960-0			" "	

TREASURY BILLS

(£ millions)						
Date of Tender		Amount			Average Rate Allotted	Per Cent Allotted at Min. Rate
		Offered	Applied	Allotted		
1940						
Aug. 23, 1941	65-0	109-7	65-0	s. d.	20	5-63
May 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	0-09	44
" 30	75-0	145-1	75-0	20	0-56	47
June 6	75-0	156-1	75-0	20	0-69	44
" 13	75-0	166-5	75-0	20	0-22	34
" 20	75-0	158-5	75-0	19	11-86	26
" 27	75-0	163-1	75-0	20	0-15	31
July 4	75-0	153-0	75-0	20	0-69	38
" 11	75-0	155-7	75-0	20	0-54	36
" 18	75-0	146-8	70-0	20	0-33	34
" 25	75-0	163-6	75-0	19	11-84	24
Aug. 1	75-0	165-2	75-0	20	0-14	27
" 8	75-0	159-1	75-0	20	0-16	30
" 15	75-0	151-8	75-0	20	0-31	34
" 22	75-0	133-2	75-0	20	0-95	57

On August 22nd applications at 99 1/4s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted applications at higher prices in full. Applications at 99 1/4s. 0d. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury bills are being offered on August 29th. For the week ending August 30th 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% Defence Bonds	New 2½% Bonds	3% Savings Bonds
July 15	4,374	2,887	17,078	14,352
" 22	3,937	2,888	6,367	7,517
Aug. 5	3,553	2,454	4,316	7,202
" 12	3,017	2,510	7,171	6,740
" 19	3,239	2,348	36,255	9,944
" 26	3,813	2,860	59,874	3,335
...	...	...	94	3,446
Totals to date	345,132	327,691	493,586	290,020

* 91 weeks. † 34 weeks.
 ‡ Including series "A," £6,746,000 to date.
 Interest free loans received by the Treasury up to Aug. 26th amounted to a total value of £36,431,449. Up to July 26th, principal of Savings Certificates to the amount of £41,072,000 had been repaid.

BANK OF ENGLAND RETURNS

AUGUST 27, 1941
ISSUE DEPARTMENT

(£ thousands)	
Notes Issued:	
In Circulation	£64,702,626
In Bank, Department	15,538,949
Govt. Debt	11,015,100
Other Govt.	666,656,997
Securities	2,068,996
Silver Coin	258,907
Amt. of Gold Issue	680,000,000
Gold Coin & Bullion (at 168s. per oz. fine)	241,575
Total	680,241,575

BANKING DEPARTMENT

(£ thousands)	
Props. Capital	14,553,000
Res.	3,446,801
Public Deps.	14,863,257
Govt. Secs.	100,342,838
Other Secs.	
Advances	6,388,495
Securities	29,994,948
Other Assets	15,538,949
Total	174,773,867
Notes in Circulation	1,760,190
Total	207,636,925

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

THE WEEK'S CHANGES

(\$ thousands)			
Both Departments	Amt. Aug. 27, 1941	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	664,703	672	+ 54,661
Deposits: Public	14,863	20,754	+ 6,035
Bankers	125,666	23,056	+ 7,010
Others	49,108	466	+ 2,695
Total outside liabilities	854,340	2,096	+ 65,011
Capital and res.	18,000	17	+ 67
COMBINED ASSETS			
Govt. debt and securities	838,015	1,627	+ 63,306
Discounts and advances	6,388	85	+ 2,513
Other securities	25,675	3,812	+ 1,697
Silver coin in issue dept.	259	1	+ 1,254
Coin and gold bullion	2,002	12	+ 1,076
RESERVES			
Res. of notes and coin in banking department	17,299	684	+ 3,585
"Proportion" (reserve to outside liabilities in banking dept.)	9-1%	0-3%	+ 2-5%

COMPARATIVE ANALYSIS

		1941			
		1941			
		Aug. 28	Aug. 13	Aug. 20	Aug. 27
Issue Dept. :					
Notes in circulation	610-0	668-2	665-4	664-7	
Notes in banking department	20-2	12-1	14-9	15-5	
Government debt and securities*	626-7	677-8	677-7	677-7	
Other securities	2-8	2-0	2-0	2-1	
Silver Coin	0-5	0-3	0-3	0-4	
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	8-8	37-7	35-6	14-9	
Bankers'	118-7	96-1	102-6	125-5	
Others	51-8	49-3	48-6	49-2	
Total	179-3	183-1	186-8	189-7	
Banking Dept. Secs. :					
Government	148-0	162-0	162-0	160-0	
Discount, etc.	3-9	6-2	6-5	6-6	
Other	24-6	18-8	19-8	23-1	
Total	176-5	187-2	188-3	190-0	
Banking depart. res.	20-9	13-8	16-6	17-0	
	%	%	%	%	
"Proportion"	11-6	7-5	8-8	9-0	

* Government debt is £11,015,100; capita £14,553,000. Fiduciary issue raised from £63 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; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Mellie Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Egypt, of May 10th; Yugoslavia, of June 7th; Bulgaria and New Zealand, of August 9th; Argentina, Hungary, International Settlements, Japan, Roumania, F. R. Board Member Banks, of August 16th; Greece and Portugal, of August 23rd.

U.S. FEDERAL RESERVE BANKS

Million \$'s

		Aug. 22, 1940	Aug. 7, 1941	Aug. 14, 1941	Aug. 21, 1941
12 U.S.F.R. BANKS					
Gold Certifs. on hand and due from Treasury	18,487	20,301	20,301	20,300	
Total reserves	18,853	20,585	20,597	20,590	
Total cash reserves	354	268	280	275	
Total U.S. Govt. secs.	2,446	2,184	2,184	2,184	
Total bills and secs.	2,458	2,199	2,203	2,202	
Total resources	22,093	23,784	23,924	23,905	
LIABILITIES					
F.R. notes in circ.	5,310	6,904	6,906	6,953	
Exc. mr. bank res.	6,420	6,020	5,030	5,060	
Mr. bank res. dep.	13,419	12,951	12,948	13,037	
Govt. deposits	889	839	919	785	
Total deposits	15,794	15,656	15,683	15,658	
Total liabilities	22,093	23,784	23,924	23,905	
Reserve ratio	89-3%	91-2%	91-2%	91-1%	
BANKS AND TREASURY					
Monetary gold stock	20,800	22,682	22,703	22,710	
Treasury & bank currency	3,030	3,169	3,172	3,178	
LIABILITIES					
Money in circulation	7,987	9,795	9,792	9,840	
Treasury cash and dep.	3,180	3,184	3,280	3,162	

RESERVE BANK OF INDIA

Million rupees

		Aug. 16, 1940	July 25, 1941	Aug. 8, 1941	Aug. 15, 1941
ASSETS					
Gold coin & bullion	444	444	444	444	
Rupee coin	356	378	382	374	
Balances abroad	246	432	446	448	
Sterling securities	1,315	1,217	1,316	1,316	
Ind. Gov. rup. secs.	496	885	785	785	
Investments	87	80	76	76	
LIABILITIES					
Notes in circ.	2,234	2,544	2,552	2,596	
Deposits: Govt.	125	186	189	192	
Bankers	122	266	273	203	
Banks	362	306	305	324	
Reserve Ratio	67-4%	56-8%	60-2%	60-3%	

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between Aug. 22nd and 29th. (Figures in brackets are par of exchange.)
 United States, \$ (4-86) 4-02 1/2-3/4; mail transfers 4-02 1/2-3/4. Canada, \$ (4-86) 4-43 1/2-3/4; mail transfers 4-43 1/2-3/4. Argentina, \$ (11-45) 16-95 1/2-3/4; mail transfers 16-95 1/2-3/4. Brazil, \$ (25-25) 16-95 1/2-3/4; mail transfers 16-95 1/2-3/4. Chile, \$ (11-45) 16-95 1/2-3/4; mail transfers 16-95 1/2-3/4. Colombia, \$ (11-45) 16-95 1/2-3/4; mail transfers 16-95 1/2-3/4. Czechoslovakia, \$ (11-45) 16-95 1/2-3/4; mail transfers 16-95 1/2-3/4. Denmark, \$ (11-45) 16-95 1/2-3/

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.
Breweries, &c.													
Empress Brewery	June 30	57,444	...	37,544	37,544	6,000	34,544	(a)	...	...	49,732	34,638	(a)
Marston, Thompson & Evershed	Mar. 31	263,350	...	85,219	256,275	15,000	50,740	20	25,000	5,521	203,673	101,292	20
South African Breweries	Mar. 31	1,067,305	...	370,347	492,528	32,812	318,090	17½	...	19,443	866,862	402,809	20½
Financial, Land, &c.													
British Central Africa Co.	Sept. 30	11,882	...	8,016	8,016	...	...	...	...	8,016	5,685	343	Nil
Consolidated Sisal Estates	Mar. 31	18,260	4,309	4,481	15,323	...	...	...	...	4,481	35,601	7,850	Nil
European & General Corpn.	June 30	6,581	...	2,408	8,794	...	2,540	3½	...	132	6,760	3,053	5½
Hudson's Bay Co.	Jan. 31	883,020	150,000	93,718	208,282	47,250	53,115	2½	...	6,647	547,069	110,574	2½
Selected Land & Property	Mar. 31	3,070	...	5	184	...	...	...	...	5	5,223	19	(c)
Sterling Securities Investment	May 31	122	...	Dr. 32	28	...	...	...	...	32	1,185	Dr. 1,330	Nil
Motor, Aviation, &c.													
Ford Motor Co.	Dec. 31	2,789,199	851,559	287,679	1,331,716	...	270,000	6	100,000	82,321	2,728,996	625,787	6
Rubber													
Bukit Mertajam	Mar. 31	127,096	...	46,432	82,396	...	47,956	10	...	1,524	93,377	55,650	12
Lendu	Dec. 31	14,999	1,000	7,410	9,388	...	7,500	5	...	90	5,322	1,021	Nil
Tea													
Augusta	Dec. 31	1,415	82	677	956	(d)326	...	...	...	351	738	66	Nil
Battagalla	Dec. 31	8,941	370	3,053	6,149	...	3,375	7½	...	322	9,010	4,072	7½
Itakhooli	Dec. 31	11,453	...	8,953	46,786	...	9,000	15	...	47	15,013	10,514	15
Textiles													
Harben's Limited	April 30	82,507	22,000	14,843	25,187	6,750	...	...	...	8,093	115,360	48,633	Nil
Trusts													
Second Clydesdale	July 1	49,733	...	16,912	39,028	8,312	5,467	5	5,000	1,867	54,881	22,353	5
Second Scottish Western	July 1	84,935	...	20,359	57,213	16,625	...	...	5,000	1,266	93,255	28,950	2
Waterworks													
East Worcestershire Waterworks	June 30*	26,039	...	5,987	24,341	1,360	4,000	10	1,250	623	15,923	6,598	10
Other Companies													
Aron Electricity Meter	Mar. 31	20,183	...	9,682	13,819	...	5,698	7½	...	3,984	7,127	Dr. 10,582	Nil
Batchelor's Peas	June 30	172,530	17,025	50,591	72,844	14,426	30,000	15	...	6,165	131,046	53,565	15
Belfast Ropework Co.	June 30	24,383	...	24,383	48,503	2,875	22,350	7	...	842	67,416	58,523	15
Howden (James) & Co.	April 30	116,279	20,545	56,053	73,746	...	35,700	15	20,000	...	105,871	54,734	15
Irish Sugar Co.	April 30	258,038	147,248	83,814	111,409	20,141	16,797	5	40,000	...	266,165	90,151	5
Manchester Dock Extension	June 24	44,478	...	29,801	30,295	17,789	11,250	4½	...	762	44,803	30,370	5
Manchester Ship Canal Warehousing	June 24	16,213	...	3,912	5,596	3,426	...	...	...	486	18,635	6,982	15½
"News of the World"	June 30	535,292	40,000	219,055	224,182	126,000	67,500	11½	8,595	16,960	545,344	186,303	15½
North Central Water	June 30	98,785	...	18,224	30,420	8,328	5,625	5	...	4,271	73,161	16,045	12½
Smith (Stephen) & Co.	April 30	62,346	2,648	21,617	26,223	7,083	13,750	12½	...	784	60,281	23,234	12½
Stephens (Henry C.)	Dec. 31	66,646	...	38,471	50,909	14,000	11,212	12½	...	259	64,695	47,235	6
Union Cold Storage	Dec. 31	628,252	125,000	479,552	715,202	421,854	50,000	10	13,000	7,698	975,970	(c)476,014	10
Wagon Repairs	Mar. 31	46,254	...	40,514	63,206	12,812	26,450	10	...	1,252	96,841	43,863	10
Wilson Brothers Bobbin Co.	July 15	22,248	...	22,248	24,576	...	17,100	6	5,000	148	19,125	19,125	5
Totals (£000's)													
Week to Aug. 30, 1941	No. of Cos.	33	7,519	1,382	2,112	4,141	783	1,117	...	223	7,330	2,558	...
Jan. 1 to Aug. 30, 1941	1,328	281,907	22,417	131,450	203,563	28,633	85,642	...	...	11	7,330	2,558	...

* For Half-Year.

(a) Rate not stated. Dividend subject to tax. Ordinary Capital £100,000. Previous Year's Dividend absorbed £28,632. † Free of Income Tax.
 (c) Adjusted from £24,160 for comparison. (d) Dividends for 1934 and 1935.
 (e) Bonus Issue of £20,000 to former deferred shareholders.

DIVIDEND ANNOUNCEMENTS

Rates are actually 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
INDUSTRIALS														
BANKS	%	%		%	Bairds & Scottish Steel	2*	%		3*	Jerusalem Electric	%	%		%
Bank of Nova Scotia	3*	...	...	3*	Barclay Perkins & Co.	2†	3†	...	4	Kinemas Ltd.	...	5	...	Nil*
National Bank of India	8*	...	...	8*	Brightside Foundry	5†	25	...	25	Lacrinoid Products	3†	...	...	5*
INSURANCE					Broadcast Relay Service	5†	10	...	10	Loyds Retailers	4*	...	...	2†
Britannic Assurance	17†*	...	...	120*	Canning (W.)	2†	...	Sep. 16	5*	Matador Land	...	5	...	...
MINING					Chinnor Cement	2†*	...	...	10					
Boschick Mines	5†	8†	...	10	Cook (M.) & Son	12†	17†	...	15	North Eastern Electric	5*	...	Aug 27	2†
Witbank Colliery	10†	17†	...	17†	Crossley Building Products	3*	...	...	21*	Olives Paper Mill	10p*	...	...	Nil*
TEA AND RUBBER														
Batu Tiga Rubber	5*	...	Sep. 15	5*	Davy Engineering	...	7†	...	11	Rowton Houses	20†	30	...	30
Beaufort Borneo Rubber	...	4	...	2†	Eastwoods Cement	7†	12†	...	7†	Sears (J.)	2*	...	...	5*
British Assam Tea	...	6	...	6	Ford Motor	...	...	...	6	Todd, Burns & Co.	5*	...	Sep 10	Nil*
Brush Rubber	12†	...	...	10	Hackney Wick Stadium	5*	...	...	10*	United Glass Bottle	2*	...	...	2†
Burma Estates	7†	1†	...	7†	Hugon & Co.	5*	...	...	5*	Wattford Gas	3†	...	...	2†
Jorhaut Tea	10	...	...	10	Imperial Tobacco (Canada)	10c†	...	...	10c†	Waxed Papers	5*	...	...	5*
Pullangode Rubber	5	...	...	5	Irrawaddy Flotilla	3†*	...	...	3†*	Williams (Clifford)	...	25	...	25*
					Java Investment	2*	...	Sep 15	2*	Yardley & Co.	5*	...	...	5*
† 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	7 Aug. 16	£1,300,000	+ 188,000	9,433,000	+ 1,648,000
B.A. Gt. Southern	7 " 16	£1,901,000	+ 58,000	13,645,000	+ 286,000
B.A. Western	7 " 16	£724,000	+ 118,000	5,213,000	+ 825,000
Canadian Pacific	33 " 21	\$4,742,000	+ 1,431,000	132,491,000	+ 31,637,000
Central Argentine	33 " 18	\$1,614,450	+ 240,450	11,667,550	+ 1,522,850
San Paulo (Brazil)	33 " 17	\$37,500	+ 3,706	1,239,431	+ 21,477

† Receipts in Argentine pesos.

UNIT TRUST PRICES

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

Name	Aug. 26, 1941	Name	Aug. 26, 1941	Name	Aug. 26, 1941
Second Bt.	21/11-21/10	National D.	10/9-11/9	Key. Gold.	8/7-9/10/4
Lim'd Inv.	14/0-14/9	Century	12/0-13/9	Br. Ind. 4th.	12/0-13/6
New British	8/11 bid	Centish.	10/9-12/3	Met. & Min.	10/11 bid
Inv. Trust	9/0-10/3*	Univ. 2nd.	13/3-15/0	Cum. Inv.	14/3-15/9
Bk. Insur.	15/3-16/9*	Inv. Flex.	9/6-10/6	Producers	5/9-6/9
Insurance	15/0-16/6*	Inv. Gen.	13/6-14/6	Dom. 2nd.	5/0-5/9
Bank	15/3-17/0*	Key. Flex.	11/0-12/3	Orthodox	7/9†
Scottish	10/6-11/9	Key. Con.	10/3-11/6		

* Free of commission and stamp duty.

† Bid and offered.

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.

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for exchange.														
Prices, Year 1940		Prices, Year 1941		Name of Security	Price, Aug. 19, 1941	Price, Aug. 26, 1941	Yield, Aug. 26, 1941	Prices, Year 1941		Last two Dividends	Name of Security	Price, Aug. 19, 1941	Price, Aug. 26, 1941	Yield, Aug. 26, 1941
High	Low	High	Low					High	Low					
British Funds														
77	68½	82½	76½	Consols 2½	81½	81½	3 1/2	27/51	21-	15 b	7½ a	27/51	26/10½	6 10 0
111½	103½	111½	110	Do. 4½ (after 1957)	110½	109½	3 1/2	25-	17-	12 c	6 c	23/9	25-	4 16 0
98½	98½	99½	98½	Conv. 2½ 1943-45	99½	99½	2 1/2	49/41	42/6	12½ c	12½ c	48/9	49/4½	3 4 9½
100½	95½	100½	98½	Do. 2½ 1944-49	100½	101½	2 1/2	47/6	41/3	12½ c	12½ c	47/3	47½	5 6 0
103	97½	103½	101½	Do. 3½ 1948-53	101½	105½	3 6 6½	34/41	28-	6 b	4 b	33/-	33½	6 0 0
103½	94	106½	102½	Do. 3½ after 1961	106½	107	2 1/2	24/3	19/9	5½ b	2½ a	23/9	23½	6 16 0
112	107½	108½	106	Do. 5½ 1944-64	107½	94½	2 1/2	16/9	14/3	4 a	6 b	16/4½	16 3	6 3 0
92½	86½	94½	91½	Fund. 2½ 1956-61	94½	99	2 17 0							
98½	92	99½	97½	Fund. 2½ 1952-57	99½	100½	2 19 9	8½	2/9					
98½	95	100½	98½	Fund. 2½ 1956-61	100½	104½	3 0 6	34½	3½					
114	105½	114½	111½	Fund. 3½ 1960-90	114½	114½	3 0 6	27/6	33½					
102	98½	101½	100	Nat. D. 2½ 1944-48	100½	101½	2 8 9½	34/7½	26/9	5½ b	2½ a	32/6	31½	5 9 0
102	95½	101½	100½	Do. 3½ 1954-58	101½	101½	2 18 3	29/4½	22/9	7½ c	7½ c	26/2	21½	7 2 9
100½	100	100½	100	War Bds. 2½ 1945-47	100½	100½	2 9 6	22/6	15-	7½ c	7½ c	46/3	47/6	2 2 0½
100½	100	100½	100	Do. 2½ 1946-48	100½	100½	2 19 9	53/1½	45-	18½ c	15 c			
100½	100	100½	100	Sav. Bds. 3½ 1955-65	100½	111½	3 3 6½							
112½	105½	112½	110½	Victory Bonds 4½	111½	101½	2 17 0	43/3	38/3	10 c	10 c	42/9	42½	4 14 0
101	98	101½	98	War L. 3½ 1955-59	101½	105½	3 7 0½	88/6	78/9	5 a	15 b	88/9	87/6	4 11 9
103½	93½	105½	102½	War L. 3½ after 1952	105½	95½	3 2 6	69/6	58/3	5 a	10 b	68/9	67/6	4 8 9
83½	80½	96½	89½	Local Loans 3½	97½	96½	3 2 0	20/-	17/6	12½ b	7½ a	19/4	19½	4 3 0
94½	85½	98½	95½	Red. Opt. 3½ 1986-96	100	100	3 2 0	35/9	28/3	10 c	10 c	35/6	35½	5 14 0
101	97½	101	100	Austria 3½ 1933-53	78	77½	3 4 4	84/3	77-	20 c	17½ c	75/-	80/-	4 7 6
71½	59½	78½	70	India 2½	98½	98½	3 10 10	52-	42/6	7½ b	7½ a	52/-	51/3	5 17 0
97½	82½	104½	96	Do. 2½	104	104	3 17 11	38/-	33/6	5 b	3 a	36/10½	37/6	4 5 0
107½	101	105½	103½	Australia 5½ 1945-75	104	110	3 15 0	35/9	29/6	5 b	3 a	34/4½	35½	4 11 6
106	110	107½	107½	Nigeria 5½ 1950-60	109	104	4 2 0	27/9	23/6	2½ c	3½ b	27/-	27½	4 8 0
105½	100	106	103½	New Zealand 5½ 1946	104	106	3 3 6	14/11½	23/6	4½ c	2½ a	14/7½	13/3	3 8 0
108½	103	108½	106	S. Africa 5½ 1945-75	106	106	3 3 6	30/-	28½	5 b	2½ a	32/6	32½	4 12 9
Corporation Stocks														
116½	104	108½	106	Birmingham 5½ 1946-56	108	108	3 6 9	30/-	25/6	4½ b	2½ a	30/-	29½	4 0 0
85	78	93	84½	L.C.C. 3½	96	92	3 5 3	35/3	28/6	3 a	4 b	35/-	35½	4 5 0
96½	87	96½	93	Liverpool 3½ 1954-64	96	96	3 5 3	38/9	33½	2½ a	5 b	38/-	38½	4 4 0
104	97	104½	100½	Middx. 3½ 1957-62	104	104	3 3 9	39/-	33/9	3 a	5 b	38/3	38½	4 4 0
Foreign Governments														
92½	71	85	77	Argentine 4½ Stg. Bds.	82	83	5 9 1	16/-	11/3	15 c	10 c	15/-	15½	3 6 9
23½	20	44	31	Brazil 5½ Pd. 1914	44	44	5 13 8½	21/10½	16/3	5 b	7½ c	21/6	21/6	7 0 0
45	12	19	11½	Chile 6½ (1929)	19	18½	7 19 3½	21/10½	16/3	6 b	4 b	11/-	10/9	9 6 0
20	50½	83½	71½	China 5½ (1913)	38	37½	5 3 3	35/7½	9/-	12½ c	12½ c	35/-	33/9	7 8 0
85	50½	83½	71½	Egypt United 4½	78	74	5 3 3	13/6	10/10½	12½ c	10 c	13/3	13/3	7 13 9½
25	12½	20	9½	Greek 6½ Stab. Ln.	14	14		22/6	15/9	17½ b	15 c	21/9	20/7½	5 16 0
65	19½	42	21	Japan 5½ 1930	23½	25	22 0 0	14/9	11/3	20 c	10 a	13/3	12/9	12 14 6
69	50½	68½	58	Portuguese 3½	68	67½	4 8 11	72/6	57/6	12½ b	2½ a	73/9	73/9	2 14 0
57½	37½	45	27	Spanish 4½	35	34½	11 11 9	32/3	24/6	10 a	17½ b	60/-	60/-	2 18 0½
Shipping														
66/9	53/4½	10 b	7½ a	Alexanders (2, 1 pd.)	65-	65-	5 7 9	50/11½	38/9	12½ a	12½ a	65/7½	65-	3 16 6
363½	333	34 a	6 b	Bk. of England Stk.	362½	362½	3 6 0	71/3	58/9	7½ b	5 b			
7½	6½	6 a	4 b	Bk. of Australia Stk.	747	747	4 4 6	63/1½	47/6	5 a	10 c			
28½	23/9	5 a	3 c	Bk. of Montreal 100	27½	27½	4 12 8	39/4½	25/-	10 c	10 c			
71/3	64/10½	7 b	7 a	Bk. of New Zealand	68/6	69/6	4 0 0	40/-	32/9	30 9c	24 c			
50½	33	2 b	2 a	Barclays Bank Ltd.	9	9	5 8 0	47/9	38/9	11½ c	11½ c			
66	48½	2 b	2 a	Chd. of India (1 fy. pd.)	51/3	52/6	3 16 6	68/9	61/10½	7 a	8 b			
51	33½	1½ c	1½ c	Chd. of Ind. (1 fy. pd.)	51/3	52/6	3 16 6	68/9	61/10½	7 a	8 b			
61	48½	2 b	2 a	L.M.S. Ord. (1923)	64½	64½	6 4 0	28/6	24/6	3 a	7 b			
16½	29	2 b	2 a	Do. 4½ Pref.	64½	64½	6 4 0	28/6	24/6	3 a	7 b			
45	33½	1½ c	1½ c	Low Transport 'C'	44½	45½	6 11 10	2½/1	1/9	5 c	9 c			
62½	43½	2½ a	2½ a	Southern Def.	14	14	8 12 5	42/-	25/11½	20 c	5 c			
99	77½	2½ a	2½ a	Do. 5½ Pref. Ord.	61	60½	8 5 3	27/-	24/6	17½ b	12½ a			
Banks and Discount														
66/9	53/4½	10 b	7½ a	Alexanders (2, 1 pd.)	65-	65-	5 7 9	50/11½	38/9	12½ a	12½ a			
363½	333	34 a	6 b	Bk. of England Stk.	362½	362½	3 6 0	71/3	58/9	7½ b	5 b			
7½	6½	6 a	4 b	Bk. of Australia Stk.	747	747	4 4 6	63/1½	47/6	5 a	10 c			
28½	23/9	5 a	3 c	Bk. of Montreal 100	27½	27½	4 12 8	39/4½	25/-	10 c	10 c			
71/3	64/10½	7 b	7 a	Bk. of New Zealand	68/6	69/6	4 0 0	40/-	32/9	30 9c	24 c			
50½	33	2 b	2 a	Barclays Bank Ltd.	9	9	5 8 0	47/9	38/9	11½ c	11½ c			
66	48½	2 b	2 a	Chd. of India (1 fy. pd.)	51/3	52/6	3 16 6	68/9	61/10½	7 a	8 b			
51	33½	1½ c	1½ c	Chd. of Ind. (1 fy. pd.)	51/3	52/6	3 16 6	68/9	61/10½	7 a	8 b			
61	48½	2 b	2 a	L.M.S. Ord. (1923)	64½	64½	6 4 0	28/6	24/6	3 a	7 b			
16½	29	2 b	2 a	Do. 4½ Pref.	64½	64½	6 4 0	28/6	24/6	3 a	7 b			
45	33½	1½ c	1½ c	Low Transport 'C'	44½	45½	6 11 10	2½/1	1/9	5 c	9 c			
62½	43½	2½ a	2½ a	Southern Def.	14	14	8 12 5	42/-	25/11½	20 c	5 c			
99	77½	2½ a	2½ a	Do. 5½ Pref. Ord.	61	60½	8 5 3	27/-	24/6	17½ b	12½ a			
Insurance														
66/9	53/4½	10 b	7½ a	Alexanders (2, 1 pd.)	65-	65-	5 7 9	50/11½	38/9	12½ a	12½ a			
363½	333	34 a	6 b	Bk. of England Stk.	362½	362½	3 6 0	71/3	58/9	7½ b	5 b			
7½	6½	6 a	4 b	Bk. of Australia Stk.	747	747	4 4 6	63/1½	47/6	5 a	10 c			
28½	23/9	5 a	3 c	Bk. of Montreal 100	27½	27½	4 12 8	39/4½	25/-	10 c	10 c			
71/3	64/10½	7 b	7 a	Bk. of New Zealand	68/6	69/6	4 0 0	40/-	32/9	30 9c	24 c			
50½	33	2 b	2 a	Barclays Bank Ltd.	9	9	5 8 0	47/9	38/9	11½ c	11½ c			
66	48½	2 b	2 a	Chd. of India (1 fy. pd.)	51/3	52/6	3 16 6	68/9	61/10½	7 a	8 b			
51	33½	1½ c	1½ c	Chd. of Ind. (1 fy. pd.)	51/3	52/6	3 16 6	68/9	61/10½	7 a	8 b			
61	48½	2 b	2 a	L.M.S. Ord. (1923)	64½	64½	6 4 0	28/6	24/6	3 a	7 b			
16½	29	2 b	2 a	Do. 4½ Pref.	64½	64½	6 4 0	28/6	24/6	3 a	7 b			
45	33½	1½ c	1½ c	Low Transport 'C'	44½	45½	6 11 10	2½/1	1/9	5 c	9 c			
62½	43½	2½ a	2½ a	Southern Def.	14	14	8 12 5	42/-	25/11½	20 c	5 c			
99	77½	2½ a	2½ a	Do. 5½ Pref. Ord.	61	60½	8 5 3	27/-	24/6	17½ b	12½ a			
Investment Trusts														
157½	139	6 b	4 a	Debenham Corp. Stk.	152½	152½	6 11 2	26/3	13/3	18 c	15 c			
167½	158½	7 b	5 a	Investment Trst. Def.	162½	162½	7 2 4	58/9	46/4	10 b	3½ a			
173	135	3 a	7 b	Trustees Corp. Ord.	140½	140½	5 14 7	46/3	39/4½	5 a	5 b			
146½	150	6 b	4 a	United States Deb.	170½	170½	25/6	17/10½		20 c	5 c			
Breweries, &c.														
123½	104/6	115 b	75 a	Bass Ratcliffe & Co.	122½	123½	3 5 0½	95/7½	87/3	10 a	13½ b			
51/6	40/-	3 a	9 b	Charrington Ord. 1	58/6	50/-	4 16 0	72/10½	63/9	11½ b	3½ a			
58/6	41/3	9 b	5 a	Courage Ord. 1	58/6	57/6	4 17 6	49/6	41/6	5 a	7½ b			
69/3	60/-	61 a	10 b	Distillers Ord. 1	68/6	68/3	4 14 0	27/6	22/-	7 a	12½ b			
86½	62/-	14 b	11 a	Guinness Ord. 1	83/-	82/6	6 0 0	27/6	19/-	6 c	6 c			
76/6	62/9	15 b	7 a	Ind. Co.ope. Ex. Ord. 1	75/6	75/-	5 17 0	59/3	45/6	45 b	20 a			
75½	61/-	13 b	7 a	Mitchells & Butlers 1	72½	74/6	5 12 0							
52/6	36/6	4 a	11 b	Wm. G. & Co. Def. 1	51/6	51/-	5 17 9	50/7½	39/4½	95 c	80 c			
Iron, Coal and Steel														
45/6	38/9	7 b	4 a	Babcock & Wilcox 1	44/9	45/-	4 19 0	40/7½	30/-	3½ a	6½ c			
5/6	4/3	10 c	10 c	Baldwins Ord. 1	5/4½	48/1½	6							

UNITED KINGDOM: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average					1940			1941						
		1929	1932	1937	1938	1939	1940	June	July	Dec.	Jan.	Feb.	Mar.	Apr.	May	July
Population mid 1938, 47,485,000: Area, 95,030 sq. miles		(244,000 sq. kms.)														
1. Retail trade, Gt. Brit.: Food	Avg. daily sales	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
2. " Other merchandise	"	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
3. " Total	"	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
4. Registered unemployed G.B.	Thousands	1,212	2,756	1,413	1,791	1,514	963	767	827	705	696	581	458	411	369	302
5. " United Kingdom (a)	"	1,276	2,813	1,586	1,881	1,690	1,035	843	899	775	765	643	505	457	420	342
6. " London	"	118	306	171	226	239	214	183	209	127	122	92	70	67	61	43
7. " E. and S. England (b)	"	50	142	70	95	93	99	76	77	37	69	55	39	31	30	21
8. " S.W. England (c)	"	165	371	144	210	153	92	56	63	81	35	28	22	19	19	14
9. " Midlands & N. Midlands (d)	"	280	602	165	208	151	75	60	59	55	60	53	41	33	27	20
10. " N.E. England (d)	"	285	562	304	398	309	149	122	126	86	87	73	64	36	30	25
11. " N.W. England	"	156	378	246	253	217	125	111	114	91	101	86	73	68	51	50
12. " Northern Ireland	"	116	228	151	164	127	89	68	81	87	77	67	55	50	46	37
13. " Wales	"	36	68	71	91	76	75	67	71	70	69	62	47	47	51	40
14. " Northern Ireland	"	676	541	285	110	107	78	14	35	50	24	23	285	187	74	89
15. Industr. disputes. No. days lost	"	100	70.4	93.5	82.4	76.2	93.9	92.8	87.4	100.0	100.6	100.0	99.2	100.0	98.5	97.3
16. Wholesale Prices: Economist	1929=100	100	72.8	78.6	68.4	76.4	95.4	93.7	93.4	99.7	109.3	107.3	108.0	106.7	108.9	119.1
17. Cereals and meat	"	100	53.4	73.7	58.6	63.8	93.0	96.1	96.1	96.0	96.2	96.2	97.4	98.6	100.9	101.2
18. Textiles	"	100	76.3	108.4	97.4	100.0	125.0	125.4	127.0	133.9	135.1	135.7	136.0	135.6	135.6	135.4
19. Minerals	"	100	67.8	89.3	77.8	80.3	104.3	105.7	103.9	109.1	110.9	112.0	112.9	113.5	113.2	114.4
20. Total, incl. miscellaneous	"	100	81.8	90.7	80.1	92.4	107.2	109.1	106.5	111.6	111.0	109.8	110.4	111.0	108.4	108.4
21. Cost of Living: Min. of Labour	"	100	87.8	94.5	85.2	96.4	113.1	114.0	112.8	119.5	120.1	120.7	122.0	122.0	121.3	121.3
22. Food	"	100	102.0	64.0	110.2	85.6	78.1	68.2	54.4	70.4	71.9	68.9	67.8	66.8	70.5	72.7
23. Total	"	100	81.8	90.7	80.1	92.4	107.2	109.1	106.5	111.6	111.0	109.8	110.4	111.0	108.4	108.4
24. Industrial securities, Fin. News	Jul. 1, 1935=100	100	96.8	112.6	128.6	127.6	116.8	122.8	115.9	120.1	125.9	126.9	126.5	128.5	129.2	129.8
25. Fixed interest	"	100	815.0	827.0	948.7	1006.2	1132.2	1495.3	208.4	307.4	618.5	1032.2	1313.0	1495.3	98.0	224.7
26. Govt. Revenue, cumulative (c)	Mill. £'s	100	829.5	859.3	919.9	1018.9	1408.2	2397.0	715.1	993.8	2774.2	3095.2	3517.4	3970.7	316.1	728.5
27. " Expenditure (c)	"	100	362.3	258.5	479.6	487.4	509.9	566.5	584.7	608.6	608.2	602.7	602.0	608.9	621.7	637.3
28. Bank of Eng.: Notes in circ. (f)	"	100	62.9	81.3	97.2	103.8	102.8	110	102.1	102.4	121.7	113.1	111.7	112.3	117.4	109.1
29. " Bankers' deposits (f)	"	100	55.9	64.0	98.4	103.2	107.0	143	146.8	158.5	159.3	156.1	151.1	140.1	124.4	116.1
30. Gov. sec. B'king Dep. (f)	"	100	1738	1791	2287	2277	2248	2484	2376	2363	2800	2757	2709	2829	2946	2991
31. Clearing Banks: (g)	"	100	194	187	235	241	244	265	260	252	324	279	284	288	298	311
32. " Deposits	"	100	229	308	281	280	255	266	273	404	265	269	210	194	188	173
33. " Cash & bal. with B.E.	"	100	991	844	954	976	991	944	929	900	314	341	330	374	461	469
34. " Discounts	"	100	257	348	652	637	608	659	605	626	906	909	909	908	884	873
35. Treasury Deposit Receipts	"	100	5.498	3.008	2	2	2.24	2	2	2	2	2	2	2	2	2
36. Advances	"	100	5.26	1.87	0.58	0.62	1.18	1.04	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
37. Investments	"	100	4.47	1.61	0.50	0.50	0.87	0.76	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
38. Interest Rates: Bank rate	Per cent	100	4.61	3.75	3.29	3.59	3.76	3.40	3.48	3.45	3.24	3.24	3.20	3.24	3.18	3.07
39. " Three months' bank bills	"	100	5.26	1.87	0.58	0.62	1.18	1.04	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
40. " Day to day loans	"	100	4.47	1.61	0.50	0.50	0.87	0.76	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
41. " Yield on 2½% Consols	"	100	4.61	3.75	3.29	3.59	3.76	3.40	3.48	3.45	3.24	3.24	3.20	3.24	3.18	3.07

(a) 1937, average January to August; figures for September-December not comparable owing to revised method of counting adopted in September, 1937. (b) From January, 1940, includes former Southern and South Eastern divisions. (c) Includes Southern division before January, 1940. (d) From September, 1939, Glimsby 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 do not include District Bank.

COMMODITY AND INDUSTRY NEWS—continued from page 277

crease is to be borne by Egypt. The British Government, which is purchasing half the crop, will pay the same price as before: \$14.25 per cantar for Ashmouni and \$15.25 for Giza No. 7. The Egyptian Government will finance its purchase by raising the supplementary National Defence Tax from 1 per cent of income tax to 10 per cent, and by a loan of £17,500,000. In the meantime Great Britain is to provide temporary credit.

A Rabbit Policy.—The Ministries of Agriculture and Food are anxious to encourage the breeding of rabbits on a commercial scale. To the announcement that members of rabbit clubs owning not more than four breeding does would be provided with bran, on condition that they disposed of some of the meat to the common pool, is now added a promise of rations for commercial growers. Rabbit keepers who breed rabbits for sale and keep eight or more breeding does will be allowed 28 lb. of bran per quarter for each four breeding does. These will only be provided where the owner has access to ample supplies of greenstuffs, including wild plants. If these measures prove adequate to encourage rabbit breeding they will not only help the food situation but will contribute to export trade, since there is an urgent demand for rabbit fur for export.

Clothing Concessions.—Several minor changes in the clothes rationing regulations have been announced. Employers of agricultural workers who customarily provide protective clothing for their workers may now do so without coupons and free of quota. Women without uniforms who are becoming students or joining the nursing or probationary staff of secondary training colleges, nursery schools and day or residential nurseries may purchase rationed goods free of coupon, on a certificate signed by an officer of the institution and countersigned by the Secretary of the National Council for Maternity and Child Welfare. The Directorate of Civilian Clothing is adding to the list of clothes which may be supplied to makers-up free of quota and temporarily free of coupons, a range of Scotch tweeds at about 7s. 9d. per yard. These must be made up into suits or overcoats within a prescribed price range. Provision is made for sale of damaged goods at half coupon rate or coupon free.

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WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week Ended		From Aug. 1 to	
	Aug. 9, 1941	Aug. 16, 1941	Aug. 17, 1941	Aug. 16, 1941
N. America	528	489	740	1,017
Argentina, Uruguay	272	320	643	591
Australia	...	...	...	...
Russia	...	...	...	...
Danube and District	...	...	...	...
Other countries	...	...	...	...

* Unobtainable.

Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week Ended		From Aug. 1 to	
	Aug. 9, 1941	Aug. 16, 1941	Aug. 17, 1941	Aug. 16, 1941
Argentina	...	14	4,705	119
Atlantic America	6	46	1,044	278
Danube region	...	...	...	...
S. and E. Africa	...	...	...	...
Indo-China, etc.	...	...	...	...

* Not received.

Source: The Corn Trade News.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM

	1927=100				
	Mar. 31, 1937	Aug. 30, 1939	Aug. 15, 1940	Aug. 5, 1941	Aug. 19, 1941
Cereals and Meat	93.0	66.9	86.9	96.8	98.7
Other foods	70.4	61.1	80.1	99.2	99.7
Textiles	74.2	54.3	88.3	93.5	93.5
Minerals	113.2	95.4	121.2	129.2	129.3
Miscellaneous	87.0	77.6	110.2	112.7	113.0
Complete Index	87.3	70.3	87.1	106.8	106.4

1913=100: 119.9, 96.8, 133.6, 146.5, 146.4

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" SENSITIVE PRICE INDEX

(1935=100)

	Aug. 21, 1941	Aug. 22, 1941	Aug. 25, 1941	Aug. 26, 1941	Aug. 27, 1941
Crops	113.5	113.5	113.2	112.9	112.8
Raw materials	170.7	170.5	170.2	170.1	170.3
Complete Index	139.2	139.1	138.8	138.6	138.3
	Mar. 31, 1937	Aug. 31, 1939	Aug. 27, 1940	Aug. 28, 1941	Aug. 20, 1941
Crops	147.9	92.2	106.1	113.5	113.5
Raw materials	207.3	122.9	167.5	170.7	170.4
Complete Index	176.1	106.4	133.3	138.2	138.1

* 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	Index	% Change from a Year ago	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 June	97	106	97	+4.3	...	...
July	82	94	83	+25.8	...	...
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	87	76	-26.9	...	...
1941 Jan.	63	67	63	-21.2	...	...
Feb.	106	68	105	-5.4	...	...
March	124	102	123	-19.1	...	...
April	102	93	101	-35.9	...	...
May	88	109	88	-31.1	...	...
June	122	105	122	+20.5	...	...
July	75	130	77	-7.2	...	...

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. Purchase Tax is included; figures are therefore comparable throughout.

Source: Board of Trade Journal.

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citizens of their right to "life, liberty and the pursuit of happiness," that violates the first of President Roosevelt's four fundamental freedoms—that of worship and of speech—is recognised to be abusing its authority. The Minorities Treaties of the last peace settlement recognised this. They went farther. They attempted to put the implementation of the rights of minorities under the control, not of the sovereign state, but of a supra-national organisation. They recognised, in a word, that law is indivisible and that the rights of man, as well as the rights of states, are the concern of the community of nations.

In this perspective, it can be maintained that the first Jew thrown into a concentration camp without trial was the Nazis' first act of aggression against Europe as a whole—against humanity and against the world. It would, therefore, have been fitting if the new Charter had gone farther than the Minorities Treaties. The world between the wars has seen that, not minorities only, but even majorities need safeguarding in their rights. A "majorities treaty" for Europe, or, to use the older phrase, a declaration that the rights of man are the concern of the international community, would state one of the necessary limitations upon the undefined "full sovereignty" that the Charter guarantees to each independent nation. Such a clause would at the same time place a salutary limit to the right of peoples to choose their own government. It should not be possible for a people to choose a Hitler any more than it is considered lawful for a man to commit suicide—or murder.

The limitation of sovereignty by law is equally important in the international relations of the state; and here, it must be confessed, the Atlantic Charter does not go very far. There is in Point 8 a reference to a "more permanent system of security." But no inkling is given of what that system is, except that it is apparently to be underpinned by the maintenance of unilateral disarmament. This will not do. Unilateral disarmament there must, and will, be. But if nothing more than a revised version of the balance of power is envisaged, this means, quite simply, that the combined efforts of constructive Anglo-American statesmanship in the last century are to be abandoned. It is true that the League experiment did not fulfil the warm hopes it roused, but that is no reason for swinging to the opposite extreme. The League failed because there was no will and no power behind its sanctions. Now there is to be power, and perhaps more will, but no League. One League experiment has failed, it is true; but history is strewn with the wrecks of power systems. There can be no lasting solution of Europe's anarchy on the basis of unilateral disarmament alone.

While it is true that the foundation of any interna-

tional security system must be Anglo-American power, that power must be put, not only behind the preservation of peace, but also behind the upholding of international law. For this, institutions such as the Hague Court must be preserved, and their scope extended; and, since the law is the common interest of the European community, the goal for a progressive settlement should be to associate all the nations with the work of its maintenance. There are thus three essential stages in the creation of an "International police force"—the unilateral armament of Britain, America and Russia at the armistice; the expansion within this nucleus of the rôle already played by the Allied armies—French, Poles Czechs; and, finally, the association with it of units from the former aggressor nations. The system will not work if this last step towards international co-operation is abandoned.

The failure of the Atlantic Charter to indicate any of the limitations imposed upon political sovereignty by the universal nature of law is the more conspicuous since the limitations imposed on it by practical considerations of economic and military necessity are fully recognised. If the state exists for the good of its people, its functions should not include those which, if exercised on a purely national basis, impede, the development of a national community. In the twentieth century, economics and defence have clearly entered a phase in which their national organisation is an obstacle to peace and progress. The money spent on national defence by such nations as Roumania, Hungary or Holland has proved to be sheer waste; their security demands a broader system. Similarly, autarky, even when practised by so large a unit as Germany, condemns people to falling standards of living.

The Atlantic Charter does look very explicitly for a co-operative economic system and—less explicitly—for a general system of defence. But, in the political sphere, on which ultimately all will depend, the question is left wide open. Possibly the tacit assumption is that Anglo-American leadership in itself will solve the problem. It is true that there will be no solution at all—political, economic or military—unless the basis is Anglo-American collaboration. It must be said, however, that such a hegemony would be quite intolerable if it were not immediately consecrated to the maintenance, through appropriate institutions of a system of international equity and law, and that so far at least there is no guarantee that the combined strength of Britain and the United States will in fact be mobilised for the creation of a genuinely new order. The lack of such a guarantee is an omission which the Atlantic Charter could not, of its nature, make good. But it is one that must be made good if the Charter is to have real significance.

Arms and the Men

THE urgent need, on both sides of the battle, is for trained manpower. In Germany, there are signs that, during the last few months, all the remaining classes liable to military service, that is all men in Germany (including annexations) between the ages of 18 and 45, have been called up. Very many have been called up for service in the labour corps, and in the Todt organisation, because the need for repairs and reconstruction is especially heavy on the eastern front. Regular sappers and railway regiments advance with the fighting troops to build and restore bridges and railways; the labour corps follows to carry out temporary repairs to roads; and the road builders of the Todt organisation come after with the most modern road building machinery. These corps must number more than a million men. There is a very large demand for supply columns, and for troops to occupy the conquered territories.

This heavy recruiting has made the shortage of labour for war work very pressing. As in the case of France in 1939-40, it is possible that Germany is, temporarily, over-mobilised—after months of intense output have

built up war stocks. At the beginning of this year, there was a drive to re-employ old age pensioners. In March, Hitler made a special appeal to women; and in April the labour exchanges began to interview the married women who were still unemployed. The use of foreign workers was increased. Newly created Croatia was persuaded to export 50,000 workers; and, a few weeks ago, Italy promised to increase the number of Italian workers sent to Germany by some 100,000. When the harvest began, civil servants were called upon to do harvest work at week-ends. The employment of domestic servants, who number perhaps a million and a quarter, now needs a special permit; and households must release all their servants except one if the labour exchange orders it. The number of girls on compulsory service is to be increased to 300,000, and the length of service is to be prolonged from six to twelve months.

In this country, too, the labour problem has reached something like a crisis. Last week, the Beveridge Committee endorsed the need of all three Services for more skilled men to maintain their machines and instruments. At the week-end, it was once more announced by the

Ministry of Labour that drastic measures were intended to induce women to enter the forces or war factories. There are signs that a progressive reduction in the ages of reservation is intended in coming months. The Trades Union Congress met in Edinburgh on Monday with the knowledge that their attitude must powerfully affect the course of the war effort.

It is a strange anomaly that the view persists widely here that the war can be won without fighting men. In 1939, the belief was that the French army and the British blockade would suffice; and, in 1941, the argument is that the Russian army, backed by British bombing, can win the war. The flow of American supplies, but not of American soldiers, is misinterpreted to mean that the war in the west can be decisively ended by *matériel* alone. Actually, the perspective was rightly drawn by Mr Churchill when he asked the Americans to "give us the tools," but then added "we will finish the job."

It is, of course, quite certain that any attempt to build up a British army comparable in numbers to the Germans must be disastrous, for the force would inevitably be vastly inferior in both size and equipment. The balance of population has been heavily in favour of Germany ever since the defection of France; and the forces and the war factories are competitors for manpower. But events in Norway, France, Greece and Crete have underlined the need for fighting men as well as for fighting equipment. The preventive action taken in Iraq, Syria and Iran and the defence of Egypt has shown the value of the British army. True, the resistance of Russia has brought an army of millions into the scales on the Allied side, furnished a footing against the enemy and bitten into his weight of numbers. But the Russian war has not made land action by Britain in Europe unnecessary; it has made it possible.

Wehrmacht and Manpower

Actually, it confuses the issue to speak of the army as a separate problem. In the British triangle of forces, the longest sides must be in the air and on the sea, where the ratio of *matériel* to men is greatest; but the land base is indispensable, for action all over the world battlefield, as well as for defence against invasion at home. It is a confusion, too, to speak of the choice between men to fight and men to make fighting equipment. On both sides of the front in Russia, it is the men who maintain machines and communications in action who have probably played the most crucial rôle; and it is with this extension of the industry into the ranks of the armed forces that the interim report of the Beveridge Committee is concerned.

There has never been the same dichotomy in Germany, a conscript country, between industry and the forces. The practice under conscription was always to recruit skilled labour to the more complicated branches, to the artillery or navy, and now to tanks and the air force; occupational skill was always used in the army where mechanical skill was needed for handling weapons or equipment. This has been carried a step further by the Nazis. The army itself includes vast mobile workshops (for the artillery, for tanks and for the air force) as sections of the fighting army, manned by skilled workers. The ordnance factories and the requisitioned factories for aeroplanes, tanks and other highly complicated equipment work in collaboration with the fighting forces. Submarine crews, whose craft are being repaired or overhauled, work side by side with civilian workers in the repair depot; and similar arrangements have been made in civilian aeroplane and tank repair shops.

The distribution of labour between industry and the forces in Germany has been flexible—which was easy while fighting was confined to very short periods. During the lulls in the winter of 1939-40 and the autumn and winter of 1940-41, large-scale leave was given to soldiers, who mostly went straight back to the factories where they had been working before being called up. This made possible the calling up of other classes, including skilled workers, for training. Soldiers on leave thus replaced the new recruits; and more men were trained in the forces without withdrawing more men from industry.

This interchange was made practicable by the system of general registration and the collaboration between the military authorities and the labour exchanges which were both instituted in Germany in 1935.

Industry and the three arms make up a single war machine; and the question to be answered by the Beveridge Committee was whether the efficiency of this country's *Wehrmacht* is likely to be impaired for lack of uniformed craftsmen. The danger is "that the machines on which the lives of fighting men and the safety of the country depend may have to be entrusted to hands insufficiently skilled under inadequate supervision"; and the Committee's answer is plain enough. The inquiries have gone into little detail yet, and the findings are provisional. But, in spite of a "notable economy [in the Services] in the use of skilled men, secured by a high degree of dilution, and extensive and well-designed arrangements for training"—and for remustering suitable men for technical work—"a further substantial withdrawal of skilled men from the engineering and allied trades is required." The subject of the investigation is the Services; but this message is for industry. It is true that the war is a war of production; and that, as the Minister of Information said on Tuesday, this country must look first to its factories, its mines, its ships, its docks and its farms. But production is a means to an end. Modern warfare is industry in action; the end is not simply safety against attack, but success in battle; and the test of production is the efficiency of the armed forces in the field. The need for more skilled men in the Services "should be met (the Committee advises) by a corresponding extension of dilution in civilian industry"; and the Committee's comment that "so long as men of military age are used on work within the capacity of women or older men, the Government will not escape criticism for waste of manpower" is plainly as applicable to industry as it is to the Services.

This is a challenge to the Ministry of Labour and to the engineering and allied industries—as well as to the Trades Union Congress. "The main obstacles to dilution in civilian employment (the Committee points out) do not arise in the Services. They have not the same temptation as private employers to use skilled men where less skilled men would suffice; and there are no demarcation or wage difficulties to prevent men in uniform from being used to the best of their capacity." There is the clear implication that these obstacles are still influential in civilian industry—and the authority in these matters of Sir William Beveridge and Mr J. C. Little, who was president of the Amalgamated Engineering Union from 1933 to 1939, is unquestionable. The fact is that dilution, the economy of skill by replacing skilled by less skilled workers, and, especially, the substitution of women for men, is now the cardinal issue in labour policy, not simply because more skilled men are wanted by the Services, but more especially because more weapons and equipment are urgently needed from the factories themselves—at a time when the competing claims on manpower are reaching a peak.

Economy of Skill and Numbers

In other words, the bottleneck in labour supply that has not been unpredicted seems now to be in sight. It was realised from the outset in this war that skill would be scarce; and the schedule of reserved occupations was devised to prevent essential war workers from being called up and, with periodical revisions, to preserve a balance between recruitment and production. It was not equally realised that, in the test, actual numbers would be short as well, or that there might also be a shortage of heavy workers, coal miners and builders' labourers; and it is only lately that an attempt has been made to reserve men on the basis of their actual jobs rather than their "qualifications." Production programmes were set low; non-essential employment was maintained too high; and those who called for the extensive transfer and training of workers and, like Sir William Beveridge himself, for the utmost economy of skill were

regarded as needlessly anxious. Nor is the explanation that the fall of France could not have been foreseen a sufficient excuse—any more than the appearance of Russia as an ally now, or of the United States as a universal provider, is a sufficient excuse—for this reluctance to see that total war requires total effort.

In the event, those who have called, in season and out, before Dunkirk and after, for the recruitment and training on the largest possible scale of a new industrial army are justified. Mr Churchill's call in the first month of 1940 for a million more women war workers was shrewd and statesmanlike. It is true that men were not needed in the forces to man and maintain machines until the machines were made, or workers in the factories to make the machines until the factories were built or brought into war production—though both fighting men and factory workers can be given preliminary training. War policy is a process of constant adaptation to new needs as they arise; and the urgent call for workers and Service technicians now does not in itself mean that there have been omissions in the past. In fact, however, the goal has consistently been set too near. The needs of the war programme have until lately been satisfied because the programme has been too small; and it is presumably the "war supply budget for 1941," which was presented to the War Cabinet by Mr Churchill on March 31st this year, that has brought the Services and industry face to face at last with the full measure of their tasks—and of the nation's capacity. The encouraging fact that the country is much stronger and much better armed at the beginning of the third year of war than it was a year ago is a matter of history; the need for more arms is immediate. It is no answer to the contention that more transfer, more training, more dilution and more women are required to say that dilution and the recruitment of women have already gone a very long way. It is true that trade unions have made large concessions in their regulations, and that employers are in many cases working with strange and mixed staffs. The point is that, unless this process of changing the composition of the labour force, in order to make the maximum saving of skill and the maximum use of every available hand, can be extended and accelerated, the industrial and strategic programmes cannot be fulfilled. The short-term needs of the Services for craftsmen and women, and the rate at which war industry must take in fresh labour, have been plainly indicated in recent weeks; and it is the necessary duty of the Ministry of Labour to find the men and women and of the Services and industry to absorb them. The need for more dilution is a challenge to industry's ability to rationalise its processes; and

Milk Rationing

LORD WOOLTON has now given his estimates of the amount of liquid milk that will be available for consumers outside the priority classes during the coming winter. "Two adults will probably get four pints of liquid milk a week." It is not quite clear whether, in making this estimate, the Minister was assuming that the priority classes will or will not take up their full ration. But, since a ration of 2 pints a week per adult, 3½ pints for older children and 7 pints for children under 5 would mean an available supply which would be short by 10 per cent of peacetime consumption—which is the actual anticipated drop in milk yields—it is reasonable to infer that Lord Woolton was counting on the whole of the priority ration being taken up. Two pints per adult will be a minimum.

Since liquid milk consumption has gone up by 14 per cent since the war, the scale of rations will mean a considerable cut in the consumption of some households. Insofar as the increased wartime consumption is due to the extension of cheap milk schemes, the cut will not, of course, be felt, as those covered by the schemes are to be guaranteed their full supplies. But it is probable that

a *non possumus* answer would be to admit defeat.

It is the technique of the comb-out that is still in question. There are practical difficulties that arise from the maladministration of the industrial recruitment campaign. In industrial areas where the need is greatest, the labour exchanges themselves, for instance, are serious bottlenecks because they are too understaffed to conduct all the registrations for which they are responsible. Working conditions for women, and especially for those with household responsibilities, are far from uniformly satisfactory. There are very many cases in which, because of the difficulty of migration or travelling, it is better to take the work to the workers rather than *vice versa*. There is parental opposition to the recruitment of young women.

Efficiency and Fairness

But, underlying all this, there are more basic points of principle. Apart from men of military age, the method is still exhortation; and, as Mr Thomas Balogh argues in the current issue of *The Banker*, the trouble is that the voluntary principle does not work efficiently in wartime because the ordinary incentives to effort, profits, prices and wages, do not operate effectively to supply the war economy. It is not necessarily in the interest of employers or workers to enter the war effort; they are not compensated for losses that may fall upon them because of war conditions; they struggle against war policies in self-preservation; and in wages, instead of changes taking place which would reflect the relative wartime urgency of different jobs, there has been an all-round rise, weighted only by the different bargaining power of different unions. If voluntary means are to be relied on, full mobilisation can only be carried through by furnishing suitable incentives for wage-earners and managers to throw their energies exclusively into war production and by the "negative" compulsion of so restricting work that is not war work that, in practice, there will be little choice—a method which, by the limitation of supplies and the concentration of industries, has furnished a flow of recruits, but not a sufficient stream.

If, on the other hand, positive compulsion is applied in the industrial field, it must be comprehensive and fair. The target is known, in precise numbers, and the task is to strike it at the appointed date, by whatever means. At present, compulsion is employed here and there as patch-work to fill in dangerous gaps—to force ex-coal miners out of better-paid work, to coerce unemployed women and, to a point, by the Essential Work Order. The power—and the obligation—was laid upon the Government by statute, in May, 1940, to make use of all persons and all property to win the war; and there is no citizen who can in justice claim exemption from the call to arms.

part at least is due to the more extensive eating of porridge and cereals in lieu of other vanishing breakfast staples, and to the general tendency to seek a substitute for other foods that are in short supply. Part, too, is undoubtedly due to a shortage of condensed milk. This shortage, according to the Minister of Food, will be rectified by home production this summer and by imports from the United States, and he estimates that available supplies of condensed milk this winter will be equivalent to a further three pints of liquid milk weekly for every family.

Unfortunately, these estimates are complicated by the fact that the consumption of both liquid and condensed milk is very uneven as between one household and another. The Oxford Agricultural Economics Research Institute has re-examined its earlier survey (described in *The Economist* of August 2nd, page 128) and found that 197 households out of 623 were not taking up their full ration; the assumption made by the researchers that the adults who did not consume the equivalent of their present full ration in 1938 is somewhat unrealistic, because it ignores the fact that, under rationing and in the present

circumstances of food restriction, people who never thought of drinking milk, or consuming any other rationed food before, will now tend to draw their rations in full. The survey goes so far as to estimate, on rather speculative grounds, therefore, that 1 to 1½ pints a week will be available from the "deficient" households, which the dairyman will be able to distribute as a supplementary ration to those whose consumption will be reduced by the rationing scheme. In this event, of course, heavy milk drinkers would fare best if they were registered in poor districts where there were many "deficient" households. In any case, the distribution of any milk surplus will obviously cause heartburning between one district and another.

A more serious drawback, however, is that no provision has been made for rationing condensed milk. Even on the most favourable assumptions about the supplies of liquid milk that will be available both for basic and supplementary rations, it must be concluded that many rich households will find their consumption cut down. The danger is that condensed milk will be bought up by these households as an insurance. An attempt could, of course, be made to prevent this engrossing by only releasing supplies gradually; and it is an added reason for preventing any "superfluous" consumption of condensed milk that it has to be imported. But experience of the measures which fed rather than frustrated the run on tobacco has shown that this would probably only aggra-

vate the trouble. The point is that condensed milk is the food of poor households, and it would be deplorable if it were to be snatched from their grasp.

But the precise method of rationing condensed milk is peculiarly difficult to determine. To ration it by itself, without relation to liquid milk, would not take into account individual preferences, which in the choice between liquid and condensed milk are very strong—both ways. The Oxford survey suggests, on the basis of its rather small sample of households, that 35 per cent of the households which were not consuming their full ration of liquid milk actually consumed more than 3 pints of condensed milk—Lord Woolton's estimate of the supply of condensed milk that will be available. All in all, it would seem fairer and more expedient to ration condensed with liquid milk, and then allow the dairyman to distribute both in different proportions to different households according to his supplies and the requirements of his customers—after the liquid requirements of the priority classes have been met. The difficulty in doing this is that, at present, condensed and powdered milk is supplied by grocers, and it would be necessary, to work this rationing scheme, to transfer the trade to the dairy retailers. The Ministry of Food would inevitably receive many complaints, and not without some justification. But these complaints would be nothing compared with the storm that would much more justifiably be raised if there were not after all enough condensed milk to go round.

NOTES OF THE WEEK

Into the Third Year

As the war enters its third year the general improvement in the Allies' position is being widely—and rightly—underlined. When all chances of maintaining a footing in Europe seemed to be irremediably lost, the creation of a Russian front has given the Allies a defensive position of almost inexhaustible depth. When all the armies of Europe had been destroyed, the Russian millions came in to restore the balance in the battlefield. In the New World, cash-and-carry has given way to lease-and-lend, and the balance in the factory can be restored by the United States. A tide, if not the tide, in the Battle of the Atlantic has turned. On the home front, the people of Britain have been tried in the fire of heavy bombing and have not flinched; and the long-neglected work of transforming Britain from a peacetime to a wartime economy is under way. All this is pure gain. Whereas a year ago the problem was how not to lose the war, it may fairly be said to-day that the question is: how are the Allies to win it? Nevertheless, there are still skeletons in the national cupboard and, unhappily, they are the same skeletons. What brought down Europe in the course of the first years? The policy of "one by one." France and Britain were not ready to help Poland. The neutral fringe clung to their neutrality. Britain's dilatory industrial and military mobilisation was too late to reinforce France; and France was too feeble and divided to help herself. The Balkans were divided against each other. No front could be established to save the Greeks. Is the same story to be repeated with Russia? Russia's millions will only be Hitler's doom if they can be nourished and supported to the utmost by Britain and America. They can only be a war-winning asset if the industrial liability they represent is freely and promptly met. Their mighty resistance calls, not for less effort and output from the Allies, but for very much more. It is once again a question of industrial mobilisation—both in this country and in the United States.

The success of "one by one" is itself only a symptom of deeper dangers—on the one hand, an emotional failure, on the other, a failure of intelligence and will. Future historians, looking back on these first two years of war, will surely record as one of its most astonishing characteristics the basic irresponsibility of public opinion in the democracies. With their world going up in flames about them, the people are still using their sand, not to extinguish the fire, but to bury their heads. The least respite, the least lightening of the horizon, and, hey presto, the war is already won. Thus, when the fighting moves, temporarily,

from the Channel to Smolensk, the emotional urgency behind the democratic war effort wanes. The failure of intelligence applies to leadership rather than to the masses. It is quite simply that, after two years of war, the economic, social and administrative implications of total war are still not fully grasped; and this lack of realisation, coupled with the general public's readiness to slip into apathy and complacency, is the main reason why the policy of "one by one" has so far been effective. The democracies seem incapable of profiting by lulls; as they enter the third year there is little sign that they are yet mending their ways decisively.

The Drive in the North

After their great surge forward a week ago, the German armies are once again halted save in the northern sector. Here it seems that the real battle for Leningrad is opening. The Russian attempt to cut off the advancing forces by a counter-attack in the Velikiye Lugi area has apparently been frustrated. The fighting has been very fierce in this sector, but the town is still in German hands. Farther north, the Germans claim to be within fifteen miles of Leningrad—at Krasnove Selo. However, these units may only represent a mechanised advance guard which, as so often before in the Russian campaign, may be cut off by a swift Russian counter-attack. Nevertheless, the people of Leningrad can hear the guns, and German air activity has increased considerably in the Leningrad sector. A grim struggle for the city itself is obviously the next phase in the north. In the centre the Germans are held, and after the dangerous advance beyond Gomel, which at one point seemed likely to threaten Marshal Budyonny's flank, Marshal Timoshenko's counter-attacks, coupled, it appears, with dirty weather, have stayed the German offensive for the time being. The danger is that all these Russian counter-attacks, which are very costly, may at no point have stabilised the front sufficiently to enable the Russian General Staff to launch a full-blown counter-offensive. A series of counter-attacks, while it can and does pinch out advance points in the German wedge, does so at the cost of weakening the Russian line above and below the wedge. The Germans can profit by this to launch their next drive at the weakened spot in the enemy's defences. Thus the attack on Gomel was launched in a sector from which troops had probably been withdrawn northwards to counter-attack in the battle of Smolensk. In the south, the Dnieper line stands. Marshal Budyonny, by a series

of daring and well-concerted raids across the river, has so far prevented the Germans from massing sufficient troops to storm the river and create bridgeheads on the farther bank. It has been suggested that the destruction of the great dam at Dnieproges will assist the Germans by lowering the level of the Dnieper above the dam. The question of the water level is, however, irrelevant. Rivers are obstacles only if they are integrated into a workable defence system. Unfortunately for the Russians, the west bank of their rivers is usually higher than the right—which gives the Germans the advantage of the higher ground. The significance of destroying the dam is above all symbolic; it typifies the readiness of the Russians to sacrifice everything in their defence.

Failure of a Crusade

Hitler's crusade against Bolshevism is making heavy weather. In France, the first official gathering of the "anti-Bolshevist" volunteers nearly cost one of Germany's arch-quislings his life. And Colette, the man who shot at, but apparently did not kill, Laval, turns out to be not a Communist, but a would-be de Gaulliste of no particular political leanings, and is thus a symbolical figure of France's general disgust. The Spanish volunteers are reported to be deserting in a disorderly straggle across Europe. Certainly some thousands have already returned to Spain. The Roumanians are in a state of growing revolt over the sacrifice of their men before Odessa; they claim that in this battle Roumanian units have simply been used to wear down the Russian defences, and that the Germans have shown an incredible callousness towards their losses. The Hungarians are doing better and took part in the capture of Nikolaiev. Nevertheless, even here, there are reports of some unwillingness to raise more battalions for the eastern front. It is in the north that the Germans are facing the most serious revolt—at an awkward time, with the battle for Leningrad developing. The Finns joined in the war quite simply because they wanted back their old frontiers. It is probable that they stopped fighting in 1940 because the Germans guaranteed a restoration. Now, after over two months of fighting, during which the Finns have been severely mauled and have received such inadequate German support that they have had—notably at Salla—to stiffen German resistance, the old frontiers have been virtually recaptured and Viipuri has fallen to the Finns. There is thus no point in fighting on, and the problem for the Finns is whether, on the one hand, the Russians will concede the reconquered frontiers, and whether, on the other, the Germans will let the Finns abandon the fight. Unofficial feelers have apparently already been put out to Moscow, very probably with American backing; and the Russians' sudden retreat down the Karelian isthmus suggests that they may be ready to contribute something to the pre-conditions of peace. The German reaction is harder to assess, but a number of practical considerations suggest that the Finns may get their way. A people cannot be coerced into fighting, and the Finns are the least amenable people in the world to coercion. But the Germans are not trained for arctic fighting. If Leningrad falls, the fate of Karelia, Murmansk and Archangel is not vital. The Germans may prefer to cut their losses for the winter and transfer their units south, leaving the Finns behind their ice-bound ports. The withdrawal could be represented as a typical example of German disinterestedness and generosity. If the Finns do extract themselves from the fighting, it will be a lasting monument to Stalin's folly in launching the Russo-Finnish war. To-day the Finns might otherwise have been fighting with the Russians to expel the Germans.

News from The East

It used to be said of the old Turkey that the people were always surprised when the winter came. Times have changed, and now it is apparently regarded by the British Foreign Office as quite a normal procedure for vital news about Britain's own life-and-death struggle to be made known to the Turks while it is still an official secret here. The information given last week by the British Ambassador in Ankara to the Turkish President that British and Allied shipping losses in all waters in July were the lowest monthly total since the war began, except for two months before the collapse of France, is only the latest of a series of such "invisible exports." Once it was the American

President who told the world the ratio between British losses and British shipbuilding capacity; another time it was a Canadian who revealed facts about British tanker losses. But this Turkish episode is peculiar, because it was in July that the Admiralty solemnly announced that it was no longer in the interests of national security to publish shipping losses regularly. It was suspected by many people then that this meant that only low losses would be published—though not even the most captious sceptics forecast that they would be put out in Ankara instead of London; and this figure for July, which must be between 135,372 tons (the total for April, 1940, the higher of the two lowest monthly totals of the war) and 164,626 (the total for November, 1939, the third lowest monthly total of the war) is most encouragingly low. It cannot, of course, be assumed that the German blockade has therefore been finally broken. The increased numbers of escort vessels in service, their success in the long summer days and the "insulation" of a large tract of Atlantic waters by the presence of American patrols have struck a serious blow against the submarine campaign; and the combined efforts of the Navy and the RAF have removed or pinned down the surface raiders that did so much damage earlier in the year. But, if it is true that Hitler's policy in grand strategy is "one by one," it is equally true that his policy in operations is "one thing at a time." In the air, the hard knocks given in German Europe by the RAF have not yet forced the enemy to do battle on a big scale in the west while the eastern front is active; and, at sea, there has been work for German forces in Russian waters. It is not many months since the Germans had something like 200 submarines in commission (more than the 169 estimated at the peak of the submarine campaign in the last war) with perhaps 100 operating against shipping at the same time; and there is little doubt that there will be a renewal of more intense activities in coming months. But it does seem probable, as the number of convoy escorts grows, that the worst will not happen; and, meanwhile, if the Turkish report, confirmed by Sir Archibald Sinclair on Wednesday, that in recent weeks imports have been coming in at the rate of 850,000 tons weekly, 60 per cent of the high rate of 1937, the situation is immeasurably better than might have been expected.

Settlement in Iran

Nothing could be more satisfactory than the settlement in Iran. After a very few days' rather tepid resistance, the Iranian army received the order to cease fire, and negotiations opened at once between British and Russian representatives and the Shah's new Prime Minister and Foreign Minister. After four days' discussion, these negotiations have ended in agreement. Britain and Russia repeat their absolute guarantee of Iran's political independence and integrity, and the revenues from the oilfields will continue to flow undisturbed into the royal exchequer; at the same time, British and Russian armies will maintain order in certain specified areas north and south—Britain's area naturally includes the oilfields—and the vital supply routes by road and rail to Russia are guaranteed. It may be said in passing that the Allies' greatest lack in this area may now prove to be a Todt organisation for the patching together and creation of adequate military roads. Only on one point is negotiation to continue—the question of the Germans. The difficulty is that, while it would no doubt express the Allies' respect for Iran's independence if the German Legation at Teheran were not closed, the Legation has been the centre of the Nazis' propaganda network in the Middle East, and it would seem folly to leave the headquarters of such an organisation intact. However, a compromise may be possible which leaves what one might call a token diplomat in charge, and either interns or extradites all the other German agents and diplomats. The happy end to the Iranian incident is bound to have the best possible repercussions in the Middle East generally, particularly in Turkey, where the comments of Press and radio were previously very critical. The reinforcement of the Turks' Eastern frontier may do them a very good turn now that there are obvious signs of growing German pressure. The Germans are far less likely to risk an autumn campaign across Anatolia to the bleak snows of Caucasia if a united Anglo-Russian force awaits them there. Von Papen has left Ankara to visit both his doctor and Hitler, and the gloomier prophets foretell an immediate deterioration in German-Turkish relations. The Turks prefer to think that Hitler has too much on his hands to risk another front at this advanced stage of the year.

Playing for Time

The Labour Day speech of the President of the United States will have reassured all those who feared that peace talks with Germany were a possibility. But then only a minute fraction of the population can possibly have thought this. The destruction of Nazism is a goal very generally accepted by the American people. It is the means that raise such violent divergence of opinion. The President's speech did nothing, however, to allay anxiety on the score of the Far Eastern situation. The knowledge that Prince Konoye has sent a personal message to the President and that he has had long conversations with Admiral Nomura, does not in itself prove or disprove the suspicion that appeasement is in the air, but the fact remains that there is no satisfactory answer to the question: what did the President and the Ambassador talk about? Japan is obviously playing for time. The next stage in aggression is presumably timed to coincide with the hoped-for Russian collapse. In the meantime, the Japanese are anxious to ensure that America does not help, by shipping supplies to Russia, to prolong Russian resistance, and also that in no circumstances will she go to war in the Pacific. It is probable that the Japanese Cabinet is conducting a tight-rope walk between these potentially incompatible policies. It follows that the various threats—to establish an "oceanic security zone," to march on to the creation of a Greater East Asia and the like—and the putting up of hotheads like Colonel Mabuchi to make provocative statements may be attempts to browbeat the Americans into a supine acceptance of Japan's forward policy. The trouble is that, in the long run, the only thing which can keep the Pacific from war is the unequivocal readiness of the United States to go to war if necessary.

America Wonders

Mr Brendan Bracken, in his maiden public speech as Minister of Information, asked for sympathy and understanding for the "teething troubles" of defence production in the United States. Actually, criticism across the Atlantic has been much more drastic than it has been here. There is a quite widespread suspicion there that the effect of the Lease and Lend has been to make the United States Britain's tributary, a suspicion which is at its peak when the scarcity of oil on the eastern seaboard is discussed. When President Roosevelt last week produced out of the Office of Emergency Management (which comprehended the rival and overlapping Office of Production Management and Office of Price Administration and Civilian Supplies) the Board of Supply Priorities and Allocations under the Vice-President, Mr Wallace, he was countering criticism of his administrative methods, of the multiplication of separate *ad hoc* bodies and of the delay in decisions at the top. But he was also careful, in his executive order setting up the Board, to state explicitly, in view of the membership of Mr Hopkins, who is Lease and Lend administrator, that there was no intention of subordinating American policy to that of any other country. These are domestic troubles, and just now they seem to be important. The United States has been persuaded that Britain has now saved itself by its own—and, it is believed, America's—exertions. It has not been persuaded, in spite of the President's well-known and plainly stated views, either that America is in very direct danger, or that it is America's mission, having aided Britain, to destroy Nazi Germany. The Atlantic Charter and the American Congress—and many of the people—are very far apart; and it is important to realise that it is in this context that aid to Britain and, still more cautiously, aid to Russia must be interpreted. Mr Harriman will be head of the United States delegation to the Allied conference in Moscow. A Russian Purchasing Mission has flown to Washington; and an American military mission may go to Moscow. But the temper of the American people seems still to be very non-belligerent. Indignant criticism of their attitude from this side of the Atlantic is, indeed, probably not very helpful, but British comments on the "teething" troubles in production, which have equally been gone through in this country, might be reasonably useful in preventing them from becoming a more or less permanent trusion upon the rights of a sovereign people to suggest that the rate of production of several crucial machines and weapons is still lower than it could be; that, even in the

United States, teeming with resources, the vital materials of war production will have to be, not only eked out, but also reserved for essential purposes; and that those New Dealers who regard rearmament as a great programme of public works, and resist all cuts in civilian consumption, are in some ways more dangerous to America's war effort than the President's most isolationist opponents. These are simply suggestions of ways in which the accepted defence programme can be given something more to bite on.

Plus Ça Change . . .

The Ministry of Labour has announced its revised procedure for the recruiting of women. There is clearly a big difference between its attitude now and when the registration of women first took place. Then, women and employers were allowed to think that any full-time occupation would exempt them from being called up—or even interviewed. Probably this was due to the Government's quite unfounded anxiety that the use of even mild compulsion in the recruiting of women would be ill received; or to the better founded fear that the staff would not be available to interview and record recruits. In the event, a considerable number of women in full-time employment have been interviewed, and in an appreciable number of cases they have been advised to join one of the women's services if they wish to avoid being compelled to work in a factory. But the soft-peddling of the original announcement did great harm by obscuring the urgency of the need for women recruits in the Services and in industry; and it was easy enough for an employer to say that a woman employee was indispensable and to get away with it. Exemption was automatic. For future registrations, therefore, it is said that a more selective procedure for interviewing will be used. It has been announced that the only women who will not be interviewed will be, first, those in full-time paid employment in an undertaking working for the Government or for export, or in a concentrated industry; secondly, women in full-time employment in an undertaking covered by the Essential Work Order; thirdly, women covered by the Schedule of Reserved Occupations; and, finally, married women who are responsible for the household. Actually, there does not seem to be any great improvement in the new procedure—or, indeed, any great improvement in the new procedure—apart from the classes who will not be interviewed in any case, employers will still be able to claim indispensability and women serious hardship. Moreover, the Schedule of Reserved Occupations still covers a multitude of unessential jobs. It is only by its results that the "new procedure" can be judged; but there will have to be a far stricter interpretation of indispensability and essentialness if the 200,000 women wanted for the Services by the year-end and the 500,000 wanted for industry are to be found.

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The Railway Agreement

After several months of negotiation, agreement has been reached between the Government, on the one hand, and the main-line railways and the London Passenger Transport Board, on the other, about the financial remuneration of the latter during the war period. Ostensibly, the first war agreement of February, 1940, was thrown into the melting-pot by the Government's decision to put all public utilities on the same basis with regard to war damage. Actually, the agreement was unworkable, because its provision that charges should follow costs was inevitably inflationary. It has long been evident that a subsidy, in some form, was essential; and, as was pointed out in *The Economist* of August 2nd (on page 140), the problem was to combine this with incentives to efficient management and economy. The outcome of these months of study has been a reversion to the practice of the last war, the railways being given a fixed payment, or rent charge, for the period of the war and for at least twelve months after, of £43 millions annually. This compares with a guaranteed minimum—excluding in each case certain revenue amounting to rather over £1,000,000 per annum—of £40 millions under the 1940 scheme, but this does not mean that the taxpayer is being mulcted more heavily, for this payment is subject to the settlement of war damage payments under the terms of a projected Bill. The details of this measure have still to be revealed, but the general basis is that the cost of replacement will be shared equally by the Government and the utility companies. The effect of this upon stockholders, and other matters not mentioned in the Ministry's statement, is discussed on page 301. From the wider national standpoint, the arrangement leaves much to be desired. None but the least reasonable advocates of railway nationalisation would claim that it is unduly generous to the stockholder; but, so far as is at present disclosed, there is nothing whatever to encourage the managements to pursue efficiency or to resist rises in the cost of materials and wages. Until Parliament reassembles, and full details are laid before it, nothing can be said about such matters as deferred maintenance, which proved so costly under the 1921 Act; but it is, at best, disappointing that it should prove impossible to do better than revert to the highly unsatisfactory arrangement of twenty-seven years ago.

Bank Deposits or Savings Bonds?

Last week, Lord Kindersley gave a review to representatives of the Press of the progress of the National Savings Campaign. The technique of popular appeal is being well developed. The war weapons weeks, with their appeal to local patriotism, have done excellent work; and the present summer campaign is directed to the smallest unit in the movement, the savings group and not the locality. It provides specific targets, ranging from a battleship, priced at £8,000,000, to a forage cap at 2s. 6d. Soon, the movement will go back to community rather than group efforts and aim at warships. The psychology of these devices is sound. It is simple; and there is the symbolism of a concrete objective. But to make it equally sound, economically, the movement must be infused to a still greater degree with the harsh gospel of abstinence. It is abstention from civilian consumption which will lay the ghost of inflation; and not the attainment of "targets" by subscriptions to Government issues of which the totals may well be swollen by the creation of bank credits or by the reinvestment of the proceeds of maturing loans. It was not promising for this more widespread appreciation of the economic realities of savings that Lord Kindersley should have laid so much stress on the desirability of converting funds now lying on current account or deposit with the banks into savings bonds—as though such conversion would set free for the war effort any material or labour at present used in satisfying non-essential civilian consumption. In contrasting the holding of funds in a deposit account with their investment in a Government security Lord Kindersley stated that, in the latter case, the individual transferred the command over goods and services, which that money gave, from himself to the Government. In the former case, he said, the money was admittedly re-lent by the bank to the Government; but the individual remained free to draw on his account and duplicate the use of the purchasing power which had already been transferred by the bank to the Government. The contrast would only be as clear cut as this if, in fact, Government securities were blocked. But they are not. The individual is as free to sell his securities

and spend the proceeds as he is to draw on his banking account. The inhibitions against his doing so may, of course, be greater in one case than in the other. But the fact remains that the individual who has done his fundamental duty of cutting down personal expenditure to the minimum, and leaves the resulting savings on deposit with a bank, has achieved just as much in liberating resources for war purposes as the investor who puts his savings into 3 per cent Savings Bonds. The point is that savings publicity could be used to better effect than simply in thus encouraging the bank depositor to switch into savings bonds—and so multiplying the yield from his investment by six and trebling the cost of the consequent borrowing to the Government.

Mr Menzies Goes

The Australian political crisis came to a head at the end of last week, when Mr Menzies resigned the Premiership and was succeeded by Mr Fadden, who is leader of the Country Party and was acting Prime Minister while Mr Menzies was in London. Mr Menzies himself is to retain the Ministry of Defence Co-ordination, and for the time being it does not appear that there will be any other changes in the Cabinet. The question of the London visit, which precipitated the crisis, is still unsettled; it is not yet decided whether a visit will be made, whether Mr Menzies or another will be the visitor, or what the status of the visitor will be. What does seem certain, however, is that the political situation is as unstable as before. Evidently the most gifted man in the Commonwealth Parliament, Mr Menzies lacked the common touch; and there can be no doubt that his inability to meet other people, especially his colleagues, on their own ground was a source of constant friction. But, even now, friction has not been eliminated. The Labour Party remains angrily suspicious, and the Government's position in Parliament has been made more precarious by the withdrawal of Mr A. W. Coles from the United Australia Party. He has announced that he will sit as an Independent and that his future actions will depend on the Government's. If he votes against the Government, its slender majority will disappear. In the meantime, the Budget is approaching, and it is probable that, if Mr Fadden falls, it will be over this obstacle, which was only cleared last year by making tax concessions to the Labour Party. That Mr Fadden realises this is shown by his statement that his aim is "to leave the public with every possible fragment of spending power which can be spared from the war effort—but not at the expense of the war effort." This, of course, is starting at the wrong end of the stick, as his aim should be to minimise non-war spending in order to set free the greatest possible amount of resources for the war. The statement contrasts badly with Mr Menzies' broadcast in June, when he announced the complete overhauling of civilian consumption, the concentration of civilian industries on a limited number of essentials, the prohibition of strikes and lock-outs and so on. It is up to Mr Fadden—and Australia—to prove that the change of leadership does not mean that the Commonwealth's war effort is to be slowed down.

The Acid Test

At Edinburgh this week, with a significant lead from Sir Walter Citrine, whose views on Soviet Russia are well known, the Trades Union Congress called for the utmost aid to Russia and decided to participate in an Anglo-Russian Trades Union Council. On the other hand, the suggestion that the Congress, in the new circumstances, should collaborate with the Communists was turned down as obdurately as ever. No other response was possible. It is hoped by some people that the Russian alliance will act like the chemicals that turn litmus paper red. But neither Britain nor the TUC are in alliance with Communism; and there has been no suggestion from Moscow that they should be. It is simply a question of collaborating in a common war effort. Trade union co-operation between the two countries will be valuable in developing their war potential and in exchanging information about conditions and difficulties; and if the British Communists are wholehearted in their new campaign to encourage war production, they should not find any obstacles placed in their way by trade unionists. Mr Tanner complained at the TUC that, in a recent speech the Minister of Aircraft Produc-

tion had expressed the wish that Germany and Russia would exhaust each other in battle, like Kilkenny cats; and Colonel Moore Brabazon does seem to have said things carelessly which were open to this interpretation. But the attitude that Mr Tanner complained of is precisely that which was adopted by both Soviet Russia and the British Communist party vis-à-vis Germany and Britain, until Hitler's sudden attack forced a change of front.

Britain's War Effort

That Great Britain has not yet reached the limit of its productive capacity and has not yet transferred to the war effort all the resources that are not essential to the maintenance of the health and efficiency of the population is unquestionable. More difficult, however, is the task of expressing this still untapped war potential in statistical terms. An attempt has been made to do this by Mr N. Kaldor in the current issue of the *Economic Journal*, largely on the basis of the raw materials provided in the White Paper on the national income and expenditure in 1938 and 1940 (Cmd. 6261), issued by the Treasury last April. Mr Kaldor estimates that the total national output rose by 10 per cent between 1938 and the last quarter of 1940 and that it should be possible, with the further increase in the employment of women and the concentration of civilian output in the most efficient firms, to raise it by a further 5-8 per cent. The reduction in consumption between 1938 and the last quarter of 1940 is estimated by Mr Kaldor at 10 per cent, but he contends that a 25 per cent cut, which would leave the people of this country still better off than the Germans, is quite feasible. While Mr Kaldor gives no figures for the increase—if any—in total production since the last quarter of 1940, he calculated that the present rate of consumption is probably 16-18 per cent below the level of 1938. Mr Kaldor's contention that total production can be raised by 15-18 per cent and consumption reduced by 25 per cent, compared with the 1938 level, is not unreasonable, and every effort must be made to reach this goal as quickly as possible. Even then the proportion of the national income (as defined by the White Paper) devoted to consumption would still be about 50 per cent, against 63 per cent in the last quarter of 1940 and 77 per cent in 1938.

Progress and Production

The fact that there is no reason to suppose that the war will destroy the material foundations of Western civilisation does not, of course, rule out the need that may be evident for concern about its moral or spiritual standards. Nor, even on the purely material side, should it be overlooked that the standard of living cannot simply be raised all round by Act of Parliament. The average standard of living—of the world community, or of any single national community—can only be raised by an increase in production per man-hour, by some improvement in the means of production, human or mechanical. This fact is the fundamental argument for the freest possible movement of capital, goods and labour within and between nations; and, without such an increase in the power to produce, the standard of living of some can only be raised—as in wartime, when the stock of civilian goods is deliberately restricted—by a lowering of the standard of others. It is commonly said that to raise the standard of living of "backward" or undeveloped peoples would be to the advantage of the more "advanced" peoples, because there would be an increased demand for the latter's products. This is true, but the increased demand of the former can only come about in one of two ways. Either the backward peoples must not only increase their output, but also induce the rest of the world to absorb the increased output at the same price as before; or they must receive an increased quantity of manufactured goods in return for the same quantity of their own produce. There is no magic by which every Chinaman, simply by choice, can increase the length of his shirt by an inch, and so bring the mills of Lancashire into full employment. Either the Chinaman must increase his output of, say, rice, and still get the same price per unit for it; or Lancashire must be prepared, in effect, to give an increased quantity of cotton goods for the same amount of rice. It is a question of the rate of exchange between Chinese man-hours and Lancashire man-hours; and the only way in which the equation can be altered advantageously is by an increase in actual production per man-hour.

Cares of Small Caterers

It is easy to sympathise with the statement issued recently by the executive of the Association of Purveyors of Light Refreshments, which represents some 750 firms. The most substantial complaint is that, by withholding supplies, the authorities are forcing many firms to close down branches, the consequent gap being filled by the establishment of publicly-owned British restaurants. It is certainly inequitable that the general scarcity should be allowed to press more heavily on this class of caterer, who, as the statement points out, fulfils in many cases the function of a works canteen, than on the large-scale caterer in the restaurant or hotel. The small men complain that their meat ration was not raised when the domestic ration was raised, that offals were not derationed at that time, and that they receive no eggs in the shell and no cheese—the last complaint has now been met by the Ministry of Food. Clearly, it is a hard case, but it must be pointed out that the true comparison lies with the resources made available to the large-scale caterer, the works canteen and the British restaurant and not with the allowance for use in the home. Rations for use at home must be allotted with the knowledge that many of their consumers cannot readily go out for meals and with the realisation that it is undesirable to foster a dual standard of rationing: one for those who must feed at home off the rations allocated to their individual ration book; and one for those who have money and opportunity to dodge the *per caput* ration by eating daily in restaurants.

Shorter Notes

In line with the change in Polish-Soviet relations described in an article in *The Economist* last week, further changes have been made in the Polish Cabinet, and the National Council has been dissolved by the President's decree. The decree points out that in the present international situation new tasks have arisen for the Council concerning the political, social and economic problems of future Poland. The composition of the Council must, therefore, be changed, in order to adapt it to the political position in Poland and to the participation in the Council of Polish representatives now living in the U.S.S.R.

Mr Morris Wilson, deputy-chairman of the British Supply Council in North America, has been appointed chairman in succession to Mr Arthur Purvis. Mr E. P. Taylor, representative of the Canadian Government in Washington in respect of the Supply Agreement between Canada and the United States, has been appointed to the post of chief executive officer of the British Supply Council. This is a new post which has been created to provide for the increasingly heavy duties falling upon the Council, and Mr Taylor will be responsible for the conduct of its day-to-day business.

Literæ Humaniores.—A civil servant wanted to say that women might come to work without stockings. This is how he said it:—In common with other Government Departments the Inland Revenue are requested to make it known to women members of their staff and to all who are in charge of district and other offices that in present circumstances stockings are not deemed an essential part of costume for official business.

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THE WORLD OVERSEAS

Japan's War Supplies

(From a Correspondent)

July 31st.

THE outbreak of the Russo-German war has only increase Japanese military clamour, at home and abroad, for still larger stocks of all sorts of essential materials. It is true that in some instances, at Shanghai, Saigon, Bangkok and Singapore, Japanese firms, acting as purchasing agents for Germany after the disruption of totalitarian transit trade via Siberia, refused to take delivery of commodities bought previously, cancelled contracts and forfeited guarantee deposits. It is also true that, in a number of cases, the Japanese fighting forces declined offers to take over the contracts and commodities in question. Yet they did so only because they considered the contract prices too high and the other conditions also too severe, and because they expect that, after the disappearance of the German demand, they will be able to buy these same supplies considerably cheaper or to extract them by more or less forceful means on specially preferred conditions and credit terms from such helpless countries as French Indo-China. The Japanese military effort to accumulate still larger supplies continues unabated.

Of all the major countries, Japan to-day would appear to be, in relation to its economic capacity and eventual war requirements, the best stocked. The extraordinary, and ever increasing, shortage of commodities offered in Japan for current civilian consumption ought not to be misunderstood, and the notorious difficulties of industry to secure all sorts of materials ought not to be misinterpreted. Both the Japanese Army and Navy to-day hold—in Japan proper, Korea, Manchuria and Japanese-occupied China—unusually large stocks, not only of arms, munitions, and other military and naval equipment, but also of raw materials and fuel. Such stocks include large quantities of iron ore, iron and steel scrap, coal, fuel oil, gasoline, lubricants, rubber, non-ferrous metals, rice, clothing material and leather. Many private industries essential for war have been induced to hold large stocks of this sort in reserve for a sudden emergency, and instructed not to touch them for current consumption.

Reliable foreign trade, production and warehousing figures are no longer published in Japan; the vital details of the State Budget are shrouded in secrecy. Yet reliable observers agree that these supplies are large enough to cover Japanese wartime requirements for periods ranging, in the various goods, from six to fifteen months. It is estimated that they will permit Japan, while continuing the war in China, to face an Anglo-American trade embargo for about a year, or to allow her to fight a southward *blitzkrieg* for a duration of some six months. Germany's attack upon Russia was not foreseen in Tokyo; and the new situation thereby created has led the Japanese fighting services to demand an urgent further increase of their war stocks, so as to enable them to face, besides the continuation of the China war, and an Anglo-Saxon embargo or a southern *blitzkrieg*, aggressive action against Russia in case it should collapse before the German onslaught.

Throughout the past twelve months, the third Konoye Government has devoted its supreme economic and financial effort to the accumulation of the unprecedented reserve stocks demanded by Japan's fighting forces. Soon after this Government was set up, Prince Konoye bought domestic peace from Japan's Army and Navy, at the price of completely subordinating his country's economy to these Services' direction. Independent economic and financial policy ceased in Japan a year ago; the Tokyo Government departments concerned with economic and financial matters have ever since simply obeyed the fighting forces' orders; the Government abandoned the mammoth concerns of private big business, and the latter had to abandon the

exercise of political influence and to co-operate unconditionally. After Japan's adherence to the Tripartite Pact, a complete apparatus of German financial, economic and technical advisers was imported, and was superimposed on the Tokyo War Office upon the whole of Japan's financial and economy. This apparatus of German advisers, who in the middle of last winter ceased to advise and began to direct, is chiefly responsible for the huge accumulation of war stocks which has been achieved. These Germans are also responsible for the increasing difficulties of current industrial production and for the huge decrease in the supply of commodities for civilian consumption in Japan. Working upon German principles and with German methods, often indiscriminately applied to different Japanese circumstances, they frequently turned out results different from those achieved in Germany.

How it was Done

The accumulation in Japan of large additional stocks of war supplies was accomplished, first, through the systematic economising of war and other materials originally earmarked for use in the China war. The recent Japanese military and naval campaigns in China were all characterised by a desire to economise in material, often to the extent of seriously compromising the result of the operations in question. A considerable part of Tokyo's Chinese appropriations has lately undoubtedly been absorbed otherwise, and chiefly in the acquisition of new stocks. This was achieved, secondly, by the continued tightening up during the past twelve months of Japan's foreign trade and foreign exchange controls with a view to eliminating the last non-war imports and at the same time reducing exports to the minimum level required by foreign exchange needs. These controls in Japan are now fashioned almost exactly after the German pattern; in the last few months, the new Japanese foreign exchange regulations are mostly literal translations from corresponding German regulations. The increase in stocks was achieved, thirdly, by the further curtailment of civilian consumption all along the line. Rationing, on ticket system and otherwise, is being ever extended, and now applies to all major foodstuffs, clothing materials and household goods. Educational and amusement facilities are heavily curtailed. The ratio of compulsory savings on all classes of incomes and profits is being constantly increased, not only with a view to converting new savings into Government bonds, but also to prevent civilians from raiding the markets with their nominally increased purchasing power.

While in these three fields German methods have proved fairly successful in amassing additional stocks of war supplies, concurrent efforts to increase Japanese industrial war production have been far less so. It would seem that the very success of the three measures is largely responsible for the lack of success in the extension of war industrial and auxiliary industrial plants and in boosting their production. In Japanese business circles, it is an open secret that most of the plans in this direction have failed; this since early last year, the rate of progress in Japanese industrial production—in war industries alone, without taking into account the decline in the output of civilian industries—was slowed down, and for months has been negligible. On this account there has been considerable dissatisfaction in Japanese military and industrial quarters. April this year, Sumitomo's tycoon, Ogura, was made a member of the Cabinet for the special task of fanning the expansion of war industrial production, but now Ogura is considered a complete failure. Influential Japanese military and naval leaders have recently become critical of the German advisers' industrial methods, and are plaining paying attention to the suggestion of private big business

that production should be encouraged by the old standard method of increasing prices and allowing higher private profits on war and related materials. The end of trans-Siberian totalitarian trade has also paralysed a number of projects for expanding war industries in both Japan and Manchuria; German deliveries of machinery cannot be expected any longer, and large quantities of such machinery destined for Japan are marooned by the war in Russia.

The Ukrainian Trump Card

[BY A CORRESPONDENT]

August 19th

FOR years the Germans have promised to play their Ukrainian trump card against Russia. Special Ukrainian "Research" Institutes have worked in Berlin and Vienna; special gangs of Ukrainian terrorists have been trained and kept in readiness; and providential Ukrainian "Leaders," illustrious failures of the past, such as Hetman Skoropadski, have been busily preparing themselves for the Day promised them in *Mein Kampf*. German specialists in advertisement have elaborated the Ukrainian theme with their usual bombast, and consequently many people, even outside Germany, were brought to believe that, by playing the Ukrainian card, the Nazis would win the hand, and that—once the Day arrived—some sort of a national Ukrainian *levée en masse* would be raised against the Soviets.

The Day has come, but the great political masterstroke has not. At the moment, the German armies have advanced deeply into the Ukraine. But this is a purely military achievement, and not even German propaganda can claim any success in the political sphere. The *Weichselsender*, in its numerous Ukrainian transmissions, has nothing to say about the much-heralded Ukrainian irredentist movement, or about peasants greeting their German "liberators" with flowers. These happy pictures still remain one of Herr Rosenberg's pleasant visions; the Ukrainian *moujik* seems to greet the unwelcome "liberators" in his own peculiar manner—with the harassing fire of guerilla detachments and with scorched villages and fields. It is, therefore, mainly through frightfulness that the *Weichselsender* tries now to impress the dull Ukrainians; and grim warnings, threatening the participants of guerilla bands with capital punishment, are the most favourite and frequently repeated items in its Ukrainian transmissions.

It is now becoming increasingly clear that German policy in regard to the Ukraine has taken a new turn. During the first days of the Russian campaign, German propaganda still tried to use the slogan of a Great and United Ukraine. This was probably meant to enlist the support of the Ukrainians in the former Polish territories. When the German armies crossed the old Soviet frontier, this slogan disappeared from all broadcast propaganda and was replaced by the more modest battle-cry—*Heil Ukraine!* The term Great Ukraine has always stood for a Ukraine comprising both the Soviet and the Polish lands inhabited by Ukrainians; and it was the prospect of a fusion of all these provinces that made many Ukrainian nationalists place their hopes in Berlin. That the change of slogans has not been a fortuitous slip of the tongue by the propagandists of the *Weichselsender*, but a sign of a premeditated turn in German policy, was soon confirmed by a measure which almost escaped public notice abroad: the incorporation of the districts of Lvov, Stanislov and Tarnopol into the General Governorate of Poland. These three districts (Eastern Galicia) have been considered by the Ukrainian nationalists as an inseparable part of Great Ukraine, and they have actually played the part of a Ukrainian irredentist Piedmont. The area, covering about 62,000 square kilometres, is inhabited by a population of about 6½ millions, of which, according to Polish figures, about half consisted of Ukrainians and Ruthenians. (Soviet and Ukrainian sources consider the distinction between Ukrainians and Ruthenians artificial, and put their numbers much higher). Under the short-lived Soviet occupation, the area was united with the Soviet Ukraine into one republic. Its incorporation into the Polish General Governorate must have thrown into utter confusion those obscure circles of zealous Ukrainian nationalist conspirators, who for years have been the tools of the *Auswärtige Amt*, and have had assigned to them the rôle of Ukrainian quislings. Their dream of a Great Ukraine, united under their rule, has burst like a pricked bubble. Whatever further German plans there may be in this field, the Nazis

have already achieved a negative result in alienating the sympathies of the Ukrainian nationalist groups; and their prospective quislings, should they still find some, can from now on hardly hope for any popular backing.

A similar change of policy can be seen with regard to the other invaded republics, White Russia and the Baltic States. According to usually well-informed Swedish correspondents, these territories are to form one German dependency, the Ostland, under a German Governor-General. The fact that the Lithuanian puppet government of Colonel Skirpa, which installed itself in Kovno soon after the entry of the Germans, has been disowned by Berlin seems to confirm these reports. The long-prepared game of liberating "oppressed nations" has been thrown overboard all along the line. In the Ukraine, the change is most spectacular, and it is here that in the long run the new turn is bound to bring the invaders the most disastrous consequences, no matter what their temporary territorial gains.

What has caused the Germans to waste their trump? The incorporation of Eastern Galicia into the General Governorate of Poland might perhaps have been calculated to impress some Polish circles, whom Hitler is now trying to win over, by pretending to restore to a subjugated Poland its eastern frontiers. It might have been planned as a counter-move to the Polish-Soviet Agreement. But motives deeper than these considerations lie behind the new policy. It was one thing to blackmail the Soviets and the Poles with the Great Ukrainian trump card, but it is quite another thing to fulfil the threat. A Great Ukraine, with its some 45 million inhabitants and its enormous industrial and agricultural potential, even if originally set up as a German protectorate, would, in the long run, be an economic and political unit far too formidable to be kept under effective control. The fundamental principle of the German New Order has been to break up Europe into as many *disiecta membra* as possible, and not to help big national units to existence. And the Ukraine could not be made an exception to the rule.

In the sphere of economic policy, the Germans have also adopted a line bound to antagonise even that section of the peasantry which might have been inclined to use the opportunity for a return to private ownership of land. While still promising to restore individual property in some undefined future, the German authorities have warned all peasants in the occupied Soviet lands against any attempts to leave the collective farms. For the purpose of *Wehrwirtschaft*, it is easier to tackle a small number of large collective farms than a multitude of small ones. German officials in charge of requisitioning have had, willy nilly, to appear as the temporary defenders of the Kolkhoz system, a paradox undreamt of by philosophers.

A Missed Opportunity

On the whole, the Ukrainian campaign, so far as its political and not its military aspects are concerned, has become, from the German point of view, a missed opportunity. And an opportunity there was. There was no lack of grievances in this part of Europe, no lack of popular resentment caused by both Soviet and Polish mistakes. It has often been Hitler's deliberate policy to exploit the grievances of other nations in order to harness them to the carriage of German Imperialism; that the Ukrainian problem could have afforded some scope for similar manoeuvres is beyond doubt. Luckily enough, German preparations and designs in this sphere have been frustrated by excessive German rapacity. It is through this predominant factor of its own policy that the Third Reich is depriving itself of some political trump cards, among which the Ukrainian one was not the least important.

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Prodigies of German rapacity are in their turn merely a matter of political blindness. They also reflect the needy position of the German war machine and the relentless efforts that have to be made in order to feed it and keep it going. Considerations of all kinds, no matter how important, have to be subordinated to this supreme end. The midsummer night's dream of a Great Ukraine has, in fact, been devoured by the armoured and motorised German Moloch.

The New Phase

[FROM OUR NEW YORK CORRESPONDENT.]

August 11th

THE preliminary estimate of the July index of production shows a figure of 162—five points over June, 31 points over July, 1940, and 58 points above the summer of 1939. At this point the phrase "Business As Usual" is meaningless; it is a boom level, with almost full utilisation of human and material resources. In the past two years, production of all kinds, for civil or military demand, has advanced *pari passu*; and, while the boom was generated largely by the military demand, the civil aspects of the boom were conspicuous. Added to the increased purchases of consumption goods, there was a spurt in residential building that is usual in all American booms, but intensified in this instance by the migration of workers to centres of the armament industry. In this phase, employment was increasing and wages were rising, but such was the elasticity of the system that prices advanced but moderately; and direct taxation, while somewhat increased, still fell only on a small fraction of the population. In short, it was no alternative of "guns or butter"; there were more guns and more butter.

It is quite clear that this phase has passed or, rather, is passing. While no one would undertake to name an index figure representing a ceiling of production, it seems likely that our economy is entering a phase which will be less marked by a comprehensive increase of production of all kinds than by the likelihood that further expansion of military production will be compensated by some abatement of production for civil consumption. To be sure, the establishment of a limited scheme of priorities in the first quarter of the year, and the gradual expansion of the list in the second quarter, acknowledged this prospect; but not in such a way as to bring it to the attention of the man in the street.

The First Shortages

In the past fortnight, the change has been brought home, although in neither of the two instances was the cause precisely that cited above. The embargo on trade with Japan was followed by a complete cessation of the manufacture of silk stockings; and within a few days stocks were practically sold out. Silk stockings were the badge and uniform of the American Woman, who is said to use almost 50,000,000 dozen pairs a year. The second instance derived from another cause. Some 17 States along the Atlantic seaboard usually receive their petroleum supplies by tanker; the transfer of tankers to England is given as the reason for an impending scarcity of gasoline in that section. What is called a "gasoline curfew" has been imposed, prohibiting sales between 7 p.m. and 7 a.m., but it has had no perceptible results in diminishing consumption. A suggested reason for this plan is that it was designed to prepare the public mind for an effective limitation in the early future.

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The articles generally quoted as showing spectacular increases in demand over last year—motor cars, refrigerators, electric stoves—have two qualities in common. They are directly competitive with armament demand, and they are characteristically sold on "instalments." That is, they represent a civil demand stimulated not only by increased pay-rolls, but by credit expansion. The materials of which they are fabricated are in many instances covered by priority rulings. The latest step is to introduce some sort of limitation on "instalment" selling, by action to be taken by the Federal Reserve Board.

These instances are so mild that they may seem almost trivial. But two factors must be taken into account. It was argued that there was little use in limiting civil demand as long as there was but partial utilisation of human and material resources; and that there was no use in limiting production for civil demand until, and except as, the preparatory work on defence production was so far advanced that the transition from civil production to armament production could be reasonably smooth.

The important things to note are the enormous elasticity in the total potential latent in our capacity and, secondly, the elasticity in specific potential available when the aggregate potential is reached. There is still evidence of elasticity in the total potential. It is still estimated that the number of "unemployed" exceeds five millions. Presumably a proportion of them are not readily employable, whether from location, disabilities or lack of desired skill or aptitude; but there is still a "reserve" of labour. Further, it is said that, to date, the bulk of armament contracts have been let to a comparatively few large firms, for obvious reasons; but it is claimed that there is a multitude of smaller concerns quite capable of undertaking special or sub-contracts. While not so accessible as the large suppliers, these must be counted as a reserve of productive capacity. Nevertheless, we have definitely passed from one phase, which conferred only economic benefits upon the great majority of the population, to a phase which will exact an uncertain degree of deprivation, mild or severe, from at least a considerable proportion of the public.

Smaller Imports in Eire

[FROM OUR DUBLIN CORRESPONDENT]

August 18th

THE trade statistics indicate that the passive balance on visible account is tending downwards. In the twelve months July, 1940, to June, 1941, imports amounted to £34,525,000 and exports to £30,276,000. The debit balance of £4,249,000 is considerably less than the credit balance on invisible account, and Eire's sterling resources are being augmented in consequence. In the month of June the passive trade balance sank to £3,873, which is the lowest on record except during last October and November, when exports exceeded imports. The growing pressure of the blockade is to be seen in the fall of imports from £4,758,000 in June, 1940, to £2,234,000 in June of this year, while the effect of cattle disease is represented in the fall in the value of the export of live animals from £884,000 to £20,192. Now that live stock exports have been resumed, the passive balance should tend to be still further reduced.

The Minister for Finance has announced that £10 millions will have to be borrowed during the current financial year. The original estimate for borrowing was £4,452,000, but expenditure has increased since the Budget. While this additional borrowing is regrettable, especially in view of the warning in the report of the Banking Commission against adding to the deadweight debt, it must be seen in its correct perspective and its end effects not exaggerated. Compared with the huge sums borrowed in other European countries during the war, the addition to the debt in Ireland is relatively small, and the presence of ample idle money awaiting remunerative employment is shown by the increase in the deposits in the banks. The really disquieting aspect of the Irish debt situation is the failure of the national income to expand. If there were adequate reason for believing that the national income would expand in the post-war period, the borrowing during the years of war would inflict no lasting injury on the country.

The speeches of the chairmen at the half-yearly meetings of the banks indicate that the banks are all experiencing the same difficulties. Profits are reduced as the result of rising costs and lower revenue. The principal cause of the rise of costs is the Arbitration Award fixing the officials' salaries at a level which is regarded as too high by the directors,

but other costs, for example expenditure on ARP, have also risen. On the revenue side, interest rates have remained low, and the demand for accommodation has shrunk because of the shortage of supplies of raw materials and because increased liquid assets have been carried from motives of prudence. Many of the increased deposits are regarded as temporary and liable to early withdrawal. Hints were dropped on the need for increasing the banks' charges to their customers, but such a step would be very unpopular and would give rise to considerable resentment.

Sugar has been added to the small group of rationed commodities. The standard ration is fixed at one pound per head per week. This is equivalent to about 80 per cent of last year's consumption and should prove ample. Special arrangements are made for supplementary rations for jam-making, and the needs of industrial users will be considered individually. Ireland has experienced no real shortage of any essential food since the outbreak of war. Tea is rationed in rather small quantities, and bread, while abundant, is rather dark in colour. On the other hand, there is plenty of meat, vegetables, eggs and butter. The articles in which scarcity is most evident, coal, petrol and cigarettes, are not included in the food group.

Plans are already being made for next year's agricultural production. At a meeting of the Agricultural Production Consultative Council, presided over by the Minister of Agriculture, the difficulties to be overcome were thoroughly discussed. While there is no hope that exports of store cattle to Great Britain will be resumed in the near future, increased facilities for the export of cattle for immediate slaughter have been announced. The revision of the guaranteed prices for cereal crops was dealt with from the point of view of their effect in encouraging the production of wheat, oats and barley respectively. Special encouragement will continue to be given to the production of wheat. Many articles necessary for an increased agricultural output are in short supply, and efforts are being made to provide substitutes for certain types of fertilisers and feeding-stuffs hitherto imported. The need of maintaining an adequate supply of labour for the harvest was among the matters under consideration.

Industrial Production in Chile

[FROM OUR SANTIAGO CORRESPONDENT]

July 31st

BEFORE the war of 1914-18, Chile's industrial production was negligible, but when normal sources of supply were cut off during those years industry leaped ahead, and after the war, aided by a benevolent protective wall, these industries held their own year after year despite depressions and slumps. History is again being repeated; the present war has given another fillip to national industry, and figures recently published are interesting.

Taking the years 1927-29 as a basis, production has steadily increased during the past five years, as the following index illustrates:—

1936		144.5	1939		153.4
1937		153.4	1940		175.8
1938		159.6			

It will be noticed that the years 1937 to 1939 showed little increase, and in fact 1939 saw a slight decline in comparison with 1938. It was then considered that industrial saturation point had been reached, but, with the outbreak of the present war, Chile has been forced to become more self-sufficing.

As is natural, energy and fuel show the biggest increases, and the production of coke rose from 85,032 tons in 1939 to 96,500 tons in 1940; production of gas was 86 million cubic metres in 1939 and 93½ million cubic metres in 1940; electricity production was 509,353,312 kw. in 1939, against 569,806,473 kw. in 1940. Coal owners have found difficulty in increasing production to keep pace with the demand, but this is also due to Communist agitation at the mines. Rationing among the major consuming industries and railways has been in force for some considerable time, despite importation. The shortage of coal is having a serious effect on the production of gas, which is now insufficient to meet domestic demand; transport is also being hampered owing to the restriction of train services. Such matters tend to

slow down the wheels of industrial production; nevertheless, the index shows an improvement.

The position of several of the more important industries for 1940, together with the 1939 figures, is given in the following table:—

Commodity	1939	1940
Cement production (tons)	340,765	588,925
Glass production (kilos)	6,705,000	10,973,000
Match production (cases)	124,042	150,290
Knitting wool (kilos)	354,237	410,761
Cloth production (metres)	3,243,462	3,957,337
Writing and printed paper (kilos)	13,250,788	18,541,882
Wrapping paper (kilos)	11,762,149	13,297,678
Sugar refining (kilos)	120,920,951	123,958,056
Cigarettes (pkts. of 10)	417,000,000	417,000,000
Boots and shoes (pairs)	3,135,599	4,880,209

During 1939 and 1940 other new industries have been started, but figures are not yet available. Such industries include cotton spinning, spinning of artificial silk yarns, chemicals, etc.

To keep pace with this increase in industry and the constantly rising costs of labour and raw materials, the major producers have all substantially increased their capital during the past two years—particularly during 1940—and it is fully expected that this will continue. Fortunately, there is no lack of capital for the older established industries, nor do the new ventures find difficulty in this respect.

Books Received

- A History of South Africa.* By C. W. de Kiewiet. (London) H. Milford. 292 pages. 15s. net.
- The Law of Stamp Duties on Deeds and Other Instruments.* (Alpe) 23rd Edition. Revised and enlarged by A. L. Goodman and S. Borrie. (London) Jordan and Sons. 420 pages. 25s. net.
- The Aeroplane of To-morrow.* By Noel Pemberton-Billing. (London) Robert Hale, Limited. 307 pages. 12s. 6d. net.
- The Assistance Board.* By J. S. Clarke. (London) Fabian Society. 28 pages. 6d. net.
- Railways in Modern India.* By R. D. Tiwari. (Bombay) New Book Company. 284 pages. Rs. 10.
- Decision.* By L. Curtis. (London) H. Milford. 76 pages. 6d. net.
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THE BUSINESS WORLD

French Stock Exchanges

THE broad outline of the development of the French bourses is easily understandable if it is related to those circumstances which govern the entire economic situation in France. France, which has for the last year been a closed and authoritarian economy, is obliged to put into circulation a considerable volume of money to meet State expenditure and to pay to the German authorities the war indemnity of Frs. 400 millions daily. In the absence of goods and of raw materials, the only possible investment alternatives for money in circulation are State securities or industrial equities. The rise in market values apparent in the bourses over the past year is to be explained essentially by the abundance of money in a closed economy where it is difficult to find other employment for savings.

The payment of the indemnity of Frs. 400 millions daily—Frs. 146,000 millions per annum—is made through the creation of a credit at the Bank of France in favour of the occupation authorities, who charge to this account the expenses connected with the upkeep of the army of occupation. The *Reichskreditkasse* notes, which circulated in the early months, have been withdrawn, and the franc alone is now in use. The amounts credited to the account at the Bank of France are considerably in excess of the true needs of the German authorities, who between June, 1940, and January, 1941, drew upon these credits to the extent of only 43 per cent. The remainder is accumulating at the Bank of France, with the result that out of a total of Frs. 146,000 millions, Frs. 65,000 millions have been spent by the occupation authorities. The French State obtains the necessary resources from the Bank of France through a special account of advances to the Treasury; in other words, by the creation of money pure and simple. The French Government is reported to have consented, in a recent agreement with Germany, to pay the indemnity in gold or in foreign exchange at the reduced total of Frs. 300 millions daily. The German authorities will in any case spend the same sums, in terms of francs, and the country will, into the bargain, have lost gold or foreign exchange.

The expenditure of the Vichy Government, taking the average of the first two quarters of 1941, amounts to some Frs. 140,000 millions annually. In the first quarter, the ordinary Budget totalled Frs. 24,411 millions, the supplementary Budget Frs. 15,291 millions. In the second quarter, the figures were Frs. 22,731 millions and Frs. 10,032 millions. A recent calculation of the Ministry of Finance places annual expenditure at some Frs. 134,000 millions.

What receipts can the State count on? For some months after the Armistice there can be no doubt that State revenue was considerably depleted by the general disorganisation, by the sudden disruption of the war economy and by losses of all kinds to which individuals were subjected. This resulted in a considerable rise in the fiduciary issue, which reached a level of Frs. 218,000 millions at the end of 1940 against Frs. 158,000 millions on May 9th of that year. The rate of increase appears to have slowed down since the end of the year. Thus, the note circulation increased to Frs. 232,000 millions on April 31, 1941. According to the first issue of the official statistical bulletin, normal budgetary receipts amounted to Frs. 6,170 millions in January, 1941, against Frs. 4,674 millions in the previous year and to Frs. 5,854 millions in February last against Frs. 6,935 millions. Thus, annual receipts should be approximately Frs. 70,000 millions—the Minister of Finance estimated them at Frs. 68,000 millions—leaving a gap of more than Frs. 200,000 millions

to be covered by loan or the creation of money—or of Frs. 150,000 millions, if only the fraction of the indemnity actually spent is included. It must be remembered that in estimating the total of State expenditure account must be taken of the needs of the *communes* and *départements* and of the public services.

The money put into circulation returns to the State by the normal channels. Bank deposits increased by 50 per cent in the past six months of 1940. The short-term Government issues were taken up by banks and by private individuals. It has been possible to reduce the discount rate to 1½ per cent and the Treasury bill rate and the rate on National Defence Bonds have been lowered correspondingly. So far, the State has issued no new loan; the authorities are waiting until the rise in Stock Exchange prices permits conversion operations. In the meantime, surplus funds are invested in State loans and, through the Bourse, in other securities, and the price of both gilt-edged securities and equities has rapidly increased.

If the average price level of 1939 is taken as a base, the general index of gilt-edged issues was 117 on May 30th, that of French industrial equities was 276. The following prices afford a few indications of the level of gilt-edged securities: 3 per cent *rentes* fluctuated during June between 90 and 95; the 4 per cent issue of 1917 at the end of June was in the neighbourhood of 97; the 4 per cent 1925 stock with guarantee of exchange changed hands at 170; 4½ per cent Treasury Loan, 1933, was around 1,200. The quotations of the same shares were, on August 1st: Frs. 91.60, 99.50, 170.70, 1,232. As far as equities are concerned, it is revealing to dissect the general index. Thus, it will be seen that the rise is most marked among textile shares (433)†; next come coal (338), water, gas and electricity (286); transport (271); metallurgy (258), and credit institutions (202). On the other hand, the rise in foreign securities and in French stocks issued abroad has remained slight. The general index of 167 covers an immense disparity among its constituents. Gold mines at 98 are below the average for 1939; the rise in oil shares to 124 is moderate; for the remaining mining shares, on the other hand, the index rose to 248.

How is it possible to explain this divergence in movement, or at least the difference in rhythm? In the first place, the majority of foreign companies no longer pay dividends in France, and will not do so for the duration. Then, the owners of these securities know that they are threatened by requisition on the part of the Vichy Government on behalf of the German authorities—and it is probable that a considerable part, at least of the foreign bonds, in the occupied zone have been seized by the Germans. Finally, the degree of optimism and pessimism with which the French public regards the outlook for the oil and gold-mining companies varies with the progress of hostilities.

The variation in rise between the different categories of French securities is to be explained by reference to the conditions prevailing in particular industries. To a certain

† The percentage increase is calculated on the highest price in the neighbourhood of May 30th.

‡ It appears that purchases of securities on German account played no important part. Until March 19th, there were no dealings in equities on the Paris Bourse. Transactions are controlled and, moreover, the Germans intervene directly in French businesses in which they are interested.

extent, the price movements make it possible to hazard a guess as to the measure of activity in each industry and of the importance of the German contracts received. The majority of firms, especially in the occupied zone, are only able to work in so far as they receive raw materials, and they receive raw materials to the extent that the Germans have an interest in their output. The rise in the textile price index, for instance, is derived from the rise in rayon share prices: it is public knowledge that an agreement has been concluded between *Rayonne Française* and the German *Zellwolle* concern, by which the latter obtains 30 per cent of the capital of the French company and, in exchange for patents and raw materials, receives a proportion of the French output.

Other differences are to be explained by the distinction between the two zones: thus, the rise in the prices of coal mines in Central France and the *Midi*, which are working to supply the unoccupied zone, is, at 394, more marked than that of the northern coal mines, at 282, which work under the direction of the German authorities and sell at prices fixed by them.

At Paris, where the Bourse was reopened for trading in equities on March 19th, as at Lyons, markets are extremely restricted. In fact, there is scarcely a market at all in the normal sense of the word. Price movements in either direction are disjointed and irregular. The Bourse is no longer a barometer of economic activity, an indicator of the optimism or pessimism of business circles, or an open field for speculation. The majority of factories are working

for Germany, and only a small proportion of industry's output remains for the French consumer.

The supreme function of the French bourses is to attract bank deposits and idle resources, which, in the absence of security, are searching for profitable investments. The authorities, far from displaying pleasure at the rapid rise in the prices which took place during January and March, have taken measures, in line with Germany, to restrain the rise. The purchase of industrial securities has the appearance of a flight from the currency, and the rise in prices could be interpreted as inspired by the expectation of devaluation. Moreover, the Government fears that resources are being directed more toward industrial equities than toward gilt-edged securities, and it is trying to fix them indirectly by deducting a levy on speculative profits, by limiting the extent of daily price movements to 3 per cent, by limiting dividend rates to 6 per cent of the capital employed and by controlling share transactions. During recent months, the rise on the Stock Exchange has stopped and rates show a tendency to decline. Two main reasons can be given to explain this new phase. Firstly, the measures taken by the Government, particularly the levy on Stock Exchange profits. Secondly, many companies are increasing their capital by launching new issues on the market. They are profiting by the abundance of available money to meet their financial needs at favourable rates of interest. Thus, for the first time since the defeat, there are possibilities of long-term investments, which tend to slow down the rise on the Stock Exchange.

Policy for Oil Imports

COAL and oil are the twin pillars of the modern war economy, though, in some countries, hydro-electric power also plays an important part. They are the principal sources of energy and of a multitude of chemicals and other products vital in war. Although, by weight, Great Britain's consumption of oil products is probably no more than about 6 per cent of its coal requirements, both are equally indispensable, for the possibilities of substitution are strictly limited. But while Great Britain is fortunate in possessing adequate supplies of coal below ground, virtually the whole of its petroleum requirements, amounting to some 11½ million tons in 1938, has to be imported. And although one of the obstacles to imports, the shortage of foreign exchange, has been removed, so far as purchases in the United States are concerned, by the Lease and Lend Act, the other, the shortage of tanker shipping tonnage, remains. This shortage is serious. Mr Soubry, a member of the Petroleum Board, pointed out in a statement at Ottawa at the end of July that Great Britain had lost one-half of its ocean-going tanker tonnage. And the United States would hardly be willing to suffer the inconvenience involved to the eastern states by the transfer of part of its tanker fleet to the service of this country if this were not vital to the maintenance of an adequate supply of petroleum products to the outpost of democracy. Although the shipyards work feverishly in an effort to increase the output of new tankers, shipping capacity is likely to remain scarce throughout the war. And so long as it remains scarce, rigorous economy in the consumption of petroleum products must be combined with the most efficient utilisation of available shipping capacity if the urgent and growing needs of industry, agriculture and of the armed Forces are to be met.

Broadly, the consumption of petroleum products can be economised by confining their use to essential purposes, by substituting coal and its derivatives for oil wherever possible, and by reclaiming waste products. Private motor- ing offered much the greatest scope for economy under the first heading, for this form of activity not only absorbed a large proportion of the pre-war intake of oil, but can be drastically curtailed without hampering the war effort. The number of private cars in use has already been reduced well below the pre-war level of about two million units, while the consumption of petrol and lubricating oil per car has been severely curtailed by the rationing of petrol. Indeed, as the Treasury's White Paper on National Income and Expenditure, issued last April, showed, personal expenditure on private motor vehicles, inclusive of running expenses, declined from £118 millions in 1938 to £50 millions in 1940. But, even now, the possession of a licensed private car still automatically entitles its owner to a basic—if small—ration, and a needs test is only applied in the allocation of supplementary allowances. As *The Economist* has

pointed out before, the time has surely come when all but essential private motoring must be cut out; this could be done by the application of a strict needs test to the issue of car licences and petrol coupons; and, moreover, there are a number of minor oil-consuming habits, such as the use of motor-boats for pleasure purposes, which can be curtailed still further without harmful effect. The total saved might only be small in relation to total consumption; but every possible saving is important and urgent.

In industry, agriculture and in transport, as well as in the armed forces, reductions in the consumption of oil products by a curtailment in activity is hardly possible. Both in industry and agriculture production must be expanded, while transport must carry a heavier load. And the oil requirements of the armed forces must grow with the increase in their equipment. In these oil-consuming activities, the emphasis must be on the elimination of unnecessary operations and of all forms of waste and, where possible, on the substitution of coal for oil products. The extent to which coal can be used in place of oil products, however, is limited, not only for technical reasons, but because coal itself is in short supply; nevertheless, the possibilities have probably not yet been exhausted, in the case of tar and pitch, for example.

Again, while steps have been taken to reclaim lubricating oil, which, in contrast to petrol and fuel oils, is not always

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now been announced. Equally surprising would be a radical departure from the precedent of these rates when the conversion of larger amounts comes to be considered. It will be seen that the cross rate given to the Maria Theresa thaler allows it a sterling value of about 1s. 10d., which is slightly more than the metallic parity at the present sterling price of silver. Substantial quantities of these coins have been making their way to the former Italian territories and it is through them that the displacement of the previous lire circulation is in the main being effected.

Control for South African Banking

Legislation has been introduced in the Union of South Africa designed to place commercial banks operating in that country under stricter control. The reason is to be found in the recent extension of activities of financial institutions which, though outside the recognised circle of banks, transact a loan and deposit business and have in some cases done so without taking the precautions demanded by normal banking prudence in maintaining reasonable standards of liquidity. The Bill which has been

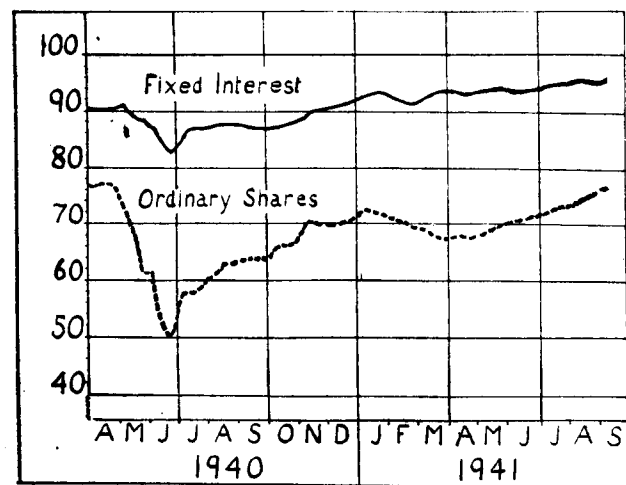
Investment

The Market for Shorts

During the major part of the past week, the gilt-edged market has remained under the after effects of anticipatory investment in National War Bonds, 1946-48. For the most part, this section of the House was less active than one or another of the industrial markets, but to this there was an exception in favour of the older 1945-47 bonds. The effect of the closing of the "tap" for the later issue has been to create quite a fair market in their predecessors, although

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



it is still the case that really large business requires time. There is an improvement also in the ease of dealing in the bonds of the later issue, but it is far less marked. Towards the end of the week, there was a resumption of buying of longer-dated funds and a revival in Dominion loans. The former suggests that institutional investors are now benefiting from Government disbursements out of the large receipts of 2½ weeks ago, and the latter that September 1st payments on unconverted Australian loan, and advance re-investment of next month's disbursements on requisitioned Canadian stocks, are making their weight felt. If this

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introduced will appoint a registrar of banks with whom all banks transacting business in the Union will have to be registered. A bank applying for registration will have to have a paid-up capital of at least £30,000, plus £5,000 for each branch or office in excess of three. Capital and reserves will at all times have to exceed 10 per cent of all deposits up to £200,000 and 5 per cent of all additional deposits. Each bank will have to maintain with the Reserve Bank balances amounting to at least 10 per cent of the demand liabilities and 3 per cent of its time liabilities. Liquid assets (cash, balances with other banks, bills and gilt-edged securities) will have to bear a ratio of more than 30 per cent of the deposit liabilities. The monthly published statements of the commercial banks will have to be made according to a set form intended to extract from them all the essential information. In future, all banking amalgamations will be subject to the sanction of the Minister of Finance. All the old-established banks operating in the Union more than conform with the standards set out in the proposed legislation, some of which were already enforced by measures such as the Bank Act of 1917 and the Currency and Banking Act, 1920, which are in part to be repealed by the new measure.

demand for longer-dated, fixed-interest stocks develops it will represent the first real advance after a period of some six weeks of virtual stability. This long pause in itself suggests—in the absence of any adverse development—that a resumption of the upward trend is due, but its commencement must wait upon renewed buying by the banks.

The Course of Equities

Although August was much more of a holiday month this year than last, the effects began to appear late, so far as the Stock Exchange was concerned, and markets were not only reasonably active but distinctly buoyant until news of the third German offensive in Russia leaked out. This caused a minor reaction, but, nevertheless, both the chart of the indices compiled by *The Financial News* and the figures of *The Actuaries' Investment Index* show an improvement in equities for the fourth month in succession. With the exception of the upswing from July, 1940,

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928 = 100)				Yields per cent			
	Aug. 29, 1939	Feb. 27, 1940	July 29, 1941	Aug. 26, 1941	Feb. 27, 1940	July 29, 1941	Aug. 26, 1941	
<i>Fixed Interest</i>								
2½% Consols.....	113-9	132-0	145-1	144-9	3-38	3-07	3-08	
Home Corporats. (4).....	114-4	128-2	137-0	137-5	3-63	3-40	3-35	
Total Ind. Debs. (43).....	104-5	110-1	111-9	112-6	4-30	4-25	4-22	
Total Ind. Prefrs. (101).....	87-7	97-0	95-2	97-4	4-62	4-80	4-78	
<i>Ordinary Shares</i>								
Coal (8).....	75-7	98-3	77-4	83-2	5-82	7-22	6-46	
Cotton (5).....	19-3	32-0	23-0	26-6	2-67	3-31	3-12	
Electric L. & P. (16).....	108-1	110-3	100-7	103-3	4-83	4-71	4-59	
Electrical Mfg. (13).....	111-6	123-4	120-6	122-9	5-03	5-14	5-05	
Oil (4).....	70-0	72-6	47-8	50-6	6-75	4-07	3-97	
Total Productive (90).....	60-7	65-0	57-3	60-0	5-86	5-63	5-47	
Home Rails (4).....	38-4	57-2	35-3	40-7	3-67	8-45	7-01	
Total Distributive (29).....	43-2	45-6	42-1	43-1	5-51	5-61	5-05	
Total Miscellaneous (40).....	67-8	66-7	61-3	65-1	5-51	5-61	5-30	
INDUSTRIAL — ALL								
CLASSES (159).....	57-9	60-6	54-9	57-1	5-71	5-63	5-35	

to January, 1941, both inclusive, this is the most sustained recovery in two years of hostilities. The price figure of the Actuaries' index for all classes of industrial equities is, at the highest end-month level since March, 1940, almost up to the pre-war figure, and is only some 5 per cent below the peak of February, 1940, before the collapse of resistance in Western Europe and the full effect of EPT. Over the two years, the yield of $2\frac{1}{2}$ per cent Consols has dropped from 3.92 to 3.08, while that on equities is down from 5.96 to 5.35. The margin between the two is higher by somewhat over one-tenth. Put another way, whereas at the outbreak of war one was content with a gross income of 30s. 6d. on equities for every 20s. on the oldest of the Funds, almost 35s. is now expected. The current yield on

industrial ordinary shares would be higher, but for the fact that prices discount eventual recovery in the case of numerous companies of good reputation whose dividends have been reduced by the exigencies of war. The effect of these adverse factors has not yet reached its zenith, but it should do so within the next nine months or so, unless the expansion of our war effort to its maximum is even more delayed than seems probable. But unless anything happens to defer the estimated date of peace—whatever that may be—the factor of post-war recovery will assume growing importance as the months pass. It is possible that this, coupled with all the factors included under the upward drag of money rates, will suffice to raise some prices more than enough to offset the effect of dividend reductions upon others. At the moment, it almost appears that the rather general rise will be resumed, but caution suggests the possibility of a more or less protracted pause, until the prospects for the autumn and winter in the west and the Atlantic are less obscure.

Rent Charge for Railways

The authorities are to be congratulated on their decision to reveal without delay the main outlines of their new agreement with the railways, but the statement leaves so much at large that the proprietors are very little nearer being able to determine even the wartime value of their investments. For the guaranteed minimum of £40 millions and the Stage 2 figure of some £43½ millions there has been substituted a fixed payment of £43 millions. Up to the guaranteed minimum this is divided between the four railways and the LPTB in the proportions ruling under the old agreement, but the remainder appears to bear some relation to the standard revenues of the lines under the Act of 1921, with a similar consideration for London Transport. The effect of this is to benefit that concern and the two northern railways to the detriment of the Southern and Great Western. The following table shows the actual

	Old Agreement†			New Agreement†	
	%	Minimum £ Mn.	Stage 2 £ Mn.	%	Maximum £ Mn.
Gt. Western	16	6.4	7.0	15.5	6.67
L.M.S.	34	13.9	15.1	34.2	15.03
L.N.E.R.	23	9.6	10.4	23.6	10.55
Southern	16	6.6	7.2	15.4	6.81
L.P.T.B.	11	4.5	4.9	11.3	4.94
Total	100	41.0	44.6	100.0	44.00

† All figures include £1,000,000 miscellaneous revenue.

amounts involved and the percentages under the two arrangements. So far the new plan agrees closely with recent forecasts, and if this new figure were guaranteed as a minimum for the period of hostilities it would, with interest on recent capital expenditure and dividends from road transport—excluded from both agreements—give the stockholder a very reasonable return. He, however, loses not only the possibility of making more than £3 millions above the minimum guaranteed under the old plan, but also the protective cushion afforded by the right to charge £10 millions of war damage costs to the pool. The new statement says specifically, not only that the railways will contribute as other public utilities, but that the revised arrangement will run, in this particular matter, as from the commencement of control. It is not possible to say what this means in any detail until more information is made available.

A Hard Bargain?

Nor is this the only point concerning which judgment must be reserved until fuller particulars are given. Under the original agreement, the Government was responsible for a substantial part of the companies' ARP outlays. This item must have been heavy during the current year, and there is no indication as to who is to foot the bill. But more important than the amount of money available to the companies over the next three years or so is what is to happen after that period. If the railways are to return to private ownership, it is of crucial importance to stockholders that clear and adequate provision should be made for

arrears of maintenance. Although the annual rent charge paid from 1914-18 was considerably larger than that now given, and although it was a net figure, the State had a bill of some £60 millions to meet on this account. This is a matter which should not be left at large. If it is argued, as it will be in many quarters, that the railways are peculiarly suited to a first experiment in nationalisation, the terms of agreement are, perhaps, not less important. The new arrangement removes from railway equities all attraction as an inflation hedge for the period of the war. It represents approximately $3\frac{1}{2}$ per cent on the capital involved. A return of this amount, guaranteed in perpetuity, would be too generous treatment, but there is at least a possibility that this will be regarded as a maximum possible revenue for the railways, when working to capacity, and that the basis for nationalisation would be correspondingly reduced. The market apparently discounts some such development in prices, which advanced a trifle on the news and now give yields ranging from $11\frac{1}{4}$ to $7\frac{1}{4}$ per cent on the basis of 1940 payments.

South American Investments

Economic nationalism in Europe before 1939 was already restricting the demand for raw materials and food-stuffs from the South American Republics, and so forcing on the erection of secondary industry, to which similar policies in that continent already disposed its nationals. The war has almost certainly held up the creation of new industries, in so far as these were dependent upon imported plant, etc., but in cases, such as Brazil, where conditions are favourable for an industry based on local materials, it has probably speeded up the change over from a passive to an active trade balance. It is this course of events which explains the decision, made this week, to expedite the liquidation of the San Paulo 7 per cent Coffee Loan. Holders of the sterling and dollar issues are invited to tender bonds for repayment, and the price of the stock rose $10\frac{1}{2}$ points on the news to 76. The service of the loan is only being met in part under the recent agreement, but the spectacle of borrowers buying up, at depressed levels, stocks on which they find it inconvenient to provide funds for the full dividend payments, is now a familiar one. Indeed, the quotation for the stock under discussion suggests that the performance of Brazil, in regard to this specially secured loan, has been reasonably satisfactory. Few countries in South America are as well placed as is Brazil, either because the demand for their products has fallen more heavily, or because they have less suitable materials for home use. This presumably explains the failure of Argentina to proceed with the Pinedo plan for the acquisition of foreign-owned railways. But a reminder of the fate eventually awaiting most British investments in the continent is afforded by the news that, subject to ratification, the Chilean authorities have decided to take over the Nitrate Railways. The terms have yet to be fixed, but the decision was sufficiently popular to cause a rise of 13s. to some 59s. in the £10 ordinary shares. The projected repayments of the San Paulo Coffee Loan amount to \$600,000, followed by monthly instalments of half that amount, to be applied, in the proportions of some 64 per cent and 36 per cent respectively, to the sterling tranche of some £6,500,000 and the dollar issue of \$18 millions. If

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continued, these payments will take some fifteen years, without allowing for accumulation, of which there is no mention, to complete redemption. They should, however, suffice to keep up the price of the stock while the plan of special redemptions continues to operate. Holders should not tender until nearer the final date of September 16th.

Company Notes

C. & E. Morton Reconstruction

It is usually taken for granted that the reconstruction of a company's capital is only undertaken when conditions in general, including, of course, the company's domestic affairs, are sufficiently settled to permit of a clear picture of future prospects. It is, therefore, rather surprising to find a concern embarking on such an arrangement at this stage of the war. Nevertheless, the affairs of C. and E. Morton are so far on the mend that, after a decade, during which very little was earned on any class of capital, there are now modest profits. After EPT, these amounted to £37,500 in 1939 and £41,268 last year, and a debit on profit and loss account of £43,473 has been converted into a credit of £35,289, in addition to which there is a general reserve of £21,430. The company are provision merchants and confectionery makers, and appear to owe their recovery, in some measure, to the closing of the frontiers by war. The board are satisfied with the present valuation of assets, except that £44,000 should be provided to write down intangible items and holdings in subsidiaries; but, as a precautionary measure, they consider that stocks, amounting to £262,000, should be written down, as they anticipate a fall in prices after the war. The proposal that a possible future loss should warrant a present variation of contractual rights is sufficiently startling, but the terms suggested are even more so. The ordinary shares are privately held, and the board states that the 8 per cent cumulative preferred ordinary are almost exclusively in the same hands. It is proposed that both classes should be written down by half, and that the latter should surrender 10 years' arrears of dividend and be converted into ordinary shares. But the preference capital has 9½ years of dividend due, and until this is dealt with the claims of the junior shares do not rank. It is nevertheless suggested that this, too, should be cancelled, cumulative preferential rights reduced from 7 to 5 per cent and holders, in exchange, be given one-fifth of distributable profits after their 5 per cent dividend has been met. They are also to have their right to vote deferred. If, for simplicity, the two junior classes may be treated as one, the effect of future distributions will be that the junior classes start to participate in profits as soon as these exceed £20,000, instead of after £28,000 for the preferred and £46,000 for the ordinary under the present rights. With distributable profits between £20,000 and £60,000, they benefit at the expense of the preference shareholders, while above that figure the position is reversed. This takes no account of the loss of arrears, of cumulative rights and the power to vote. In view of the probable level of profits, there seems every reason for the holders of the senior security to stand on their rights and oppose the scheme, a measure advised and supported by the Association of Investment Trusts.

The Guinness Report

The full figures of Arthur Guinness confirm the interpretation given of the preliminary statement in *The Economist* of last week. Total income, after all provisions, including income tax, is down from £1,721,971 to

£1,568,972, but tax on dividends alone is up by £182,625, and the true rate of earnings on the ordinary capital has dropped only from 31.1 to 30.5 per cent. While depreciation is little changed, maintenance charges are substantially up on the year, a reflection, perhaps, of higher costs. Owing to the increase in this item the decision to pay a larger dividend has meant a smaller surplus for reserves and carry forward. The following table sets out earnings and their allocation over the past three years:—

	Years to 30th June,		
	1939	1940	1941
Profit after tax	1,800,934	1,721,971	1,568,972
Maintenance and depreciation	215,347	222,488	273,721
Fees, etc.	13,811	14,240	13,903
Preference dividend	87,000	69,000	64,500

Ordinary shares:—

Earned	1,484,776	1,416,243	1,216,848
Paid	1,413,750	1,140,000	1,036,875
Earned %	27.3	31.1	30.5
Paid %	26	25	26

Contingencies	*100,000	275,000	200,000
Carry forward	876,311	877,554	857,527

* General Reserve.

The balance sheet of the company shows few changes worthy of comment. Fixed assets suffered a modest decline, but there is a marked expansion in both debtors and cash, while stocks are virtually unchanged, and investments, at £4,718,855, show a very small decrease. Owing to the smaller balance on profit and loss, before paying the dividends, net of tax, creditors have risen rather more than debtors and cash, but the liquid position is still very strong. The continued rise in the £1 stock units to 88s. has reduced the yield to some £6 per cent.

Furness Withy Earnings

After the remarkable expansion in profits shown a year ago a rise in income for 1940-41 from £618,651 to £665,072, after tax in both cases, may seem a small affair to shareholders in Furness, Withy and Company. The rise in the gross figure must, however, have been really substantial, and the result is even more encouraging than the raising of the dividend from 5 to 6 per cent, announced a fortnight ago. The depreciation charge is high at £350,000 against £300,000, but even so the percentage earnings for the ordinary capital amount to 9.2 against 7.9. In his speech, the chairman, Lord Essendon, states that, notwithstanding the rise in the total figure after tax, steamship profits fell on the year, by reason of the vessels being under requisition during almost the whole period. As dividends were also lower, the rise came from other sections of the business, whose exact nature is not disclosed. The following table shows earnings and their distribution for the past three years:—

	Years to 30th April,		
	1939	1940	1941
Profit after Tax	505,121	618,651	665,072
Depreciation	300,000	300,000	350,000
Preference Dividend	54,375	45,000	38,437

Ordinary Shares:—

Earned	150,746	273,651	276,635
Paid	174,000	172,500	180,000
Earned %	3.5	7.9	9.2
Paid %	4	5	6

Fleet Replacement	100,000	100,000	100,000
Carry Forward	188,428	189,579	186,214

So far as can be gauged from the figures of the balance sheet, which is not qualified by any statement by the auditors, beyond the usual "clean" certificate, losses of ships have been moderate. Shipping property is included at £1,780,235, against £2,158,221, and investments in shipping subsidiaries are unchanged; that is to say, these items are down by little more than the amount of depreciation provided. There is an increase in current assets from £1,721,291 to £2,852,253, and there is now an excess of these over current and near liabilities of £565,250, against a deficit of £358,531 a year ago. Against this the net amounts due to subsidiaries have risen from £644,098 to £703,806. The absence of a consolidated account makes it difficult to assess the exact position of the group. The immediate outlook is, of course, dependent in no small

degree on the course of the war, but the price of 21s. for the £1 units, giving a yield of £5 14s. 3d., suggests confidence as to longer-term prospects.

National Canning Progress

The National Canning Company, which for some eight years prior to the outbreak of war was doing a modest business, has since then expanded rapidly. From an average of rather under £40,000 for that period, income, before administrative expenses and taxation, rose to £87,618 for the year to May 31, 1940, and to £157,007 during the subsequent twelvemonth. Of the latter rise more than the under which, having suffered the full force of EPT, from £28,300 to £100,000, while the war damage contribution takes a further £3,350 and other expenses are generally higher. These smaller increases are, however, offset by the fact that full provision of £1,791 was made a year ago for the expenses of a new issue of capital. At that time, the total distribution on the ordinary shares was raised from

London

Note: all dealings are for cash

The cessation of hostilities in Iran and the announcement of the long awaited railway agreement led to a firm close in the market before the week-end. The feature in the early part of the current week has been the revival of the gilt-edged market, now that the credit stringency created by the last-minute demand for the 2½ per cent National War Bonds 1946-48 has passed. This, however, was rather overshadowed by the boom in Brazilian issues that ensued on the announcement that sufficient funds were available for the gradual redemption of the 7 per cent San Paulo Coffee Loan. Elsewhere the tone was generally good, and selective buying, coupled with a shortage of stock, has induced a further improvement in industrial equities, while home railways were firm on Friday on the new agreement.

The gilt-edged market closed quietly before the week-end, but at the re-opening some institutional buying led to a general improvement, although most gains did not exceed ½. The following day, however, shortage of stock rather than extensive buying led to numerous good gains. Thus, 2½ per cent Consols, 3½ per cent Conversion and War Loan all rose ½, while Local Loans and Victory Bonds both gained ½, among other smaller rises. In midweek there was a further general advance of ½ to ¾.

More spectacular were the developments in the foreign bond market. On the news of the partial retirement of the 7 per cent Coffee Loan, which jumped 9½ points on Tuesday, while the 7½ per cent issue gained 4 points, a general boom in Brazilian issues developed, gains of 2 to 3 points being registered by the 5 per cent issues of 1898 and 1914, and the 6½ per cent loan of 1927. Elsewhere, Japanese issues rose sharply before the week-end, but on Tuesday prices eased slightly, but later recovered.

The new agreement was the chief influence both before and after the week-end in the home rail market. After the sharp advance of Friday the general uncertainty about war damage and some profit-taking led to renewed declines when the market reopened on Monday. GWR and LMS ordinary lost ¼ and ½ respectively, LNE defd. ½, while Southern pref. improved ½, although the defd. issue dropped ½. London Transport "C" was a weak spot, declining 1½ points. The next day prices were firmer, but a subsequent reaction more than eliminated the day's rises. Among foreign rails the news of an impending

indemnified expropriation of the Nitrate Railway's undertaking in Chile caused the ordinary shares to jump 9s. 6d. on Monday. Argentine rails were quiet but firm, while elsewhere Canadian Pacific preference and ordinary issues improved ½ on Tuesday, when Nitrate Railway rose a further 3s. 6d.

Trading in the industrial market before the weekend was slight, but the tone was good. While quiet conditions prevailed in the earlier part of the week, small rises were general and selective buying persisted. Brewery shares continued to attract investors, and gains of 6d. were general in the early part of the week. Heavy industrial issues were irregular but Thornycroft was persistently good, while in the motor and aircraft section Austin gained 1s. 3d. against the trend on Monday, and the following day Leyland reversed the previous day's loss of ½, and De Havilland gained ½. Among Textile issues, Courtaulds and Calico Printers improved slightly. Electrical equipment issues were narrowly irregular, while shipping issues were dull. Tobacco shares found steady support and small persistent gains both before and after the week-end were general. Among miscellaneous issues Brazil Traction jumped 1½ on Tuesday, when International Nickel gained ¾. Later, prices reacted slightly, but breweries were strong on the Guinness report.

Before the week-end the kaffir market was quiet, but in the early part of the week investment demand led to some improvement in prices, although gains were generally small. The improvement in the Far Eastern political situation led to revived interest in the tin market, and with a shortage of stock numerous gains were registered. Similarly in the rubber market Far Eastern issues were in demand. Investment business in the oil market was negligible, although in the early part of the week Anglo-Iranian, Shell, and V.O.C. all improved on enquiry.

"FINANCIAL NEWS" INDICES

1941.	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	
			30 Ord. Shares	20 Fixed Int.†
Aug. 28....	2,771	1,663	77.5	130.0
" 29....	3,112	1,643	77.7	130.1
Sept. 1....	3,510	1,612	77.9	130.0
" 2....	3,117	1,270	78.1	130.2
" 3....	3,239	1,251	78.1	130.2

† July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1941 highest, 78.4 (Aug. 20); lowest, 66.8 (Apr. 24). 20 Fixed Int., 1941; highest, 130.3 (Aug. 20); lowest 126.1 (Jan. 2). † Excluding "Stop Press" bargains.

New York

The impending Labour Day holiday and the desire to await the outcome of the U.S.-Japanese talks led to a quiet market before the week-end, although the tone was firm at Saturday's close, with aircraft and rubber issues outstanding. At the reopening on Tuesday, sentiment was affected by renewed tax uncertainties and the introduction of the new credit restriction measures, but the markets remained steady with aircraft issues prominent. In midweek some profit-taking resulted in an irregular close. The Iron Age estimates steel mill activity at 96.5 per cent of capacity against a revised figure of 99.5 per cent in the previous week.

New York Prices

STANDARD STATISTICS INDICES
(1926 = 100)

WEEKLY AVERAGES

	1941		Aug. 23, 1941		Aug. 20, 1941		Aug. 27, 1941	
	Low	High	Low	High	Low	High	Low	High
347 Industrials ..	83.6	89.6	92.3	92.8	92.8	93.4	92.8	93.4
32 Rails	425.4	428.5	27.8	28.0	28.0	28.1	28.0	28.1
40 Utilities	67.0	78.7	68.9	68.8	68.8	69.8	68.8	69.8
419 Stocks	71.9	882.1	78.0	78.3	78.3	78.9	78.3	78.9
Av. yield*	6.80%	6.11%	6.23%	6.50%	6.50%	6.39%	6.50%	6.39%

* 50 Common Stocks. (a) July 30. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 28.

DAILY AVERAGE 50 COMMON STOCKS

Aug. 21	Aug. 22	Aug. 23	Aug. 25	Aug. 26	Aug. 27
100.6	100.4	100.4	100.6	101.5	101.5

1941 High: 105.80, January 10. Low: 90.70 April 30.
Total share dealings: Aug. 28, 400,000; Aug. 29, 350,000; Aug. 30, 230,000*; Sept. 1, Labour Day; Sept. 2, 520,000; Sept. 3, 460,000. * Two-hour session.

	Close	Close		Close	Close
	Aug.	Sept.		Aug.	Sept.
1. Railroads.	26,	2,		26,	2,
	1941	1941		1941	1941
Balt. & Ohio..	48	42	Chrysler	562	583
Gt. Nthn. Pf..	26	26	Curt. Wr. "A" ..	281	271
Illinois Cent. .	97	99	Eastman Kdk. 139	140	
N.Y. Cent.	122	123	Gen. Elec.	323	321
Northern Pac. .	73	74	Gen. Motors ..	394	392
Pennsylvania ..	234	237	Inland Steel ..	794	800
Southern	188	18	Int. Harvest ..	524	521
2. Utilities, etc.			Int. Nickel	274	281
Amer. Tel.	1544	1561	Liggett Myers ..	74	73
Amer. W'kiss. .	41	42	Nat. Dairy	142	151
Pac. Light.	364	361	Nat. Distillers ..	223	24
Pub. Sv. N.J. .	224	222	Nat. Steel	531	542
Sth. Cal. Ed. ...	224	23	Proct. Gamble ..	593	591
United Gas.	73	71	Sears Roebuck ..	724	731
3. Commercial and Industrial.			Shell Union	133	141
Amer. Metal	191	201	Socony Vac.	94	91
Am. Roll. Ml. ...	143	142	Std. Oil N.J.	433	431
Am. Smelting. ...	42	42	20th Cen. Fox ..	8	9
Anaconda	281	282	U.S. Steel	571	581
Briggs	19	20	Westhose. EL. ...	911	891
Briggs	19	20	Woolworth	294	291
Celanese of A. .	254	261	Yngstn. Sheet ..	371	381

(Continued on page 304)

NORANDA MINES, LIMITED

DIVIDEND NOTICE.

Notice is hereby given that an interim dividend of \$1.00 per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines, Limited, payable September 15th, 1941, to shareholders of record at the close of business, August 20th, 1941.

By Order of the Board.

J. R. BRADFIELD, Secretary.

Toronto, August 6th, 1941.

Industry and Trade

Design of Merchant Ships

In its twentieth report of the current session, the Select Committee on National Expenditure drew attention to a number of complaints concerning the design of merchant ships now under construction to the order of the Ministry of War Transport, or of private owners under licence from the Ministry. It is claimed "that their design does not accord sufficiently with the accepted modern practice," and "that the ships now building are mostly powered for a speed which even in normal times is considered too slow by most shipowners for modern traffic." Both suggestions deserve investigation by the Merchant Shipbuilding Department of the Admiralty in co-operation with the Ministry of War Transport and the Classification Societies. But the Committee's report suggests that its own investigation of the problem has not been exhaustive. The designs of merchant vessels must be determined by the need for producing maximum import capacity in wartime conditions, and by available shipbuilding and marine engineering facilities. Considerations of the types of vessel most suitable after the war are now clearly out of place. Since fast ships cannot be built as quickly as comparatively slow ones, and as many of the berths normally engaged in the construction of high-quality merchant vessels are now utilised for naval building, a compromise is inevitable. Practical considerations rule out any large-scale switch from the construction of tramp vessels to the building of cargo liners, though it may be possible, by further standardisation and simplification of designs, to increase the output of ships measured in terms of carrying capacity.

Labour Shortage in Coal Mining

As was to be expected, the coal-mining industry has failed to reach the output target proposed last April by the Coal Production Council, and, consequently, the Mines Department has been unable to build up the 24 million tons of additional stocks contemplated last March. As a result, the Government has at last decided in favour of more direct intervention in the application of the recent arrangements of the Ministry of Labour and National Service for increasing the labour force of the industry. On August 5th it was announced in the House of Commons that, of the 95,000 employees in munition and other works who had registered as ex-miners, some 24,000 had expressed their willingness to return to the collieries. At that date, however, only 6,264, or 12 per cent of the number which the Minister of Labour and the Secretary for Mines had in June appealed for to return voluntarily to the mines, had actually reported for duty. The slowness in the rate of absorption is also revealed by the fact that, of the total number of over 10,000 men offered in one area up to mid-August, only about 35 per cent had been accepted as suitable, while 20 per cent had actually been taken on. The comparatively small proportion of suitable persons

among those who registered in July is attributed to the fact that their ages ranged from 20 to 60, and that the qualifying period for registration dated back as far as 1935. Hitherto, the practice has been for colliery undertakings to inform the local Coal Production Committees of the number and category of the workers needed by them, and then for the Ministry of Labour, either directly or through the Coal Production Committee, to submit men for their acceptance. Under the new procedure, the Ministry of Labour, in consultation with the District Coal Production Committees, will assume responsibility for the suitability of the new workers; it will allot them directly to the collieries in their scheduled numbers and grades; and it will leave them to be dealt with under the terms of the Essential Work Order if they prove incapable. Under this scheme "directions will be given by the Ministry of Labour to all eligible men without regard to whether they declared themselves upon registration as willing or not to return," and colliery managements are warned that they must in no circumstances impede the operation of the new arrangements by delay or refusal to give employment at once to the men directed to them. They have been further told that "the President of the Board of Trade has given an undertaking to the Minister of Labour and National Service that any obstruction to the employment of men will be overcome by directions to colliery managements under the powers conferred on the Board of Trade by Defence Regulations." These are stern measures, and it is hoped that they will quickly achieve their object of facilitating the employment of additional men; but it must be assumed that they are to be applied only within the limits of the principle of the 1911 Coal Mines Act fixing legal responsibility "for the control, management and direction of the functions of the new coal mining labour supply officers as recently agreed upon between the industry and the Ministry of Labour."

Clothing Supplies

The rationing of clothes has necessitated the revision of the old methods of limiting supplies. The new Limitation of Supplies (Cloth and Apparel) Order, which is to be published shortly, will bring to an end the old quota restrictions on all section of the cloth and clothing industry, except manufacturers. The effect of the new Order will be to leave the control and distribution of supplies from the manufacturer to the consumer to coupon rationing. Under the old limitation of supplies system, manufacturers and wholesalers of controlled goods were registered for each class of goods in which they did business. They were required to restrict aggregate sales in each class to retailers of their sales in a standard period. Some elasticity was allowed for in the distribution of the quotas among their

customers, in that they were not tied to supply them to any quota, but the coupon scheme will ensure a more equitable allocation to retailers than was formerly possible. Under the new Order, manufacturers will still be registered and quotas will be applied to them. The Director-General of Clothing aims at providing a range of clothing at low prices, and special quotas, higher than those under the old Order, are to be assigned to manufacturers for the making of certain cloths, hose and other knitted wear, required to ensure an adequate supply of clothing of general utility grades, particularly in the lower ranges of prices. Cloth and clothing supplied under the special quotas will be labelled with an appropriate identification mark, and the marked cloth will be used only for the production of garments of utility grades. These goods will be subject to special control. A list of cloths which may be sold under the special quota and of the types of garments to be made from them is attached to the new Order. As before, manufacturers will be permitted to supply goods without regard to quota restrictions to overseas customers, to Government Departments, to local authorities and certain other organisations, and to other persons registered in respect of the same goods. Registration is required in respect of the manufacture of woven cloth, knitted cloth, hose and other knitwear, corsets, gloves, fur apparel, footwear and handknitting yarn. The new Order will supersede the Limitation of Supplies (Woven Textiles) (No. 7) Order due to expire on September 30th, and, in respect of certain classes of goods, the Limitation of Supplies (Miscellaneous) (No. 11) Order, which expires on November 30th.

Fall in Retail Trade

The average daily value of retail sales in July, as recorded by the Bank of England, shows a sharp drop compared with the previous month and with July, 1940. As the accompanying table shows, the value of food sales has been running below last year's level for some months, a reflection of price control and of a reduction in the volume of turnover. The trend of sale of other merchandise has been downwards since the end of last year. The improvement in June was probably due almost entirely to the

PERCENTAGE CHANGES IN RETAIL SALES 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
	April	+ 0.9	+ 2.9
	May	- 4.3	- 2.4
	June	- 3.1	+ 6.8
	July	- 6.7	-15.9

introduction of clothes rationing at the beginning of that month. As the heavy fall in turnover in July shows, the slump was short-lived, though smaller clearing sales probably contributed to the decline. Sales of piece-goods, which in June were 88.3 per cent higher than in the corresponding month last year, registered a fall of 24.1 per cent in July. In view of the progressive decline in the volume of retail trade and of the pressing need to speed up the recruitment of men and women for war work, it is to be hoped that the adjustment of the retail trade to present conditions will not be long delayed.

Export Policy

While it is essential that all branches of economic policy remain completely fluid during the war, it is important that material changes of policy should be made known to those concerned. The Federation of British Industries has recently pointed out that there has been a complete change in the orientation of British export policy during the past year, but that many British exporters are still unaware that the export drive of 1939-1940 is no longer the

official policy of the Government. Owing to the changed situation after the collapse of France, it is no longer possible to encourage exports of all kinds. Apart from exports which produce, directly or indirectly, dollar payments, or which enable the sterling countries of the Empire to dispense with dollar payments, only a limited amount of foreign trade can be encouraged. Moreover, the Dominions and Colonies have been urged to co-operate by restricting all their imports to essentials by purchasing, where possible, from other Empire sterling countries in preference to Great Britain. As no machinery existed for keeping manufacturers informed of the steps taken by Empire countries to implement this policy, it has led to some considerable disorganisation of British export trade. The passage of the Lease-Lend Act added further to the list of qualifications required by any commodity in order to be regarded as a legitimate export. All these restrictions were necessary, but it is unfortunate that they have so far not been accompanied by appropriate steps to make known to British business men just how they stood in respect of exports. Since the terms of the Lease-Lend Act are bound to operate against British exports to friendly non-belligerents such as the Latin American republics, there is urgent need for amicable discussion between representatives of this country, the United States, and the countries most affected. Drastic curtailments of certain British exports must involve these countries in serious hardship, both for lack of essential goods, unobtainable elsewhere, and because it reduces the outlet for their own exportable surpluses. This is bad propaganda for a world order which is to be free of the injustices that mark the treatment of weaker countries under the Nazi New Order. Moreover, it is very bad long-term policy. It is not easy, in war, to pay proper attention to the interests of those who, in peace time, are valued customers, but it must be done. If Britain does not keep in repair the framework of her peacetime trade, economic recovery after the war will be much more difficult.



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(Continued from page 303)

Capital Issues

Week ending	Nominal	Con-	New
September 6, 194	Capital	versions	Money
To the Public	170,000	...	187,500
To Shareholders	150,000	...	150,000
Particulars of Government issues appear on page 309			
Year†	Including	Excluding	
	Conversions	Conversions	
1941 (New Basis)	1,122,469,024	1,070,334,442	
1940 (New Basis)	1,095,979,867	743,024,734	
1941 (Old Basis)	1,118,459,248	1,069,055,104	
1940 (Old Basis)	1,080,534,363	727,719,230	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1941 (New Basis)	1,066,883,596	3,280,846	70,000
1940 (New Basis)	742,040,082	984,672	Nil
1941 (Old Basis)	1,066,155,104	2,900,000	Nil
1940 (Old Basis)	727,636,774	142,456	Nil

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Prof.	Ord.
1941 (New Basis)	1,066,213,760	459,460	3,661,222
1940 (New Basis)	727,429,419	1,458,755	14,166,560
1941 (Old Basis)	1,066,005,104	150,000	2,900,000
1940 (Old Basis)	726,492,598	77,500	1,209,132

† Includes Government Issues to August 26th only.
"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

Niger Company Limited.—This Company will redeem at par on December 15th, 1941—the next interest date—its £1,319,564 5 per cent. Consolidated Guaranteed Debenture Stock.

Shorter Comments

Intl. Telephone & Telegraph.—Operating rev. qtr. ended 31st March \$7,253,882 (\$6,544,662). Net earnings

\$2,223,381 (\$2,409,648), after exes., tax, etc., \$5,332,473 (\$4,990,332).

Chrysler Corp.—6 months' earnings \$20,975,000 (\$30,494,000), equal to \$4.82 (\$7.01) per share. Div. \$1.50 (\$1.25) per Common share.

Electrolux Corporation.—Profit, 1940, after all charges including tax, \$1,397,165 (\$1,658,469). Earnings per share \$1.13 (\$1.34). Net profit first quarter, 1941, \$432,916 (\$521,424) after tax.

Transvaal Gold Working Profit.—The total estimated working profit of the gold mines of the Witwatersrand for July, 1941, was £3,881,871, against £3,794,434 in June, 1941.

Canadian Pacific Railway.—Gross earnings July, 1941, \$19,359,000 (\$15,303,000), working exes. \$16,164,000 (\$12,899,000), net earnings \$3,195,000 (\$2,404,000). Agg. net earnings Jan. 1-July 31 \$119,199,000 (\$90,688,000).

America's Oil Refineries

It is by now common knowledge that the U.S. oil industry possesses a large shut-in capacity sufficient to enable it at very short notice to meet any foreseeable increase in the demand for crude petroleum. But it has been questioned whether the refining branch is so well placed. Refinery capacity in the United States has, in fact, been considerably expanded during the past three years and—what is equally important—its quality has been steadily improved by the addition of facilities for the manufacture of the highest grades of motor fuel. At the beginning of the year, according to the *Oil and Gas Journal*, there were 548 refineries scattered through 37 states of the American Union, with a total throughput capacity of 4,861,700 barrels daily; this is equivalent to over 240 million tons a year. Eighty-nine plants—representing a capacity of 291,940 barrels daily and divided roughly equally between California and the area east of the Rockies—were, however, idle on the date in question. There is a strong presumption that some of these refineries are now obsolete. On the assumption that one-third of the shut-down plants are economically usable, the total active capacity would be in the neighbourhood of 4,620,000 barrels daily, the contribution of the major oil states being as follows: Texas 1,370,000 barrels daily; California 860,000; Pennsylvania 335,000; New Jersey, 250,000; Illinois, 250,000; Indiana 220,000; Oklahoma 215,000; Louisiana 200,000; Kansas 175,000. While the activity of the refineries has been increased to satisfy the growing demand—during the week ended July 12th, they dealt with an average of 4,090,000 barrels of crude oil per day, compared with 3,565,000 a year ago—there would still seem to be an ample margin on the basis of the *Oil and Gas Journal's* statistics. Moreover, the capacity for producing 100-octane fuel, needed for aeroplane engines, was estimated at 1,500,000 tons per annum earlier this year, while a doubling of this capacity has been planned to meet expanding needs.

On the basis of the ample margin between the recent throughput of the American refineries and their statistical capacity, it has been widely held that, with the exception of super-aviation fuels, the industry is in a position to meet any possible expansion in demand. On the other hand, according to the July issue of the *Refiner and National Gasoline Manufacturer*, refining plants were already operating very close to capacity during the week ended June 28th in the East Coast, Appalachian, Mid-Western, Mid-Continent, and Gulf Coast district, while the industry as a whole was working at about 92 per cent of its rated capacity. Moreover, measured in terms of days' supplies, it is pointed out that stocks of petrol, of lubricants and of heavy fuel, are smaller than in recent years. On this showing, it seems

questionable whether the American refinery industry will in fact be able to meet all future demands, quite apart from transport difficulties, and whether it will not be necessary, as it will be in the case of steel, to resort to more drastic rationing in order to ensure adequate supplies for essential purposes in the proportions and qualities needed.

Manganese

The closing of the Black Sea to trade since June last has led to the interruption of Russia's manganese ore exports. Russia is the world's largest producer of manganese ore, supplying about one-half of the world's output, now running at about 6,500,000 tons per year, with an average manganese content of 50 per cent. There are two important deposits in Russia. The first, contributing one-third of Russia's production, is situated around Nikopol in the Ukraine, while the second, supplying two-thirds of the output, is found at Tshiaturi on the Southern slopes of the Caucasus. While the Nikopol ore is shipped mainly via Nikolaiev, the Tshiaturi ore finds its way to the world market through the port of Poti. Shipments from these Black Sea ports are no longer possible, while the Nikopol district has been occupied by the German army. Fortunately, the Tshiaturi mines, which have been fully mechanised in recent years, are able to supply about twice as much ore as Russia is likely to require. But the capacity of the Trans-Siberian Railway and of the Trans-Iranian Railway is inadequate to permit large-scale exports. The United States, however, which has hitherto relied partly on Russian supplies, is not likely to be threatened by a shortage. Since the last war, when America was inconvenienced by the lack of Russian supplies, because India was then the only other important producer, an enormous extension of the British Empire's manganese production has taken place. India is now able to produce 1,500,000 tons of ore per year, which is twice as much as at the peak of the world war. In addition, the Gold Coast and South Africa have entered the list of large manganese producers; the combined output from their extensive and rich deposits almost equals the capacity of India. Together with the supplies of low-grade ore from Cuba and Brazil, the manganese surplus of the British Empire will be large enough to cover all the essential needs of the United States. In fact, Empire ore has already secured the leading position on the United States market; in 1940, about 55 per cent of its imports of 1,300,000 tons came from the Empire, while Russia supplied less than 15 per cent. While the changes in Russia will thus hardly create difficulties in Great Britain and America, they may adversely affect Germany's supply position at least for some time to come if, as is possible, the Nikopol mines were wrecked, for the bulk of the Nikopol ore plus certain quantities of Tshiaturi ore have been supplied to Germany since September, 1939.

COMMODITY AND INDUSTRY NEWS

Tin prices were firmer at the end of last week, but weakened again on Tuesday. Standard cash closed at £256 5s.-£256 10s. a ton on Wednesday, compared with the previous Wednesday's price of £256 5s.-£256 15s. Three months was £259 5s.-£259 15s. a ton compared with £259 15s.-£260. Rubber, smoked sheet, has been quoted at 13½-13¾d. a lb., for all positions, since August 25th.

Tin Statistics.—The Tin Research Institute estimates world production of tin in July at 18,100 tons, compared with 19,900 tons in July, 1940. Production for the first seven months of this year at 147,900 tons was 22,800 tons higher than the corresponding period of last year. United States deliveries were 12,575 tons in July, 2,305 tons lower than the June figure. Deliveries between January and July were 92,947 tons, against 57,934 tons in 1940. World stocks of tin, including smelters' stocks and carry-over, increased by 327 tons during July to 56,302 tons. Stocks at the end of July, 1940, were 48,830 tons. Exports from the producing countries

during July show drops which are usual in the first month of a new quarter.

Maximum Pepper Prices.—The Ministry of Food has now fixed maximum prices on sales of pepper of five tons or more to processors and wholesalers, following its decision last month to be the sole importer of pepper. The prices, quoted per lb., which came into force on September 1st, are as follows: Whole pepper, not picked over or cleaned, white Muntok, 8d.; black, 5d., in bond; whole, picked over or cleaned, white, 1s. 1d., black, 8½d., duty paid; ground, sold by net weight, white, 1s. 4½d.; black, 9d., duty paid. Prices will be controlled from October 1st for sales by a wholesaler to a retailer, and from November 1st on retail sales. The prices fixed by the Ministry are very much below those which had been ruling in the market. On August 29th white Muntok, spot, in bond, sold at 1s. 6d. a lb., while the price of Lampung black was 9½d. There have, therefore, been few sellers in the market at the controlled prices.

Cotton Market.—The increased inquiry in the market has been well maintained.

Actual business, however, has been irregular, and it has been much easier to sell than to buy. Many shippers of cloth have wanted to use their export quotas, and fair sales have been put through in printed and dyed goods for Java, finishing styles and sheetings for South America and domestic goods for the Dominions; a few sales have been mentioned for Egypt. Government buying has not been important, but further operations have taken place in essential goods for the Home Services. It has been exceedingly difficult to buy yarns, and most of the transactions have been to meet Government requirements. It is understood that the Cotton Importers and Distributors Company is about to distribute to spinners a considerable quantity of Belgian Congo cotton. It is believed in some quarters that the new Limitation of Supplies Order will result in more textiles being available for the civilian home population.

Silk Control.—The Control of Silk (No. 7) Order came into force on September 3rd, consolidating the three

(Continued on page 308)

COMPANY MEETINGS

TELEPHONE RENTALS, LIMITED

INCREASED PROFITS

IMPORTANCE OF COMPANY'S SERVICES

The annual general meeting of Telephone Rentals, Limited, as held, on the 4th instant, in London.

Mr Fred T. Jackson (chairman and managing director) said that dividends from subsidiary companies declared during the year amounted to £136,268, as compared with £130,334 for the preceding year. Dividends on sundry investments and interest receivable amounted to £8,904, or rather more than twice the corresponding figure for the previous years. The net profit, 136,312, showed an increase of £8,945 over last year's figure. The charge for income tax showed a substantial increase and the general reserve had been raised to £225,000 by the transfer of a further £25,000. An interim dividend of 4 per cent. had already been paid, and the directors now recommend a final dividend of 6 per cent., less income tax.

Before the war the provision of methods of quick communication was highly important. During the war tele-communication was absolutely indispensable. The shortage of workers made its use imperative for the speeding up of output, for the services the companies installed not only provided the quick inter-communication necessary between factory departments, but also enabled the principal executives in the administration to contact within almost a few seconds other executives in whatever part of the factory they might happen to be. He was not making any exaggerated claim as to the vital necessity of the various services they provided, as they had ample written evidence from subscribers that the companies' installations were of vital importance and quite indispensable to the very large number who were engaged on direct war work.

They had had considerable difficulties arising through the shortage of labour and the shortage of materials, but the position now was much more satisfactory, and he was able to assure shareholders that they would be able to secure supplies of the most important apparatus they used and retain the necessary skilled labour to maintain the very large number of instruments which had been installed.

NEW SUBSCRIBERS

The operating companies had not only been successful in maintaining their position, but in adding a considerable number of new subscribers.

As to the current year, they had various difficulties to face, particularly in connection with increased cost of materials and rising wages. In addition, they had had to carry the cost of war damage insurance of installations they had installed on subscribers' premises and commodity insurance of the very considerable stocks they had accumulated. They had therefore, approached their subscribers asking them to agree to a small increase in the annual rents they were paying, and the majority had agreed. Demand for the companies' installations continued on the most satisfactory scale and was certainly proof of the good services they had been able to render to those firms who had been subscribers for many years past. He saw no reason, judging from the experience they had had up to the present time, for not being able to forecast a successful 1941.

In conclusion the chairman paid a tribute to all in the organisation for the hard work and the cheerful manner in which they had performed it during the period under review. No firm in this country had a more loyal and enthusiastic personnel than this company.

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*, Brettenham House, Lancaster Place, W.C.2.



FORD MOTOR COMPANY LIMITED.

CHAIRMAN'S STATEMENT

The Twelfth Ordinary General Meeting of Ford Motor Company Ltd. was held on 2nd instant at The Institute of Chartered Accountants, Moorgate Place, London, E.C.2, The Rt. Hon. Lord Perry of Stock Harvard, K.B.E., LL.D., Chairman, presiding. The Chairman's statement, which had been circulated with the Report and Accounts, is as follows, and was taken as read:—

Owing to abnormal conditions, your Directors have decided that it would be advisable to vary usual procedure. Accordingly no Chairman's Speech will be made at the forthcoming Annual General Meeting. It will be difficult for many members to attend and, consequently, I am appending this statement to the Annual Report. Only the usual formal business will be transacted at the Meeting.

It is regretted that the Annual General Meeting is being held later in the year than is usual. It has been unavoidable. A number of matters affecting the financial results required official negotiation. The Balance Sheet and Profit and Loss Account now submitted reflect a true and exact position, with- out the qualifications and reservations which would have been necessary to attach to an earlier statement.

The Balance Sheet and Profit and Loss Account published in the Report show comparative figures with the previous year. The Company has always submitted a full and detailed statement of accounts to members and this policy has been continued. Consequently, there are few comments which I need make.

It will be observed that the affairs of the Company are in a strong and satisfactory position. Merchandise Stock, Debts due to the Company and Cash Assets total approximately £8,000,000. Current Liabilities amount to approximately £2,750,000.

I feel assured that members will fully appreciate the consistent and conservative policy of the Directors in past years. The accounts now published make it clear that the Company should emerge from the existing lamentable hostilities with ample liquid resources to deal with the problems and possibilities of post war activities.

It is regretted that Export business has suffered severely. During the year the Company has been assisted to a considerable extent by Ford Motor Company, Dearborn, U.S.A., in the supply of materials and supplies.

Our Dealer Organisation has lived up to and enhanced its established reputation for giving the best possible service facilities to the motoring public. We appreciate what they have done and are doing.

The Company is continuing its policy of taking a close interest in the welfare of its personnel. The assistance given to dependants of men in the various Forces and to those who have suffered loss or injury in Air Raids has been appreciated. Large Reserves are in hand to continue and extend further help as occasion arises.

A vigorous branch of the War Savings Campaign has been established; the Company's employees strongly support the Movement and regularly contribute thereto. In addition a considerable proportion contribute regularly to the Lord Mayor's Red Cross Fund.

Members will be pleased to know that Mr. Henry Ford and Mr. Edsel B. Ford have generously donated a very substantial sum of money for the purpose of providing equipped mobile Food Canteens for use under Government auspices among people whose normal mode of life is disrupted by the war. It is expected that 350 equipped vans will be made available for constant daily distribution of hot food to the thousands of sufferers throughout the country whose homes have been wrecked by enemy action. Our Dealer Organisation has agreed, gratuitously, to garage and maintain the Food Vans in this good work.

Most of the Continental Associated Companies are either in Enemy or Enemy-Occupied territories and I have little information concerning them. However, the same conservative financial administration which has characterised the management of this Company has been practised with the Associated Companies. Their liquid position, moreover, was sound and some of them had credits in U.S.A. or England. They had few external debts and they owned their undertakings free of any mortgages. It is hoped, therefore, that re-organisation after the war will not be an impossible task and that they will quickly again enjoy prosperity.

I would like to supplement what is said in the Directors' Report to members in regard to the Company's personnel and their reaction to the hazardous conditions which have prevailed in the area. I have first-hand knowledge of the splendid way they have acted. Ours was one of the first Companies to arrange to work through the raids. I would like to express my personal appreciation of their magnificent and unremitting devotion to duty.

FORD MOTOR COMPANY LIMITED
88, REGENT STREET, LONDON. W.1, & DAGENHAM,
ESSEX.

GOLD EXPLORATION AND FINANCE OF AUSTRALIA, LIMITED

DEBT BALANCE REDUCED

The seventh ordinary general meeting of Gold Exploration and Finance Company of Australia, Limited, was held on 2nd instant in London, Mr P. E. Marmion presiding.

The following are extracts from the Chairman's statement:—

Dividends and interest receivable for the year amount to £94,337, as against £91,496 for the previous year. The debit balance on profit and loss account was reduced by £71,382 to £210,288. Victoria Gold Dredging again had a successful year, and maintained its distribution at 11s. (A) per share.

The operating profit of Gold Mines of Kalgoorlie showed the substantial increase of £57,650, or 47 per cent. over that of the previous year, but unfortunately, as almost twice this amount is required for taxation, the stockholders have to be content with a rather smaller dividend.

Your company's principal interest in Western Australia is represented by its loan to Central Norseman Gold Corporation, and the 81 per cent. shareholding in the company owned by our subsidiary Western Mining Corporation. The Norseman company's mill treated 98,734 tons of its own ore in the period to March 25th last, compared with 88,267 tons for the preceding year, the yield being 36,077 ozs. as against 37,678, a reduction of 1.23 dwt. per ton. The operating profit, excluding development and depreciation, was £A218,000.

To sum up the position at Norseman, it may be said that while production and development continue satisfactory north of the Phoenix shaft to below No. 20 level, results between the Phoenix and the Ajax shafts have not come up to expectations. Meantime, every effort is being made to test the possibilities of lateral extension on the Mararoa reef, and of new ore shoots in the parallel reefs and at the Princess Royal mine.

Our holding of Victoria Gold Dredging shares continues to be our most lucrative investment. Dredging rights have been secured over an adjoining area estimated to contain approximately 2½ million cubic yards of payable grade. This area adds about a year to the estimated life of the property.

The report was adopted

GOLD MINES OF KALGOORLIE, LIMITED

SEVERITY OF TAXATION

The seventh ordinary general meeting of Gold Mines of Kalgoorlie, Limited, was held, on 2nd instant, in London, Mr P. E. Marmion presiding.

The following are extracts from the Chairman's statement:—

The gross value of the gold recovered was £364,941, from which £28,570, representing more than half of the increase in revenue due to the rise in the price of gold, was paid over to the Commonwealth Government. The burden of United Kingdom taxation unhappily falls with exceptional and, if I may say so, with unjustified severity upon your company, because in 1936 and 1937, the "standard" years for assessing liability to E.P.T., it was in its infancy, and the mine only in the process of development. Apart, therefore, from the rise in the price of gold in the latter part of 1939, the improvement in our profits since those years is due entirely to natural expansion. Any "Excess Profits" in the case of your company accruing as the result of the war could only be those derived from the increased price of gold. More than half the increase in revenue caused by the higher gold price passes direct to the Commonwealth Government, and for the two years for which your company is assessable to E.P.T. here it appears that that tax alone will take not only the whole of the rest of the increase in revenue but also nearly twice as much again.

Your board feels that the results of the first complete year's milling with the enlarged plant fully justify their policy of progressive expansion, the latest stage of which was planned and undertaken almost a year before the outbreak of war. At the time it was impossible to foresee not only that circumstances would arise necessitating the present drastic taxation, but also that the method devised for assessing this taxation would, in effect, lead to this company incurring such a heavy penalty for its enterprise. In addition to the benefit of the foreign exchange derived from the gold production, your company is contributing to the nation's war effort about 80 per cent. of the profit that would otherwise be available for distribution.

The report was adopted, and the final dividend of 6d. per unit was approved.

COMMODITY AND INDUSTRY NEWS—continued from page 306

previous Orders and introducing certain changes. Spinners are now free to carry out without a licence the initial processing of waste silk up to and including the sliver stage. Control is extended to thrown and spun silk yarns, and dealings in silk abroad and at home are controlled.

Price Control in Canada.—An Order-in-Council has been published this week by the Canadian Government authorising control of silk and rubber prices. The Controller of Supplies for the Department of Munitions is to establish

priorities for the use of these commodities and he has power to take possession of supplies of equipment used in their manufacture. Silk and rubber are the first commodities to be controlled under Canada's new price-fixing scheme.

Licensing of Seed Merchants.—From October 1st agricultural and vegetable seeds may only be purchased from growers or imported by licensed seedsmen. Established seed merchants who purchase seeds direct from growers or who import them from overseas are asked to apply to the Agricultural Departments for a licence. These decisions are embodied in the Agricultural and Vegetable Seeds Order, and cover England and Wales, Scotland and Northern Ireland. By an Order made by the Minister of Food preservers preserving more than one ton of vegetable products in a year are to be licensed.

Oils and Fats.—There will be no change in the existing prices of oils and fats allocated to primary wholesalers and large trade users for the four weeks ending September 27th. The price of palm oil acid oil which was under consideration, is to remain unchanged.

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

	Daily Average Sales	Stks. (at cost)
1941		end July
May June July		

(a) By Commodities

Non-food Merchandise:					
Piece-goods	+13.8	+8.3	-24.1	+26.2	
Women's Wear	+4.9	+2.4	-22.5	+29.1	
Men's and Boys' Wear	+4.7	+2.4	-16.8	+15.8	
Hats and Shoes	+8.0	+14.9	-7.6	+0.3	
Furnishing Departments	+24.3	+6.6	-17.0	+17.9	
Hardware	+7.0	+11.0	-14.3	+3.9	
Fancy Departments	+1.7	+13.8	-7.1	+22.9	
Sports and Travel	+0.9	+0.7	-13.6	+0.7	
Miscellaneous	+6.4	+8.4	-6.8	+4.8	
Total	+2.4	+6.8	-15.9	+17.1	
Food and Perishables	+4.3	+3.1	-6.7	+22.5	
Total	+3.5	+0.6	-10.3	+11.4	

(b) By Districts

Scotland	+1.4	+4.8	-3.4	+16.7
North-East	+1.5	+6.3	-6.8	+32.4
North-West	+2.3	+10.3	-9.8	+17.1
Midland and S. Wales	+0.1	+3.7	-9.3	+35.1
South England	+1.5	+2.0	-5.4	+6.4
Central and West-End	+8.9	+9.4	-21.8	+1.1
London	-12.2	-7.2	-13.4	-1.4
Suburban London				

"THE ECONOMIST" SENSITIVE PRICE INDEX

(1935=100)

	Aug. 28, 1941	Aug. 29, 1941	Sept. 1, 1941	Sept. 2, 1941	Sept. 3, 1941
Crops	112.8	112.8	112.8	112.7	112.6
Raw materials	110.3	110.3	110.3	110.2	110.2
Complete Index	138.6	138.6	138.6	138.5	138.4
	Mar. 31, 1937	Aug. 31, 1939	Sept. 3, 1940	Sept. 1, 1941	Aug. 3, 1941
Crops	147.9	92.2	105.7	113.3	112.8
Raw materials	207.3	122.9	166.2	170.0	170.3
Complete Index	175.1	108.4	132.5	138.8	138.6

* Highest level reached during 1932-37 recovery.

Source: Board of Trade Journal.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week Ended		From Apr. 1 to	
	Aug. 16, 1941	Aug. 23, 1941	Aug. 24, 1940	Aug. 23, 1941
Argentina	14	40	4,891	159
Atlantic America	46	87	1,154	365
Danube region	...	...	678	...
S. and E. Africa	...	...	880†	...
Indo-China, etc.	...	...	91	...

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

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week Ended		From Aug. 1 to	
	Aug. 16, 1941	Aug. 23, 1941	Aug. 24, 1940	Aug. 23, 1941
N.America	489	595	1,012	1,612
Argentina, Uruguay	320	158	986	749
Australia	...	...	...	...
Russia	...	...	...	...
Danube and District	...	...	65	...
Other countries	...	...	...	...

* Unobtainable.

Source: The Corn Trade News.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended August 30, 1941, total ordinary revenue was £37,636,000, against ordinary expenditure of £91,598,000 and issues to sinking funds of £130,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £1,223,945,000 against £935,068,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	April 1 to Aug. 31, 1940	April 1 to Aug. 31, 1941	Week ended Aug. 30, 1941	Week ended Aug. 30, 1940
ORDINARY REVENUE					
Income Tax	756,000	78,943	149,459	3,628	5,996
Sur-tax	80,000	10,456	10,849	550	195
Estate, etc.					
Duties	82,000	37,000	39,473	1,510	1,447
Stamps	14,000	6,400	5,201	70	70
N.D.C.	210,000	9,510	7,460	470	130
E.P.T.		20,890	78,461	1,380	5,065
Other Ind. Rev.	1,000	210	165	30	...
Total Ind. Rev.	1,143,000	163,403	291,068	7,568	12,903
Customs	310,700	122,191	142,560	6,212	7,223
Excise	266,660	138,100	136,810	10,200	16,610
Total Customs & Excise	577,360	190,221	279,370	16,412	23,833
Motor Duties	39,000	9,271	8,920	19	19
P.O. (Net Receipts)	3,300	9,150	6,000	100	1,450
Crown Lands	1,100	540	550	...	100
Receipts from Sundry Loans	2,600	581	1,898	...	...
Miscell. Receipts	20,000	11,865	24,949	2,250	...
Total Ord. Rev.	1,786,360	385,029	613,335	23,280	37,636
SELF-BALANCING P.O. & BRIDGE	99,346	32,150	38,600	2,100	3,550
Total	1,885,706	417,179	651,935	25,380	41,186

Expenditure	Estimate, 1941-42	April 1 to Aug. 31, 1940	April 1 to Aug. 31, 1941	Week ended Aug. 30, 1941	Week ended Aug. 30, 1940
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	103,423	119,012	378	642
Payments to N. Ireland	9,200	3,022	2,926	...	326
Other Cons. Fund. Serv.	7,800	3,323	3,189	1	8
Total	272,000	109,768	125,127	379	976
Supply Services	39,349,571	120,748	170,920	65,492	90,622
Total Ord. Exp.	420,695,771	131,727	185,433,333	65,871	91,598
SELF-BALANCING P.O. & BRIDGE	99,346	32,150	38,600	2,100	3,550
Total	430,630,317	134,939,772	187,923,673	67,971	95,148

After increasing Exchequer balances by £184,985 to £2,779,448, the other operations for the week (no longer shown separately) raised the gross National Debt by £51,703,961 to about £12,614 millions.

FIVE WEEKS' CHANGES IN DEBT

NET INCREASES	NET REPAYMENTS
Treasury Bills	43,624
Nat. Saving Certs.	12,550
3% Def. Bonds	9,275
Nat. War Bonds	...
1946-48	104,778
Sav. Bds. 1955-65	32,005
"Other Debt"	26,667
Ways and Means Advances	28,645
Total	257,544

NET ISSUES (£ thousands)	200
P.O. and Telegraph	17
Overseas Trade Guarantees	217

NET RECEIPTS (£ thousands)	2,790
Under War Damage Act	...
AGGREGATE ISSUES AND RECEIPTS	...

Aggregate issues and receipts from April 1, 1941, to August 30, 1941, are:—	(£ thousands)
Ordinary Exp.	1,834,333
Ord. Revenue	613,335
Gross. Borr.	1,206,839
Less—	
Sinking fds.	2,947
Net borrowing	1,203,892
Miscell. Receipts	17,259
Total	1,834,486

FLOATING DEBT (£ millions)

Date	Tender	Tap	Public Depts.	Bank of Eng. land	Treasury Deposits by Banks	Total Floating Debt
1940						
Aug. 31	836-0	1042-6	60-7	...	30-0	1969-3
May 24	905-0	...	Not available	...	498-5	2949-9
June 7	915-0	1410-4	136-0	...	...	...
June 14	925-0	...	Not available	...	...	...
June 21	935-0	...	...	...	...	...
July 5	955-0	...	158-7	28-2	519-0	3063-0
July 12	960-0	...	...	...	...	...
July 19	965-0	...	...	...	...	...
July 26	960-0	1491-7	174-3	12-0	515-5	3153-5
Aug. 2	960-0	...	Not available	...	...	...
Aug. 9	960-0	...	...	...	...	...
Aug. 16	960-0	...	...	...	...	...
Aug. 23	960-0	...	...	...	...	...
Aug. 30	970-0	1525-3	213-9	1-0	513-0	3223-2

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Applied	Allotted	Average Rate	Per Cent. Allotted at Min. Rate
1940					
Aug. 30	65-0	134-9	65-0	20 6-31	27
May 16	75-0	154-7	75-0	20 0-18	38
May 23	75-0	141-8	75-0	20 0-59	44
June 6	75-0	145-1	75-0	20 1-06	47
June 13	75-0	156-1	75-0	20 0-22	34
June 20	75-0	166-5	75-0	19 11-88	26
July 4	75-0	158-5	75-0	20 0-15	31
July 11	75-0	163-1	75-0	19 11-83	27
July 18	75-0	153-0	75-0	20 0-54	36
July 25	75-0	155-7	75-0	20 0-33	34
Aug. 1	75-0	146-8	75-0	19 11-84	24
Aug. 8	75-0	165-2	75-0	20 0-14	27
Aug. 15	75-0	159-1	75-0	20 0-16	30
Aug. 22	75-0	133-2	75-0	20 0-95	57
Aug. 29	75-0	152-3	75-0	20 3-17	38

On August 29th 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 38 per cent of the amount applied for, and applications at higher prices in full. £75 millions of Treasury bills are being offered on September 5th. For the week ending September 6th 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% Defence Bonds	New 2½% Bonds	3% Savings Bonds
July 22	3,937	2,888	6,367	7,517
July 29	3,353	2,454	4,316	7,202
Aug. 5	3,017	2,510	7,171	6,740
Aug. 12	3,239	2,548	36,255	9,944
Aug. 19	3,813	2,860	59,874	3,335
Aug. 26	3,201	2,805	94	3,446
Sept. 2	...	...	23	3,343
Totals to date	348,332	330,496	493,610	283,313

£ 92 weeks. £ 35 weeks.
Including series "A." £10,050,000 to date.
Interest free loans received by the Treasury up to Sept. 2nd amounted to a total value of £36,471,090. Up to August 30th, principal of Savings Certificates to the amount of £43,772,000 had been repaid.

BANK OF ENGLAND RETURNS

SEPTEMBER 3, 1941 ISSUE DEPARTMENT

Notes Issued:		Govt. Debt...	£ 11,015,100
In Circul.	667,257,551	Other Govt.	
In Bank. De-		Securities ...	716,453,557
partment....	£2,964,024	Other Secs. ...	2,019,359
		Silver Coin ...	511,984
		Amt. of Fid.	
		Issue	730,000,000
		Gold Coin &	
		Bullion (at	
		168s. per oz.	
		fine).....	241,575
	730,241,575		730,241,575

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; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Melite Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Egypt, of May 10th; Yugoslavia, of June 7th; Bulgaria and New Zealand, of August 9th; Argentina, Hungary, International Settlements, Japan, Roumania, of August 16th; Greece and Portugal, of August 23rd; Prague, Sweden, Reichsbank, South Africa and Turkey, of August 30th.

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

12 U.S.F.R. BANKS	Aug. 29, 1940	Aug. 14, 1941	Aug. 21, 1941	Aug. 28, 1941
Resources				
Gold Certs. on hand and due from Treasury	18,562	20,301	20,300	20,300
Total reserves	18,922	20,597	20,590	20,590
Total cash reserves	348	280	275	275
Total U.S. Govt. secs.	2,442	2,184	2,184	2,184
Total bills and sec.	2,454	2,203	2,202	2,204
Total resources	22,135	23,924	23,905	23,873
LIABILITIES				
F.R. notes in circ.	5,334	6,906	6,953	7,007
Excess m. bank res.	6,420	5,030	5,060	4,990
Mr. bank res. dep.	13,516	12,948	13,037	12,998
Govt. deposits	813	919	785	772
Total deposits	15,827	15,683	15,658	15,612
Total liabilities	22,135	23,924	23,905	23,873
Reserve ratio	89.4%	91.2%	91.1%	91.0%
BANKS AND TREASURY				
Resources				
Monetary gold stock	20,871	22,703	22,710	22,716
Treasury & bank currency	3,034	3,172	3,178	3,178
LIABILITIES				
Money in circulation	8,006	9,792	9,840	9,899
Treasury cash and dep.	3,140	3,280	3,162	3,150

FEDERAL RESERVE REPORTING
MEMBER BANKS—Million \$'s

ASSETS	July 17, 1940	June 11, 1941	July 2, 1941	July 16, 1941
Loans, total	8,517	10,238	10,453	10,523
Investments	15,226	17,893	17,872	18,054
Reserve with F.R. banks	11,729	11,046	10,863	10,899
Due from domestic banks	3,262	3,465	3,516	3,583
LIABILITIES				
Deposits: Demand	20,932	24,071	23,949	24,260
Time	5,316	5,408	5,419	5,416
U.S. Govt.	428	478	487	491
Inter-bank	9,201	9,836	9,938	9,963

AUSTRALIAN COMMONWEALTH BANK—Million £'s

ASSETS	July 22, 1940	June 9, 1941	June 16, 1941	July 28, 1941
Gold and English ster.	16-08	17-71	17-71	17-71
Other coin, bullion, etc.	8-51	6-65	6-65	6-11
Call money, London	47-73	55-42	57-29	42-49
Secs. and Treas. bills	91-91	42-50	43-73	52-11
Discounts and advances	32-83	21-36	21-19	22-10
LIABILITIES				
Notes issued	61-62	66-37	66-62	69-11
Deposits, etc.	115-58	115-57	118-62	110-48

SWISS NATIONAL BANK

ASSETS	May 31, 1940	July 15, 1941	Aug. 15, 1941	Aug. 15, 1941
Gold	2168.3	2314.5	2298.6	2290.1
Foreign Exchange	360.6	1269.2	1259.6	1261.5
Discounts, etc.	174.3	62.0	67.3	68.5
Advances	143.8	23.1	21.7	20.3
Securities	86.9	69.8	69.8	69.8
Notes in circulation	2245.6	2057.5	2077.1	2059.9
Other sight liabilities	565.1	219.2	238.4	238.3

RESERVE BANK OF INDIA

Million rupees

ASSETS	Aug. 16, 1940	Aug. 1, 1941	Aug. 8, 1941	Aug. 15, 1941	Aug. 22, 1941
Gold coin & bullion	444	444	444	444	444
Rupee coin	358	382	374	374	383
Balances abroad	246	446	448	450	455
Sterling securities	1,315	1,316	1,316	1,316	1,316
Ind. Gov. rup. sec.	496	785	785	785	785
Investments	87	76	76	76	76
LIABILITIES					
Notes in circ.	2,234	2,552	2,596	2,588	2,577
Deposits: Govts.	122	189	192	190	188
Banks	362	305	324	370	418
Reserve Ratio	67.4%	60.2%	60.3%	60.3%	60.1%

BANK OF CANADA

Million Can. \$

ASSETS	Aug. 14, 1940	July 30, 1941	Aug. 6, 1941	Aug. 13, 1941
Reserve: Gold	2.7	539.6	471.5	444.8
Other	541.1	649.6	648.5	649.7
LIABILITIES				
Note circulation	299.2	403.5	410.3	412.7
Deposits: Dom. Govt.	22.8	24.9	24.8	23.7
Chartered banks	205.0	216.0	216.6	207.4

† 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 Aug. 30th and Sept. 5th. (Figures in brackets are par of exchange.)

United States, \$ (4-80) 4-02½-03½; mail transfers 4-02½-03½. Canada, \$ (4-80) 4-43-47; mail transfers 4-43-47½. Switzerland, Francs (25-22) 17-30-40. Sweden, Krona (18-159) 16-85-95. Argentina, Peso (11-45) 16-92-17-13; mail transfers 16-92½-17-15. Dutch East Indies, Florin (12-11) 1-58-62; mail transfers 1-58-64. 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, L (110) 520. Italy, 71-25 lire.

Market Rates

The following rates remained unchanged between Aug. 30th and Sept. 5th.
Finland, Mark (193-29) Nominal. Egypt, Piastres (97) 97½-1. India, Rupee (18d. per rupee) 17½-18½. Hongkong, 14½-15d. per \$ Japan, Yen (24-53d. per yen) July 25th, 13½-14½; July 26th-Sept. 5th, Unquoted. Singapore, \$ (28d. per \$) 28½-29½. Colombia, Peso 6 (sellers). Belgian Congo, Francs 176½-177½. Manilla, 2½-3½d.

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, 3 cent pm-par. Canada, 1 cent pm-par. Switzerland, 3 cents pm-par. Sweden, 3 8re pm-par. Dutch East Indies, 1½ cents pm-par.

MONEY RATES, LONDON

The following rates remained unchanged between Aug. 30th and Sept. 5th:—

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, 1½-1½%. Treasury Bills: 2 months, 1½%; 3 months, 1½%. Day-to-day money, 1½-1½%. Short Loans, 1-1½%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice, 1%.

AMERICAN WHOLESALE PRICES

	Aug. 26, 1941	Sept. 2, 1941		Aug. 26, 1941	Sept. 2, 1941
GRAINS (per bushel)—			METALS (per lb.)—cont.		
Wheat, Chicago, Sept.	112½	113½	Spelter, East St. Louis, spot	7-25	7-25
Winnipeg, Oct.	72½	72½	MISCELLANEOUS (per lb.)—		
Maize, Chicago, Sept.	76½	77½	Cocoa, N.Y., Acra, Sept.	7-54	7-51
Oats, Chicago, Sept.	44½	46½	Coffee, N.Y., cash—		
Rye, Chicago, Sept.	67½	69½	Rio, No. 7	9½	9½
Barley, Winnipeg, Oct.	50½	51½	Santos, No. 4	13½	13½
METALS (per lb.)—			Cotton, N.Y., Am. mid. spot	17-30	17-79
Copper, Connecticut	12-00	12-00	Am. mid. Sept.	16-58	17-07
Tin, N.Y., Straits, spot	52-00	52-00	Cotton Oil, N.Y., Sept.	12-30	12-95
Lead, N.Y., spot	5-85	5-85	Lard, Chicago, Sept.	10-17½	10-25
			MISCELLANEOUS (per lb.)—cont.		
			Petroleum, Mid-cont. crude, per barrel	117	117
			Rubber, N.Y., smk. sheet spot	22½	22½
			Oct.-Dec.	22½	22½
			Sugar, N.Y., Cuban Cent., 96 deg. spot	3-80	3-80
			Sugar, N.Y., 96 deg. No. 4, f.o.b. Cuba, Dec.	1-88	2-03
			Moody's Index of staple commodities, Dec. 31, 1931=100.	213.4	214.2

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.
						£	£	%	£	£	£	£	%
Breweries, &c.													
Barclay Perkins & Co.	Mar. 31	408,479	60,543	165,444	272,362	75,600	62,590	3½	30,000	- 2,746	440,115	225,908	4
Guinness (Arthur) Son & Co.	June 30	1,391,581	91,435	1,281,348	2,158,902	65,000	1,036,375	26	200,000	+ 20,027	1,535,171	1,485,243	25
Lichfield Brewery	June 30	32,415	508	16,613	44,386	3,695	9,150	10	3,500	+ 268	32,508	14,672	10
Financial, Land, &c.													
London Electrical Trust	June 30	52,595	...	31,254	46,151	18,900	12,000	5	22,071	+ 5,879	54,022	32,649	5½
Pekin Syndicate	Dec. 31	27,950	...	27,950	36,562	...	...	...	...	+ 1,256	54,231	31,350	Nil
Hotels, Restaurants, &c.													
Spiers & Pond	Mar. 31	49,575	...	33,598	43,615	32,342	...	...	...	+ 4,172	(4) 336,421	87,431	7
Motor, Aviation, &c.													
Briggs Motor Bodies	Dec. 31	(s) 326,348	...	84,422	127,598	...	40,250	7	40,000	+ 302	27,045	17,642	7½
Rubber													
Burma Estates	Mar. 31	34,928	2,000	17,079	24,302	...	16,777	7½	3,000	- 341	22,514	24,652	20
Gadek	Dec. 31	46,755	...	13,659	16,090	...	23,800	20	...	+ 479	43,366	24,652	20
Tea													
Standard of Ceylon	Dec. 31	54,489	6,317	24,279	57,979	...	...	...	...	- 307	15,854	11,542	Nil
Trusts													
British Industries, &c., Trust	June 30	15,823	...	10,881	20,820	9,188	2,000	2	3,000	- 197	30,335	22,798	6
Northern Securities Trust	Dec. 31	30,223	...	23,813	40,315	11,110	9,900	6	...	+ 2,228	131,034	69,279	10
Other Companies													
Broadcast Relay Service	Mar. 31	101,114	...	51,569	70,262	9,488	39,853	10	...	+ 1,220	13,370	12,521	10
Collier (S.) & Co.	June 30	16,247	7,243	17,560	23,034	2,255	6,000	10	10,000	+ 1,995	42,291	11,320	15
Cook (M.) & Son	June 30	49,832	12,000	28,037	41,714	...	7,300	17½	2,000	+ 1,037	42,747	23,830	11
Eastwoods Cement	Mar. 31	45,058	1,000	9,994	19,345	504	6,773	12½	3,031	- 314	36,842	11,600	12
Freedlands Limited	Mar. 31	28,817	415	27,370	71,210	5,500	10,000	10	...	+ 11,870	71,597	29,828	12½
Humphreys Limited	Nov. 30	78,199	...	Dr. 39,358	Dr. 36,906	7,500	3,125	5	...	+ 2,945	141,530	79,467	24
Kellner Partington	Dec. 31	10,925	792	6,070	16,578	...	...	...	...	+ 35,289	68,008	48,853	Nil
Loyds Retailers	June 30	3,439	10,859	35,289	91,177	2,875	21,250	10	15,000	+ 10,291	87,618	53,534	10
Morton (C. & E.)	Dec. 31	93,658	49,416	38,591	66,724	10,918	27,015	15	...	+ 1,090	242,129	44,209	15
National Canning	Mar. 31	157,007	87,008	38,591	33,458	-1,725	10,000	20	15,000	+ 5,206	68,290	8,355	25
Roberts (Charles) & Co.	Mar. 31	366,491	1,142	16,456	35,458	...	12,500	6	5,000	+ 2,734	70,751	24,790	25
Thorn Electrical Industries	June 30	51,574	3,597	20,234	35,896	...	...	...	...	...	...	...	...
Toogood & Sons	June 30	140,908	...	...	...	...	...	...	...	...	...	...	...
Williams (Clifford) & Son	June 30	...	...	...	...	...	...	...	...	...	...	...	...
Totals (£'000's):	No. of Cos.	3,717	284	2,024	3,407	256	1,404	...	352	+ 12	3,680	2,407	...
Week to Sept. 6, 1941	26	285,024	22,701	133,475	206,970	28,890	87,046	...	13,008	+ 4,531	276,303	152,936	...
Jan. 1, to Sept. 6, 1941	1,354	...	...	...	...	...	...	...	...	...	...	...	...

(s) After making provision for E.P.T.

† Free of Income Tax.

(r) Before any tax provision.

BRITISH WHOLESALE PRICES

Aug. 26, 1941				Sept. 2, 1941				Aug. 26, 1941				Sept. 2, 1941											
CEREALS AND MEAT								TEXTILES—continued								MISCELLANEOUS							
GRAIN, etc.								COTTON—continued								CEMENT, best Eng. Portland, d/d site, London area,							
Wheat								Cloth 38 in. ditto, 38 yards,								in paper bags or jute sacks 20 to ton—(a)							
No. 1 N.Mt. 496 lb. f.o.b. Mont...								18 x 16, 10 lb.								s. d. s. d.							
Eng. Gaz. av. per cwt. (e)								39 in. ditto, 37 1/2 yards,								49 6 49 6							
Flour per 280 lb.								16 x 15, 8 1/2 lb.															
Straights d/London								FLAX (per ton)—								6-ton loads and upwards per ton							
Barley Eng. Gaz. av. per cwt. (e)								Livonian ZK								CHEMICALS—							
Oats (e)								Pernau HD								Acid, Oxalic, net							
Maize, La Plata, 480 lb., f.o.b.								HEMP (per ton)—Manilla, spot								Tartaric, English, less 5% .lb.							
MEAT—Beef, per 8 lb.								JUTE (per ton)—								Ammonia, Sulphate							
English long sides								Daisee 2/3 c.f. Dundee, Oct.								Nitrate of Soda							
Imported hinds								Dec. (new)								Potash, Sulphate							
Mutton, per 8 lb.—English								Common 8 lb. cops. (per spindle)								Soda Bicarb.							
Imported								10 1/4 Hessians, per yd.								Soda Crystals							
Pork, English, per 8 lb.								8/40 Hessians, per yd.															
BACON (per cwt.)—Wilts, cut side								10/40 Calcutta Hessians, Oct.															
HAMS (per cwt.)—Green								Dec. 100 yds.															
OTHER FOODS								7 1/4/40								COPRA (per ton)—S.D. Straits							
BUTTER (per cwt.)—All Grades,								Sisal (per ton)—African, Sept.								c.f.							
First hand								Oct.—No. 1								HIDES (per lb.)							
CHEESE (per cwt.)								WOOL (per lb.)								Wet salted Australian,							
Home Produced								Lincoln wethers, washed								Queensland							
Imported								Selected blackfaced, greasy								Cape Flange Ord.							
SOYAB (per cwt.)								Australian scrd. fleece 70's								Dry Capes, 18 20 Ord.							
Accra, g.f.								Cape scrd. average snow white								English & Welsh Market Hides—							
Grenada fine								N.Z. scrd. 2nd pieces, 50-56's								Best heavy ox and heifer							
COFFEE (per cwt.)								Tops															
Santos sup. c. & f.								64's warp								Sole Bends, 8/14 lb.							
Costa Rica, medium to good								56's super carded								Shoulders							
EGGS (per 120)—English								48's average carded								Insole Belies							
LARD (per cwt.)—Imported								44's prepared								Dressing Hides							
POTATOES (per cwt.)								MINERALS								PETROLEUM PRODUCTS (per gal.)							
English, new								COAL (per ton)—								Motor Spirit, England & Wales							
SUGAR (per cwt.)								Welsh, best Admiralty								(b) Kerosene, Burning Oil							
Centrifugals, 96%, prpt. shipm.								Durham, best gas, f.o.b. Tyne								" Vapourising Oil							
c.f. U.K./Cont.								IRON AND STEEL (per ton)								(b) Automotive gas oil, in bulk,							
REFINED LONDON								Pig, Cleveland No. 3, d/d								ex road tank wagons							
Granulated, 2 cwt. bags								Bars, Middlesbrough								Fuel oil, in bulk, England							
Granulated, 2 cwt. bags, domestic								Steel, rails, heavy								and Wales—							
consumption								Tinplates (home, i.e. 14 x 20)								Furnace							
West India Crystallised								NON-FERROUS METALS (per ton)—								Diesel							
TUBACCO (per lb.)								Copper (c) Electrolytic								ROBIN (per ton)—American							
Indian stemmed and unstemmed								Tin—Standard cash								Nom.							
Rhodesian, stemmed and un-								Three months								RUBBER (per lb.)							
stemmed								Lead (d)—Soft, foreign, cash								St. ribbed smoked sheet							
								Spelter (d)—G.O.B., spot								SHELLAC (per cwt.)—TN Orange							
								Aluminium, ingots and bars								TALLOW (per cwt.)—London Town							
								Nickel, home delivery								VEGETABLE OILS (per ton net)—							
								Antimony, English, 99%								Linseed, raw							
								Wolfram, Empire								Rape, crude							
								Platinum, refined								Cotton-seed, crude							
								Quicksilver								Coconut, crude							
								SOLD (per fine ounce)								Palm							
								SILVER (per ounce)—								Oil Cakes, Linseed, Indian							
								Cash								Oil Seeds, Linseed—							
																La Plata (new)							
																Calcutta							

(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 buyer's premises.

(d) Including import duty and delivery charges.

(e) Average for weeks ended Aug. 16 and Aug. 23.

(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 buyer's premises. (d) Including import duty and delivery charges. (e) Average for weeks ended Aug. 16 and Aug. 23.

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 July 23rd.		
Ecuador.*	Sight selling rate 15-00 sucres per U.S. \$ on July 4th.		
Guatemala.*	Sight selling rate maintained at one quetzal per U.S. \$, plus commission of 1 per cent. to Central Bank July 23rd.		
Nicaragua.*	Sight selling rate for payment of imports fixed at 5-54¢ cordobas per U.S. \$ (incl. 10 per cent. tax), July 23, 1941.		
El Salvador.*	Sight selling rate New York was 2-50¢ colones per \$ on July 19th.		
Venezuela.*	Sight selling rate New York was 3-35 bolivares per U.S. \$ since July 23, 1941.		

* 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 1/2
Athens	July 26, '41	6 3/4	Montreal	Mar. 11, '35	5 1/2
Batavia	Jan. 14, '37	4 3/4	Oslo	May 12, '40	4 3/4
Belgrade	Feb. 1, '35	6 1/2	Paris	Mar. 17, '41	2 1/2
Bombay	Apr. 1, '40	4 3/4	Pretoria	June 2, '41	3 1/2
Brussels	Jan. 25, '40	2 1/2	Tallinn	Oct. 1, '35	4 1/2
Bucharest	Sept. 17, '40	3 1/2	Riga	Feb. 17, '40	5 1/2
Budapest	Oct. 22, '40	4 3/4	Rio de Janeiro	May 31, '35	5 1/2
Calcutta	Nov. 28, '35	3 1/2	Rome	May 18, '36	5 1/2
Chile	June 13, '35	4 1/2	Sofia	Sept. 16, '40	6 1/2
Copenhagen	Oct. 15, '40	4 1/2	Stockholm	May 29, '41	3 1/2
Hankow	Dec. 3, '34	4 1/2	Zurich	Nov. 25, '36	2 1/2
Kobe	May 14, '39	5 1/2	Tokyo		
London	Mar. 31, '41	4 1/2	Wellington	May 27, '40	3 1/2
N.Y. Fed. Res.	Aug. 26, '37	1 1/2	Dublin	Oct. 26, '39	4 3/4

(a) For banks and credit institutions. (b) For private persons and firms.

AUSTRALIA AND NEW ZEALAND

London on Australia and New Zealand*				Australia and New Zealand on London			
Buying		Selling		Buying		Selling	
Australia	New Zealand	Australia (any mail)	New Zealand (any mail)	Australia	New Zealand	Australia (any mail)	New Zealand
T.T.	Ord. Air Mail (S) (T)	Ord. Air Mail (S) (T)	125	124 1/2	Ord. Air Mail (S) (T)	125	124 1/2
Sight	126 1/2	126 1/2	125 1/2	124 1/2	124 1/2	125 1/2	124 1/2
30 days	127 1/2	127 1/2	126 1/2	125 1/2	125 1/2	126 1/2	125 1/2
60 days	128 1/2	128 1/2	127 1/2	126 1/2	126 1/2	127 1/2	126 1/2
90 days	129 1/2	129 1/2	128 1/2	127 1/2	127 1/2	128 1/2	127 1/2

* 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, 126 1/2; 30 days, 127 1/2; 60 days, 128 1/2; 90 days

statements against England's interests. For the writer or the editor or the speaker the test in wartime is very simple. He will ask whether his criticism is calculated to aid his country's war effort and its friends more than it can be used to help its enemies. He will know what the law forbids him to say or to reveal. He will make it his endeavour to display a true perspective, not to write up what is wrong or to write down what has been achieved—or *vice versa*. He will not oppose the war simply because, for the nonce, it is not the policy of some foreign Power, which was the crime of the *Daily Worker*. Unless he regards them as indispensable for making and winning the war, he will not enter into speculations likely to alarm and dismay friends and allies, which was the fault of the *Times*' excursion into European leadership—and, according to his critics, of Colonel Moore-Brabazon's first spoken thoughts on the Russo-German conflict. He will not tilt against the misuse of materials, plant or labour without acknowledging the extent to which resources are already being well used—or without the conviction that his assaults will help and not hinder. He will not allow zeal, impatience or ambition to lead him into the ranks of the Woe Woe men to whom jaundice is a policy. He will not mingle with the jockeying partisans who set out to sabotage the national effort with shibboleths—now proclaiming that defeat is better than "bureaucracy" and now that dishonour and disgrace are to be preferred to the "ruin," the "big business" or the "Socialism" that war is alleged to bring in its train. He will let patriotism and common sense be his guides.

These are commonplaces as natural to the greater part of the English Press as breathing itself. They go deeper than the duty to criticise. A famous American broadcaster recently coined the slogan "Let Us Be Frank." He was talking of Anglo-American relations; and it is certain that many recent alarms and excursions about English comments on American policy—and American comments on English policy—have been due to the previous unnatural prudery about the two democracies' different points of view and mutual needs. And there is need for frankness on this side of the Atlantic. Mr Churchill was amply justified in his encouraging report on the war on Tuesday. The struggle at sea has moved sharply in our favour. The rate of imports has become

outstandingly high; and the limit to war production now is labour and skill in work and technical organisation rather than materials or equipment. On the eastern front, the Nazis are paying a fantastic price for their aggression. But the war in Russia, for all the great resistance of the Russians, is being won by the Germans.

Too many journalists, who formerly inveighed against "complacency," are now writing up the Russian war almost as a series of striking victories, simply because they like and admire the Russians. It has been left to the *Evening Standard*, which has been notable for its frank and realistic appraisal of the recent course of the war, to point out that every move that Hitler has made towards greater triumphs has first been described as his greatest and most foolish blunder; that the magnificent defence of the Russian army is sufficient proof of the sound strategic reasons that led the Germans to seek to destroy it before pressing forward to the west; that, "timetable" or no "timetable," the German armies have conquered 350,000 square miles of territory since June 22nd; that the industry and agriculture of the Ukraine are a serious loss to Russia; that Leningrad, "a prize as big as Paris," is now under fire; that, to the south, across the Dnieper, "the South Wales of Russia" in the Don basin is in immediate danger; and that the best recognition of Soviet valour and endurance would be, not wishful plaudits, but the utmost aid, whatever the cost. This is frankness and responsibility in alliance. It gives only part of a story in which German losses and Russian counter-thrusts loom largely; but it is made up of solid facts. Mr Churchill has promised immediate and full assistance to the Soviets without delay; and the speed and scope of the help will need to equal the speed and scope of Nazi *Wehrmacht*.

A No Press is plainly no improvement on a Yes Press; the one disrupts while the other undermines. Criticism is not an end in itself; but, as a means to victory, it should be unsparing and unsparing. Mr Lloyd George used to say that it was the critics who won the last war; and the same will be true of this one. The responsibility of criticism is not light; but it is certain beyond all doubt that a Press which is muzzled at home, by its own choice or by coercion, is many times more dangerous to the state than a Press which is misused and misinterpreted abroad.

Non-Belligerent Blockade

THERE is a certain habit of impatience growing up among the British people when they consider the American war effort and watch the stresses and strains develop which—though this is a point they tend to forget—vexed their own evolution towards total war. This impatience is undesirable, and everything should be stressed that puts into proper perspective the speed with which the United States is moving from a peace to a war footing. The sphere of economic warfare is a case in point. It is a far cry from today, with the machinery for complete embargo perfected, shipping requisitioned, black lists prepared and an Economic Defence Board established, back to the first months of the war when the United States was trading extensively with the neutral fringe of Europe, with the Far East and even with Germany. The British blockade then caused friction and ill feeling. The outcry over the censorship of letters at Bermuda which led the Clipper services to take another route was only one reflection of a general atmosphere of non-cooperation and mistrust.

The mood ended abruptly with the collapse of France and, as a concrete manifestation of America's new attitude to the war, the Defence Act was passed on July 1st, 1940, forbidding the export of military materials of which there was a short supply. The list included tin, rubber and ferro-alloys from the first. Iron and steel were added in the following August. Later, the list was widely extended and, today, the only important exceptions to it are

tanning materials and cotton. For the export of most other commodities, an export licence is required, and this system of export control gives the Administration complete discretion in the quantity and direction of United States exports. The extension of export control to the Philippines on May 30th this year closed an important point of leakage, Copra, coconut oil and chrome had been going to Japan, and from there, moving by devious routes, to Germany.

These measures of export control have been reinforced by a steady extension of the financial blockade. As one by one the Nazis occupied European territories, the assets of these countries were frozen and, even before the last logical step of freezing Axis assets was taken on June 14th—and extended to Japanese assets on July 26th—preliminary steps had been taken to prevent the Axis Powers from benefiting by stock exchange operations either in the United States or in Europe. All important securities had to be deposited at the Federal Reserve Bank, until it had been proved that they had no connections with interests in occupied territory, and all dealings on the New York Exchange were forbidden, save in securities held in the United States. With the extension of freezing, all but barter trade was automatically at an end between the United States and the Axis Powers; and barter trade is, of course, subject to all the limitations of the export licensing system.

This system, based on financial blockade and export control, has been extended in an "offensive" sense by a

vigorous policy of buying up strategic raw materials, conducted mainly through the Federal Loan Agency. All the United States copper firms in South America keep their copper production for the United States, with the result that, on an output—in metal content—of 450,000 tons of that, only 25,000 tons are not pre-empted. The total tin and tungsten production of Bolivia is reserved for the United States and Britain. Some American states have assisted this indirect embargo. Brazil and Mexico have listed a number of key materials which are to be exported "only to the western hemisphere"; and there are export licence schemes in both Chile and Peru.

These chief instruments of blockade have been supplemented by the requisitioning of Axis and neutral shipping for United States and Allied purposes, and by the introduction, in July this year, of United States shipping warrants. These do not exactly correspond to British ship warrants which are given to any ship owner who undertakes not actively to help the enemy. The United States warrants require an undertaking to use the ships for the purpose of defence or supply. A final rounding off of the economic defence position is provided by the black lists, which operate principally in South America. Here again, the process has been one of steady evolution. A number of American firms have for months past observed the British Black List of firms trading with the Axis, although their co-operation was stultified by the readiness of other American firms to provide blacklisted firms with facilities denied them by Britain. In July, however, a general American Black List, covering some 1,800 firms, was introduced, two to three hundred more than the number on the British list. Trade with these firms is cut off by the prohibition of export licences for business with them and by the freezing of their assets in the United States.

These various measures create the machinery for complete control over the foreign trade of the United States; and it was only fitting that, with the practical work advanced so far, an agency should have been created to co-ordinate all the various measures which come together to make up the United States' economic war effort. On July 31st, the President, under the powers conferred upon him by the unlimited national emergency, established an Economic Defence Board under the chairmanship of Mr Henry Wallace, the Vice-President of the United States, on which the Secretaries of State, of the Treasury, of War, of the Navy, of Agriculture, of Commerce and the Attorney-General were to serve. The functions of this Board are to supervise economic defence in the widest sense; and they include advice to the President upon further economic defence measures; co-ordination of the various agencies already engaged on economic defence; and, a new and significant step, advice to the President "on the relationship of economic defence measures to post-war economic reconstruction, and on the steps to be taken to protect the trade position of the United States, and to expedite the establishment of sound, peace-time international economic relationships."

The framework and functioning of the United States' system of economic defence does not altogether follow the model set up by the British Ministry of Economic Warfare. For one thing, the United States is not at war, and "all aid short of war" has not, until recently, been held to include offensive economic measures. America's economic war effort has been conceived in terms purely of defence, unlike the British blockade, which, from the first, was looked on as essentially an offensive weapon. The United States has not concerted a policy to attack the Axis, but to improve American defence. If, in the process, the Axis Powers have been gradually cut off from vital sources of supply, the fact is largely incidental. Exports were requisitioned—to ensure the flow of war material to Britain. Only with the freezing of assets and the Black List has the United States moved forward to what might be called offensive action.

Some of the weaknesses of the United States' economic effort have parallels in Britain's conduct of economic warfare. Others are indigenous, for example, the degree of departmental confusion and overlapping. Britain had

the advantage of starting out with a Ministry of Economic Warfare and a clear idea—in spite of the hesitations imposed, in the event, by the Foreign Office and the Cabinet—of what the policy of that Ministry would be—that is, total blockade. The United States has drifted into economic warfare via economic defence measures, and these are still being carried on by the departments in which they originated. To give a few examples, the Treasury is responsible for freezing assets; the Export Licence Control has been under the War Department since it was set up under the President's powers as Commander-in-Chief; the allocation of raw materials and decisions on scarcity rest with the Office of Production Management; the Maritime Commission requisitioned the ships; and the Federal Loan Agency has been responsible for the buying up of strategic raw materials. In so far as it can co-ordinate all these multifarious activities, the new Economic Defence Board will be adding order and drive to the work of economic defence. The danger of confusion, however, remains, in that the men called together on the Board are already overburdened by the work of their own departments, while the articles of establishment lay it down "that the administration of the various activities relating to economic defence shall remain with the several departments . . . now charged with such duties."

A weakness which has marred both the British and American conduct of economic warfare springs from the difficulty of defining the role of neutrality in total war. The Ministry of Economic Warfare set out with its objective of total blockade, but was obliged again and again—particularly in the case of Italy—to modify its policy in the interests of "diplomacy." The Foreign Office's view of diplomacy was barely modified by the advent of total war. It consisted of conciliation, concession and a balancing of interests. In such an atmosphere, a little more coal or a little more steel seemed irrelevant beside the task of "keeping Italy—or Spain or Holland or whatever country—out of the war." Thus Hitler was able to take over fully stocked countries.

The American economic war effort has suffered even more severely from the hesitations of diplomacy, there represented by the State Department. It is generally believed that freezing was delayed by many months—during which Axis assets took refuge elsewhere—thanks to the delays of the diplomats. Again, the policy of trading with "neutrals," such as Vichy France, has caused a certain friction and an obvious lack of co-ordination in Anglo-American policy. The rumours which have arisen over the President's recent contacts with the Japanese, coupled with reports that some American oil tankers have reached Spain, give grounds for some anxiety lest "diplomacy" should be still clogging the wheels of the economic war machine. It is not yet fully realised that providing nations with vital war materials, because to deprive them of them would precipitate war, is only not "appeasement" because no one so far has given the policy that name.

It is at this point that the disadvantages of considering economic war from the purely defensive angle become apparent. It is not enough to safeguard the supplies of war materials to America and the Allies. The offensive step must be taken to ensure that no countries which are Hitler's allies or potential victims are in a position to restock the German war machine. It must no longer be possible to plead that shipping oil to the Japanese keeps them out of the war. It only makes them stronger when at last they come in. As the *New York Post* admirably summed it up on July 21st: "Had we understood economic warfare half a dozen years ago, the Fascist world would not be in the position in which it stands to-day. It conquered half of China with our petroleum, and built the Panzer divisions in part with our scrap metal. It forged an instrument against us out of our own democratic fruitfulness."

Now at long last the democracies have jointly forged a counter-weapon of economic war. Everything depends upon the resolution with which they go forward to the attack.

Against Inflation

LAST week-end, Sir Kingsley Wood expressed the hope that it would be possible to carry on through the present financial year without recourse to further taxation—a feat which would be unprecedented in this war. Actually, there is evidence that it will be a tight squeeze. The large demand for fresh labour in the Services and in war industry is one of many signs that production is getting into its stride. The stage of factory building is well advanced. The summer's improvement in the shipping position has notably improved the supply of materials; and the estimates of imports upon which Mr Churchill's "war supply budget" of last March was based look (in the Prime Minister's own words on Tuesday) "as though they will not only be made good but exceeded."

There are, of course, very many frictions in organisation still to be dealt with. A large-scale policy of transfer and training is immediately needed to man the expanding war effort; and an effective middle way in recruitment between chance and compulsion has not yet been found. A degree of dilution will be demanded from labour, and of rationalisation from managements, that it may be a major task to secure. The general supply position is better at every stage of production; and the target of production programmes has now been set nearer to the nation's full capacity. The total and the average of performance have risen markedly; but the checks and lags that remain have lost none of their significance.

The welcome contrast in production with the position a year ago can be seen in the figures of public expenditure. In the quarter April to June, 1940, expenditure was at the rate of £2,706 millions a year, or £7.4 millions a day; in April to June, 1941, it was at the rate of £4,282 millions a year, or £11.7 millions a day. In July this year, it was at the rate of £4,191 millions a year, a slight falling-off; but in August the rate was £4,464 millions a year, or £12.2 millions a day. Estimated expenditure for the whole of 1941-42 was £4,207 millions (including the value of purchases in other countries except those obtained under Lease and Lend), and it seems certain that this figure, already surpassed by the rate of spending in the first, and probably the least expensive, quarter, will be appreciably exceeded. It cannot surely be proposed, at this crucial stage in the war, when the "advance" has still to be sounded, to spend at a smaller rate in three or six months' time than the rate of expenditure now. It is true that there will not be the same increase in spending during the twelve months as in 1940-41, when expenditure in the fourth quarter was 79 per cent higher than in the first quarter. The war effort did not begin in earnest until May and June last year. Expenditure should not rise *pari passu* with output in the third year of the war, when the initial burst of outlay on factories and productive equipment has been considerably spent. The limits of the country's capacity and resources will not permit of the raising of output by the same amount as it has already been raised. Moreover, munitions, equipment and materials are now coming in under Lease and Lend which last year were paid for in cash and accounted for in the Budget. Nevertheless, total expenditure, when the balance is struck next March, is more likely to be well over £4,500 millions than £4,207 millions.

In April, doubt was expressed on three grounds whether the Chancellor would in fact be able to make both ends meet. The first suspicion, that production had again been under-estimated, seems likely to be justified. The second suspicion, that it was over-sanguine to assume that the level of costs could speedily and effectively be stabilised by a mere pronouncement, has not been removed. The upward course of transport charges has been checked, and the cost of living index has been steadied. The Ministry of Food is carrying trading losses at the rate of £100 millions a year, and the Ministry of War Transport is carrying substantial losses on shipping services, to hold prices down. But the cost of coal has been allowed to rise

once since April; and wages have been increased consistently. The third suspicion, that voluntary means could not fill the "gap" between revenue and expenditure with genuine savings, that is, the proceeds of actual abstention from consumption, is only enhanced by the probability that the "gap" itself may be £300-£400 millions more than the Budget bargained for.

The fact is that, if there are good reasons for the Chancellor's belief that he can weather 1941-42 without inflation and without an interim Budget, they have very little to do with conventional fiscal considerations. In practice, it has been by the control of spending rather than by the restriction of spending power that the fight against inflation has been waged. The material for inflation already exists. In 1940-41, in spite of more optimistic calculations, there was probably a gap of some hundreds of millions between Government expenditure, on the one hand, and the release of real resources of manpower or materials, either by abstention from consumption or by drawing upon domestic or external capital, on the other; and the gap was filled by the creation of bank credit. In the current year, in spite of encouraging savings statistics, the gap almost certainly persists. Every sign is that there is month by month a growing excess of spendable incomes over the value of goods available at present prices. Nevertheless both the Government and its critics are agreed that there has in fact been little inflation, much less at any rate than the increase in the volume of money in existence would suggest. What has happened is that people with more money to spend than before have, in the event, spent only little more. Inflation has been checked, not by the effective curtailment of "excess" incomes (by means of taxes—swingeing though these imposts have undoubtedly been—savings or restraints on wages and salaries), but by the control of consumption—by the restriction of supplies, by extended rationing and by a general disposition on the part of consumers to hang on to their money, to hold larger cash balances and not, on the whole, to scramble for scarce goods.

This anti-inflation front is not, of course, complete. Black markets, runs on unrationed goods, the "tobacco rush" and a perceptible degree of speculation in shares and in land are all signs of more money seeking employment in spite of physical restrictions on consumption, on the one hand, and financial penalties in the shape of drastic direct taxation, on the other. What might be called the "inflation potential" is high. But the relative success of anti-inflation controls applied at the point of expenditure and the comparative lack of success of controls over incomes has led many people to look to physical rather than fiscal or financial means to lay the bog. This view is peculiarly that of the trade unions who, at the Trades Union Congress in Edinburgh, have just declared their implacable opposition to wage-fixing.

"Hands off the wages system" is their slogan. The TUC has accepted rationing, price control and the subsidising of essential commodities by the Treasury as the main weapons against inflation. Sir Walter Citrine accepted "the principle that the money which is spent from earnings upon goods in short supply, in so far as these goods are not rationed, tends to increase the price without any advantage to the purchasers." He admitted that, "if voluntary saving is found to be inadequate, we shall be faced with other and more stringent needs." But he was convinced that the stabilisation of wages would mean "a depressed standard of living" for the workers for the rest of the war; and, most significantly, he stated that the TUC was "exploring any means whereby, while not only preserving the relative position of the workers and their relative share in the national pool of wealth, the share and their claim to it would be increased when the opportunity came in the post-war period."

This is frank enough. It is, of course, an inescapable fact that, while the war effort is making its vast claims upon the nation's resources, the standard of living of all

workers except the poorest must be "depressed" compared with pre-war standards—whatever policy is adopted. It is only their *relative* position that they can, and should, maintain—except for certain groups of workers who, in the schedule of wartime importance, are at present obviously underpaid, an important consideration which is still too little appreciated either by Ministers or trade unionists. The most sensible argument for not fixing wartime wages is actually not a plank in the TUC's platform. This starts from the contention that war production is suffering from lack of incentives. Just as it is in human nature that the small and moderately sized firms, who together count powerfully in total production, would work with more will with EPT reduced to 70 per cent or less, so would workers pass much more rapidly into the essential industries, which tend to preserve the wage levels of the depressed trades they were before the war, if they could be offered higher wages. Labour difficulties in the vital sectors of mining and farming have shown how great an obstacle to output this problem can be; and it is claimed that the rise in aircraft wages shows how it has had to be solved to raise output. If higher wages are needed to swell the flow into war work, the argument runs, inflation is preferable to frustration.

But it is a "peace aim" which dominates the TUC's attitude to wages—the desire to increase their share after the war. Whether this will be accepted by the majority of people in this country as any more proper an objective in wartime than the natural desire of other groups to increase post-war profits or post-war rents or

any other post-war policy must, of course, be questioned. It is, admittedly, a practical proposition that more money should be paid out now if it will raise output, provided that steps can be taken to prevent it from being spent. The demand of the TUC is not that the workers should be able to spend whatever "excess" wartime incomes they can obtain by bargaining, but simply that they should continue to receive these payments to be put aside and spent later on; in this way both workers' earnings and wage levels will be as high as possible after the war. It is a case of plainest self interest. The unions rejected Mr Keynes's wartime plan for deferred payment because they contended it would preserve the existing distribution of wealth; they are in favour of this new model because they believe it will alter this distribution—as indeed it will if wages rise while other incomes are held down.

There are important points of agreement among all parties on this question of inflation. It is agreed that control over expenditure by the widest possible rationing and price control is of paramount urgency. But it would be the gravest negligence, as indeed Sir Walter Citrine admitted at Edinburgh, to jettison the financial weapons altogether. It is still the Chancellor's duty to minimise the inflationary danger by every possible means, by mopping up "excess" incomes and by restraining increases. It remains a fact that the stabilisation of prices is a fair and workmanlike way, in conjunction with rationing, of meeting the danger, provided always that output is not positively impeded; and the price of labour cannot reasonably be exempted.

Soviet War Economy

THE military outlook on the eastern front, where fighting still rages fiercely near the great centres of Russian life in the west, remains uncertain in the extreme. The Germans have already captured territories larger in size than Greater Germany. In the Ukraine, they have taken industrial and agricultural centres of great importance. Dnieperstroï has gone and Leningrad is in peril, and upon these two centres a great part of Russia's ability to replace its losses rested. Much of the territory which the Russians have lost is perhaps of no great importance in the calculus of military strength. But there has been a tremendous consumption of war material; and the urgent problem for all free peoples in every part of the world is the task of furnishing the defenders of Russia with the supplies of machines and materials which they will need increasingly as the fighting continues.

It would be wrong, however, to regard the Russian military effort as dependent for its future course upon outside aid. Aid there must be if resistance is not to slacken; but the framework of Russian economy is still unshattered. Leningrad, Moscow, Kiev and even Odessa are still untaken. The invaders have not yet crossed into the rich industrial Donetz basin. Russian strategy and Russian production have been the basis of almost three months' magnificent resistance; and, if the present lines of defence hold, they will be a foundation of Allied defence on land for a long time to come. The Russian system of economy has been hidden for more than two decades in the mists of violent controversy. But it is possible to discern the main outlines of Soviet production; and it is worth while, with the main bastions still held after twelve weeks of the bitterest fighting, to examine some of the characteristics of the Russian war economy.

When Hitler came to power in Germany, Soviet Russia initiated the second Five-Year Plan. In 1933 defence expenditure amounted to 1,500 million roubles, or 3.6 per cent of the gross value of Russia's total industrial output. In 1940, the third year of the third Five-Year Plan, defence expenditure had increased to 56,102 million roubles, or 40.7 per cent of total industrial output. In 1941, this percentage should have been increased to 44 per cent. For thirteen years, Soviet Russia's industrial effort has been concentrated on producing the means of pro-

duction, that is, plant, equipment and machinery. Between 1938 and 1940 the output of these capital goods increased by 52 per cent compared with 1937; the output of goods for consumption increased in the same period by only 33 per cent; and, as long ago as 1937, it was estimated that roughly half the total output of machinery consisted of armaments.

In 1937, defence expenditure was over a fifth of budget expenditure; and in both 1940 and the estimates for 1941, it was nearly a third. Soviet Russia's budget is not comparable with the budgets of other countries, because industry, agriculture and transport are State owned, and the State accounts comprehend almost all of the national income. The budget represents the balance sheet of the Union's entire economic activity rather than, as in other countries, the share in the national income taken by the Government; and it is the financial means by which the Union's resources are distributed among the different sections of the economy, between industry, agriculture and transport and between capital and consumption goods. It is simply the book-keeping aspect of State economic planning. A budget system which controls and directs production by the proportions in which it allocates the expenditure of the proceeds of past production, which are collected by means of taxes on turnover (over three-fifths of total revenue) and deductions from the surpluses (or "profits") of the State

Owing to the paper shortage, *The Economist* has decided to publish only one Banking Supplement a year for the time being instead of two. This year's Supplement will be published with next week's issue and will contain articles on banking at home and abroad, in addition to most of the usual statistical matter.

undertakings, and, in conjunction with the rationing of individual consumption, by State loans and other levies, is readily adaptable to the uses of a war economy. The wartime need to cut civilian consumption and increase the output of non-consumable goods was familiar in peacetime Russia; the method of meeting an extraordinary demand is by means of loans subscribed by the workers directly and deducted from wages at the source; and there are also the deposits in 60,000 savings banks, which are normally the most important source of supply for short-term credits to industry, trade and agriculture. All the banks deposit their reserves with the State Bank (*Gosbank*), the bank of issue, which is responsible for all short-term credits, while long-term credits for capital expenditure are granted by special investment banks. No fundamental changes are necessary for war economy, for the diversion of the greater part of the country's economic resources to war production can be achieved simply by changes in degree.

Actually, transition to a complete war economy in Russia may very well result in a further relaxation in the rigidity of central planning. Under the Five Year Plans since 1928, the attempt has been made to marshal the country's entire economic resources for the manufacture of the means of production. Civilian consumption had to be cut down, just as civilian consumption has to be reduced in wartime, when the greater part of the national income is diverted to the expansion of war plants factories and to war production. The planning of capital expenditure was first conceived as a comprehensive plan extending down to the smallest detail of consumption in town or village. But it did not work so satisfactorily in practice. Initiative, in manager, worker and peasant, was the first victim of this comprehensive planning. There were bottlenecks and dislocations. Some parts of the plans were over fulfilled; others lagged behind.

Initiative had to be restored. The flagging enterprise of the workers was first revived by the introduction of shock workers (*Udarniki*) who entered into "socialist competition" to fulfil the plan figures on construction jobs and in the factories. Another and more effective means of reviving initiative was differentiating again between the wages paid to different workers according to their work. To-day initiative is achieved, not only by this differentiation of wages, but also by the Stakhanovite movement, which fosters individual output in mines, factories and farms.

The initiative of the peasants has been revived by allotting them plots of collectivised land for their own gardening, and by the introduction of independent livestock breeding which began at the end of the first Five Year Plan in the eastern territories. Measures against an attack by Japan required a rapid increase in agricultural and industrial production in the east and, in practice, output was greatly increased by reducing the rigidity of the plan. The plan became regarded, not as a single set programme determining every detail of economic life, but rather as a long term programme of capital expenditure, adjusted every year by the annual programmes of the

commissariats for each different branch of industry and tempered by the inducement which it was necessary to offer in order to secure maximum output from the different sections of the population.

Events in 1940 and the early part of this year show how this planned economy was moving from peace to war. The most important decree, or *ukase*, of the Presidium of the Supreme Soviet, re-introduced, from June 26, 1940, the eight-hour day and the seven-day week. At the same time, a discussion began about the importance of regional and local as distinct from central planning. All except the heavy and main engineering industries were decentralised from January 9, 1941. The aim was clear. The remaining centralised industries, which had been partly occupied by manufacturing for regional and local consumption, could now concentrate on satisfying direct State demand—that is, for armaments. The regional industries, under the supervision of the regional administrations, could concentrate on satisfying local demand. Locally produced surpluses were allowed to remain in the districts where they were produced. Finally, the whole country was reorganised in nine large regions, in each of which the centralised, as well as the regional, industries were expected to reach the highest possible pitch of self-sufficiency.

Thus, the development of staple industries by rigid overall planning has been followed by a policy of decentralisation, which should be peculiarly valuable in the war against Germany. To a large extent, local initiative has been assured; and large reserves of plant, factory space and machinery which were under construction or still unused when the German attack on Russia began should make a rapid increase in output possible, in spite of the enemy's inroads. It may even be possible to make good the loss of the industrial region west of the Dnieper. The greatest difficulty is undoubtedly a shortage of skilled workers, for already in 1939 and 1940 a shortage was making itself felt. The large scale technical training of young workers was begun during 1940, and official reports estimated that, during 1941, roughly 750,000 newly trained young workers would take up positions in factories.

Soviet Russia is faced with different problems in shaping its war economy from those experienced by other countries. There is a problem of decentralisation rather than the problem of centralisation so familiar in this country; and the thorny problem of war profiteering does not exist. The construction of specialised State factories is no new problem, but has been a constant feature of all Five Year Plans. The building of factories in safe areas has been speeded up ever since the beginning of the Third Five Year Plan in 1938; and the plan for 1941 introduced special measures for the building of war factories in record time. If the fighting can be stabilised on the lines now reached there is every hope that Soviet Russia will be able to complete the transition to a complete and effective war economy during this autumn and winter. But in the months closest to hand it is to Britain—and America—that the defenders of Russia will look for aid in the common fight.

NOTES OF THE WEEK

Progress Reported

Mr. Churchill had a great deal to tell the House of Commons on Tuesday. He made it plain that the core of the so-called Atlantic Charter was the agreement between himself and President Roosevelt that the task in hand was "the final destruction of the Nazi tyranny." He scouted any suggestion that the broad principles laid down should here and now be more specifically worked out in territorial or administrative detail; and he made it plain that the promise of full sovereignty for the peoples of the world did not alter the Government's policy within the British Commonwealth itself. In his first reference to India since becoming Prime Minister, Mr. Churchill emphasised that the Government is pledged to help India to obtain "free and

equal partnership in the British Commonwealth"; and the Prime Minister of Ulster has denied that the promise of sovereignty was a recognition of Mr. De Valera's plans for a free and united Ireland. The central point in the Prime Minister's survey was his assurance that the Battle of the Atlantic, while by no means won, was being waged currently with remarkable success. A main factor in the summer's improvement appears to have been the insulation of a very large part of the Atlantic from enemy action by the presence of American warships. The number of German submarines in operation is said to be still at the same formidable total as earlier in the year; and there is no doubt that, if the restraining influence of American patrols continues to curtail too drastically the effectiveness of underwater attack, their presence will be progressively ignored

and the casualties of the battle will rise again. There is no secret about the method of combating U-boat warfare. It is a matter of escort numbers on the water and in the air, and if the Germans do invite the active participation of the American fleet, they themselves will pay for greater successes by greater losses.

Meanwhile, the rate of import has risen to a remarkably high figure for wartime; and not the least of the points of policy to be decided by the War Cabinet in these decisive days is the means of using this increased capacity to the best advantage. It would be plain folly to waste this benefit, which may be purely temporary, in furnishing "extras" either to the nation's diet or to industry. This is above all a time to build up fresh stocks of foodstuffs and materials against more difficult days later on. As Mr. Churchill said, it is "vain talk" to say that the Battle of the Atlantic has been won, and to dissipate the advantages of recent successes would be to act most vainly. For the rest, at sea, in the Near and Middle East and in Russia, Mr Churchill had encouraging words. He was able to give the remarkable information that the sinkings of British and American ships in July and August did not amount to much more than one-third of the German and Italian tonnage sunk by British aircraft and British submarines. The strain on Axis communications is obviously intense. But the strain upon Allied communications remains the key factor in the future development of the war. In the Middle East there is the gigantic task of supplying a force of three-quarters of a million men; in the Far East there is the Japanese danger; in the heart of Eurasia there is the Russian Front, linked only by slender passages to the resources of the free nations outside. Of Russia, the Prime Minister chose to record German losses rather than German gains—or Russian losses. In the winter it will be a battle of replacement; and it is still true to say that victory depends upon the ability of Britain and America, not only to keep open the seas, but also to open up and widen all the roads that lead to the battle-fronts in Africa, in Russia and in China.

Counter-attack or Counter-offensive?

Germany's general strategy in Russia remains the same in this the twelfth week of the campaign. In the early days of the invasion, the claim was made that the three armies—of Voroshilov, Timoshenko and Budyonny—had been cut off from each other. The statement at that time was not an accomplished fact, but a plan for future operations. These have gone successfully in the south, where Budyonny's army has been thrown back. They are going successfully in the north, where the investment of Leningrad continues, and the Germans are throwing their arc wide in order to draw off and encircle as many as possible of Voroshilov's men. It is still not certain that there will be any direct and costly attack upon the city itself, valuable as its war industries and supplies undoubtedly are. Only in the centre is there some evidence of a miscarriage of German plans. The recapture of Elnya and the violent fighting round Roslavi are not in themselves unduly significant, since, according to all previous estimations of the front, the Germans were not supposed to have advanced so far. The Nazi armies in this sector were undoubtedly occupied in their usual tactic of punching out the Russian salient, this time between Smolensk and Gomel. They struck towards Briansk hoping to find the line at this point weakened by the Russian counter-attacks in the Smolensk and Gomel sectors. In fact, they have been very vigorously counter-attacked by the Russians and have had to fall back a little towards their earlier line in front of Mohilev and Rogachev. The crucial question is whether Marshal Timoshenko has launched a counter-attack or a counter-offensive. The Russians speak of a counter-offensive for the first time; but it is not their claim, but the actual length of front along which the attack is developing, that is conclusive. If the attack is limited to the Briansk sector, the danger is that the Germans will once more strike at the genuine offensive is developing along the whole central sector, then the Germans are up against the toughest military problem they have so far had to face. They admit fierce fighting against "superior Russian forces," but add that their tanks have broken the Russian line.

Iran Accepts the Terms

After a week's delay, the Iranian Government has agreed to the British and Russian terms. British and Russian troops are to occupy strategic positions, the British in the south, the Russians in the north. The through routes for supply are to be safeguarded and the Iranians will facilitate the transit of goods. All Italian and German nationals are to be handed over to the British and Soviet authorities, but the diplomatic status of the Legation staffs will be respected. Besides the German and Italian, the Roumanian and Hungarian Legations are also to close. The speed with which agreement has been reached closes what might have been an ugly incident in the most satisfactory manner possible. Now the urgent task is to speed up British and American supplies to Russia. The route through Iran is the pre-eminent link in the Anglo-Russian alliance; Mr Churchill made that plain on Tuesday. The trans-Iranian railway is fortunately British gauge, and the Caspian Sea gives immediate access to the Volga Basin, and thence to Russia's industrial second line in the Urals. The Allies undoubtedly need a Todt organisation to make the crooked ways smooth for the passage of supplies; but, with the goodwill of the Iranians and resolute planning on the Allied side, the Iranian route may yet turn the fortunes of war.

Before the Shooting?

There appears to be a change in German policy with regard to American ships. The *Robin Moor* incident was the first attempt to test American reactions—an experiment which perhaps resembled the "trial" bombing of Dublin. The reactions—a howl from the Isolationists and a quiet extension of the security patrols—were inconclusive. The news that the U.S. destroyer *Greer* has been attacked, the steamship *Sessa* sunk off Iceland, and the steamer *Steel Seafarer* in the Red Sea, suggests that a new experiment is under way. The choice of targets is significant. The *Greer* was presumably on security patrol. The *Sessa* was carrying supplies to Iceland. The *Steel Seafarer* was operating on the American supply route to the Near East. All three ships were thus engaged on operations which have come under heavy fire from the Isolationists on the grounds that they were "provocative." The line of criticism is the old one. "If men are shooting in the streets, stay indoors if you don't want to get hurt." The German argument may well be that to attack ships now will strengthen the hands of the Isolationists and lead to a demand for the withdrawal of the United States from these advance posts of pre-belligerency. If the shooting has the opposite effect of inflaming public opinion and creating a general demand for intervention, then the Germans can still hope that a state of war in America will interfere with war supplies to Russia at a critical moment, and even that Japan can be cajoled and threatened into the struggle.

Trade under Lease and Lend

It has been evident ever since the beginning of the supply of materials to this country under the United States Lease and Lend Act that some reconsideration of both import and export policy was necessary. The question has come to a head in recent weeks because of the complaints of American traders that British exporters were using materials obtained under Lease and Lend to supply goods to the United States or to South America on better terms than their American competitors. As a result, an undertaking has been given by the British to the American Government and embodied in a White Paper that steps will be taken to secure that no advantage is obtained by British manufacturers for export because of Lease and Lend over their competitors in the United States. It is explicitly agreed that it would not be tolerable if material from the United States, made available for British defence, were used to maintain or expand British export trade at the expense of United States exporters. No exception will be taken to this statement of principle. Indeed, the recent uneasiness about the misuse of Lease and Lend materials has not been confined to the United States. There have been British critics, including manufacturers for export, who have raised precisely this question, and, as a result of their views, certain practices, not important in themselves, have been ended. Actually, there has probably been more smoke than fire about this matter. An appreciable number of orders were placed by British exporters in the United States and in South America in the days before Cash and Carry was replaced by Lease and Lend, and these orders must neces-

sarily be fulfilled, which has in a number of instances led to a misunderstanding. British export trade must, of course, go on. This should be the British Government's first standpoint. It would be fantastic to stop all British exports of steel goods because steel is coming in under Lease and Lend; and export trade is part of the war effort which Lease and Lend is assisting. Americans no more than Britons must gain an advantage from Lease and Lend. But the principles at stake are clear enough. They are that Lease and Lend material should be used for the purpose for which it is intended, that is, the defence of Britain. In the first discussions about the policy of Lease and Lend, it was even assumed for a time that the transactions would be confined entirely to Government accounts, and that it would not be possible for the Government to pass on materials to be handled by private traders and private manufacturers. In the event, of course, because of the essentially private character of the British economy, even in wartime, it has not proved practicable, and it has become accordingly all the more important that Lease and Lend materials should not be used either for private British gain or to the detriment of American interests. It should, of course, be realised that, according to President Roosevelt's own thesis, the defence of Britain which Lease and Lend is intended to facilitate is also the defence of the Western hemisphere of which the United States is a part. Lease and Lend is not entirely an act of philanthropy on the part of those Americans who may be compelled to do without those materials which are transferred to Britain; and the terms of Lease and Lend imply, not a free gift, but ultimate repayment in kind. It is because the umbrella of Lease and Lend has been made so capacious as to include not only those materials and munitions of war which were originally intended, but also all sorts of materials and foodstuffs, that these vexations have arisen. It is, for instance, very difficult to keep track of materials in the case of products which employ many materials in their manufacture. But the only possible policy for the British Government and for British exporters is to meet American wishes—where they are just.

Policy for Imports and Exports

Before Lease and Lend, the first consideration in export policy was to earn the greatest possible amount of dollars (or other "hard" currencies) in order to be able to pay cash for supplies from the United States. Similarly, the policy for imports was mainly determined, not only by considerations of shipping space, but also by considerations of foreign exchange. Since Lease and Lend, these standards have obviously been open to modification. The bulk of Britain's essential imports from the other side of the Atlantic are not paid for by cash. There is now very considerable disquiet among British exporters lest the export drive which they had been urged to work and organise and prepare is, because of these changes, to be allowed to relapse. It should be made plain beyond all doubt that the policy of the Government is still to maintain as much useful export trade as can be managed with the resources available. Exports are still necessary to pay for imports from countries apart from the United States. Moreover, it is more than ever needful to obtain dollars wherever possible in order to minimise the drain upon the future which is represented by Lease and Lend. The only limiting factor in the prosecution of exports, apart from the urgent need for resources to sustain the war effort by more direct means, should be the obligation on the part of Britain not to give any substance to the cynical belief in some quarters of the United States that John Bull has discovered a method of paying for the war at the expense of the United States. But British export policy should not be commanded from Washington—or Pittsburgh—under the cover of Lease and Lend. The British trader should occupy at least as important a place in the considerations which make up British policy as the American trader; and it is for this reason that the whole question of trade under Lease and Lend (to which *The Economist* hopes to turn in a leading article in the near future) should be defined officially.

New Activity in the Middle East

With the coming of autumn, the campaigning season in the Middle East is about to reopen, and there are signs of new activity in this sector of the vast battlefield. The reinforcement of Axis troops in Libya has given Allied submarines new quarry in the Mediterranean, and a heavy toll has been taken of troopships and supply vessels. Air reinforcements are arriving in Sicily, Greece and Crete, and labour battalions are busy extending existing airfields and

building new ones. There are reports and rumours of a stream of German high officials passing through the Balkans; General Litz has been mentioned, Major Todt as well, and, more incredibly, Admiral Raeder. Now it is the turn of the German Commander-in-Chief, General Brauchitsch, to appear in Sofia. All these comings and goings may be purely defensive, a concerting of counter-measures against an Allied attack on land, sea and air. So far German operations in this area have been primarily protective, to secure the Balkan flank, and cut Russia off from the Dardanelles' supply route. It seems on the face of it unlikely that at this time a new offensive will be launched away from the main front. Turkey, however, is in a sense on the main front. If the oil of the Caucasus is Hitler's objective, and a pincer movement his strategy, he is unlikely to allow the northern thrust to develop beyond the Dnieper, while leaving the southern thrust to hang fire on the frontiers of Eastern Thrace. Dr Clodius, the harbinger of disaster, is in Ankara, attempting a trade deal which would establish a German monopoly of the Turkish market. The presence of Admiral Raeder and General Brauchitsch in Bulgaria may be explained in connection with an attempt to coerce the Bulgarians into the war not against their "brother Slavs," but against their Turkish neighbours. The co-ordination of an attack on Turkey would require consultation between Italy, Bulgaria and their German masters. This appears to have taken place. Meanwhile, the Turks are manning their frontiers and keeping their powder dry.

The Middle Eastern Scene

If the Allies do strike across the only land frontier on which they and the Germans stand face to face, they will do so from an immeasurably stronger position than that of December, 1940, when their last great attack was launched. In one of the most impressive moments of his war survey, the Prime Minister put the present situation into its right perspective. A year ago, Syrian resistance had collapsed, and in its place was a treacherous administration ready to pact with the Germans. In Iraq, Rashid Ali was already preparing for his later *coup*. Abyssinia lay, a hostile empire, in the British rear. British Somaliland had fallen. The Italians had advanced into Kenya. To-day, from the coasts of Italian Somaliland to the Caucasian frontiers of Russia, the Allies are in control, and their control is not only a safeguard for the war itself. It is a promise of better things to come—greater economic co-operation, the restoration of sovereignty to Abyssinia, a surer independence for Iraq and Egypt, a new status of freedom in Syria, with France occupying a "special" position similar to that arranged for by the Anglo-Iraqi treaty. Nor is this improvement confined to the political background. Instead of the army of 80,000 men who held the Italians, then drove them out of their Empire and then held the Nazis on a line from Sollum to the frontiers of the Sudan, there stands in Egypt and scattered through the Middle East, a vast concourse of trained and seasoned soldiers, some 750,000 strong. Equipment is streaming in, the United States has established a direct supply route to Suez, the Allied forces have, above all, been strengthened in the air. Even if this improvement gives no grounds for complacency, with the Prime Minister "we are entitled to be content."

Operations in the Arctic

Little has been heard of Allied operations in Arctic waters since the attack on Kirkenes by the Fleet Air Arm. Now the approach of winter will soon put an end to naval activity in these frozen waters, but, before the darkness and the ice descends, the Army and Navy closed the season with successful action on land and sea. A mixed Canadian, British and Norwegian force raided Spitzbergen in the Lofoten manner, destroyed coal and wireless installations and took off with them all the Norwegian inhabitants, miners and their families, some 700 of whom will now serve with the Norwegian forces. That the Germans had hitherto neglected Spitzbergen was due to the fact that there were Russian concessions on the islands and, until June 22nd, the Nazis preferred to keep them out of the war zone. The Allied raid was carried through to frustrate any German attempt to profit by the mines and to put an end to use by the Nazis of the meteorological reports despatched from the islands. This amphibious operation has been followed by a successful attack on German convoys supplying their troops in the Murmansk sector. Three ships were certainly sunk and probably some others. In neither operation were there any casualties, and both may well have embarrassed the German supply position in the extreme north.

Box and Cox

Mr. Mackenzie King has returned to Canada, and has reaffirmed his opposition to an Imperial War Cabinet and his conviction that the present system of consultation with Britain is, so far as Canada is concerned, perfectly adequate. On the day that Mr. King arrived back in Ottawa, it was announced that Sir Earle Page, Minister of Commerce, will visit London to establish personal Cabinet liaison between the United Kingdom and Australian Governments. There is no question of giving the envoy special powers or special status, but since Mr. Fadden has received Mr. Churchill's assurance that every facility will be given to Sir Earle Page, it can be presumed that he will attend meetings of the British War Cabinet. There he will present Australia's point of view on certain immediate problems of war strategy, but he will not be able to make any decisions on behalf of his Government—reference back will have to take place as it does now, when consultation is carried on through the Dominions Secretary and the High Commissioner. The only improvement on the present method is presumably the fact that Sir Earle Page, by virtue of his office, will be able to "speak for" Australia "with full and clear authority"—which Mr. Menzies felt he could not do in view of recent political events. This does not necessarily imply that the Australian Government feels that the High Commissioner is too much of a yes-man; but the fact that it wants Australia's views to be expressed forcibly to the British Cabinet does prompt the conclusion that it is not altogether confident about the decisions to be made in London—presumably with regard to the Far East. If Sir Earle Page's presence in London makes Australia happier, it will be an additional reason for welcoming him here, but the problem of enabling the Dominions to participate more really in Imperial decisions is no nearer solution.

The Finns Fight On

It looks as though the Finnish peace effort has misfired. Whether the move first came from Russia or from Finland is not certain. But it is sure that the only popular aspect of the war to the Finns was the possibility of recovering the lost territories. In the first months, the Germans did very little fighting in the southern parts of the Finnish front. The Finnish army advanced, and the people evacuated last year were brought back to their old homes. When the army approached Viborg, it was generally expected in Finland that the war would be over as soon as the city had been recaptured. And, immediately after, came rumours of Finnish-Russian peace negotiations, through the mediation of the United States. A Finnish general was reported to have visited Hitler in order to ask for permission to make separate peace. The Germans seem to have nipped this peace move in its initial stage. Supported by Mannerheim and the men of the extreme right, the battle is apparently to continue. Although the Swedish party, which is the only opposition party in Finland, was expressing widespread popular uneasiness when it demanded that Finland should state its war aims—did Finland fight only to regain its lost territories; did it mean to take part in the German aggression against Russia itself; did it fight for the Fascist conception of a "Greater Finland," including large genuinely Russian territories?—the Germans and the Finnish Fascists have succeeded in getting their way. A new offensive has begun, which the Finns claim has brought them to Olonets and the River Svir. From official sources, there is no support for the hope expressed by the social-democratic newspaper in Helsinki, after the capture of Viborg, "that the swords would be made into ploughshares." Instead, news came from Finland of the arrest of several Socialist members of parliament, accused of "left-wing sympathies." The arrested M.P.s are the same people, who, in the spell between Finland's two wars, tried to develop cultural relations with Russia. A continuation of the war under German orders, as part of the aggression against Russia has, of course, no popular support in Finland—and still less in Sweden, from where some Finns had hoped for at least moral support. Finland now faces a financial situation still more disastrous than before the Russian-German war. While Finland must export industrial products, it must also import foodstuffs. The import trade from Russia has been cut off, and the only country from which Finland can get any supplies is Sweden. But Sweden cannot export in any large quantity. Thus Finland, which in two wars in

eighteen months has lost 50,000 men of its population of three millions, faces a winter of starvation—with German troops using its soil for a war from which the Finnish people have nothing to gain and everything to lose.

Mobilising the Fire Guard

On Sunday, September 14th, the first general registration for the fire guard takes place. All men between the ages of 18 and 60—except members of the armed forces, the Home Guard and the Royal Observer Corps; members of the police force; seamen; doctors; and the blind and the mad—who live in areas where the Fire Prevention (Business Premises) Order is in force will register on that day and the following Saturday and Sunday. Temporary removal does not enable a man to evade registration, and if he cannot register at his temporary address, he will have to do so on his return home. After registering, a man may claim exemption on various grounds, such as excessive hardship or if he is already doing 48 hours of civil defence duty a month. Some time must necessarily elapse after registration before the fire guard can be effectively mobilised; but it is to be hoped that the interval will be as short as possible, because it was an essential part of the new scheme that after mobilisation should come training, and time for this before the winter sets in is running short. Meanwhile, the TUC has accepted with bad grace the Government's draft of the new Fire Prevention (Business Premises) Order. This provides for the right of workers to make representations against a scheme; the establishment of national and regional advisory councils on which workers and employers will be represented; the provision of amenities such as sleeping accommodation; and compensation for loss of earnings through injury—£3 10s. a week or the amount of earnings, whichever is the less. Presumably, the National Advisory Council, which is to consider the means of enforcing the Order and what are exceptionally long hours on vital work—which may entitle a man to exemption—will cover the whole of the fire guard, not only those doing duty at business premises. But the rate of compensation would appear to apply only to the business premises scheme; fire watchers, whether compulsory or voluntary, guarding their own homes or other people's, or churches, cinemas and miscellaneous buildings, may have to be content with the 35s. a week allowed under the Personal Injuries (Civilians) Scheme. Thus, just when a uniform national fire watching plan was getting under way the TUC has caused a ridiculous anomaly to appear.

Children and Officers

Last week the Trades Union Congress again shelved the question of family allowances, which was referred to the General Council for "full study." The attitude is no longer simply *non possumus*, but the belief obviously persists that allowances, even if paid by the State and not by industries, would depress wages. It is a belief which, without reflection, young unmarried officers in the Army may share. The pay of junior officers is not to be increased, but all officers, regardless of age or rank, are to receive 4s.

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a day for a wife, 6s. a day for a wife and child, 7s. 6d. for a wife and two children and an additional rs. a day for every extra child. For all officers, the new principle is introduced that the allowances vary directly with the size of the family; and for officers under 30 years of age, whose allowances will now be the same as those over 30, the change represents an increase of one-third in the case of a family of wife and one child. Officers over 30 only benefit if they have more than one child. There have been many complaints, on what have appeared to be very good grounds, that, in view of their commitments, the basic pay of junior officers is insufficient. But the War Office's solution is to cut down their expenses rather than to increase their pay; and the test of this week's announcement (which was accompanied by the announcement of similar changes in the Navy and RAF) will be the extent to which these commitments are in fact curtailed. Meanwhile, it is worth noting that a resolution at the TUC meeting raised the whole question of the adequacy of the pay and allowances of the rank and file of the Services.

War-time Survey

In reply to a question on Tuesday, the Parliamentary Secretary to the Ministry of Information stated that he was now reviewing the work of the Social Survey Section of his Department. Actually, it is common knowledge that the wartime survey group which has been furnishing the Government with information as the result of scientific inquiries among the population has in fact been broken up. Some say that it "walked out"; others that it was "pushed." It matters little. The point is that, within the Ministry of Information, there has been a change in staff which has preserved the pretence of a wartime survey without its personnel. The issue is sorely confused by personal considerations and individual ambition—on both sides. But there are two questions before the Government at the present time—apart from the loutish (to borrow and make better use of a Goebbelsian adjective) refusal of a large part of the Press to see anything in survey work but "snooping" or "tracking." One is whether or not the admirable group of researchers who have learnt to work together with common techniques and a high standard of integrity and efficiency is to be made use of again. If it is not—and this is true whatever the rights and wrongs of the present recriminations may be—a great deal of time, skill, energy, zeal and even devotion will be lost. The second is whether the Ministry of Information, with all its associations of propaganda and publicity, is the best place for this organisation to function. It has been suggested that the work should be done for the Board of Trade instead. This would have the advantage of serving the obviously important need of the Board for information about the reactions of traders and customers to rationing and the limitation of supplies. It would have the disadvantage of confining its activities to the work of one Department; and it still seems probable that the right place for this investigatory machine is in attachment to the War Cabinet Offices, where it could be made the medium of accurate and unbiased inquiry into all the problems of public opinion and public demand which face every Minister and every Department in wartime.

Workers' Transport

Winter is not far off, and the problem of remedying at least the more blatant deficiencies in workers' travel between their homes and work places is urgent. The chief difficulties are, as the Twenty-first Report from the Commons' Select Committee on National Expenditure points out, that services are inadequate; that workers often have to wait for an hour and a half or more for a bus; that there are seldom shelters at the places where they have to wait; that when they do find a place, they may have to stand; and, finally, that when, as in some rural areas, services are operated by owners of one or two vehicles, breakdowns are frequent and repair facilities inadequate. Some districts have worked out their own remedies. Birmingham has eased congestion by staggering hours in a number of large firms. In the middle of last winter, Oldham, too, adopted a similar plan on a small scale, which proved most successful; groups of mills situated outside the town start work half an hour earlier than those in other districts and stop half an hour earlier; and this means a substantial saving in buses, which are then available for

use in other districts. In consultation with the London Passenger Transport Board, the Regional Board has divided the London area in 32 districts; firms have been asked to form groups; and these cover, at present, some 700 of the larger firms in the London area. The trouble is that all workers naturally prefer to get home before the black-out. If transport is arranged on this basis, unexpected overtime may mean no transport is available to take workers home—as sometimes happened last winter. This is not the fault of the transport workers, who have shown great willingness to drive through black-outs and blitzes. It simply means that there must be more planning between factories and the transport agencies. "A solution," comments the Industrial Welfare Society, who has taken a great interest in this problem, "is not only vital to the transport organisations, but also for the health and welfare of workers and to ensure maximum production."

Beauty and the Beast

Beauty has suffered badly in this war, both from the destruction dealt by the *Luftwaffe* and from the ceaseless encroachment upon the countryside by the armed forces and war industries. The loss of the nation's beautiful buildings is accepted as the fortune of war, and the loss of the nation's beautiful countryside is tolerated in the interest of the nation's security. But when a proposal is made to destroy that countryside even further, not as a means towards winning the war, but for the private gain of a few, it cannot be tolerated for a moment. The promoters of the Glen Affric power scheme argued that it was in the interests of the Highlanders themselves, because it would help their industrialisation and thus raise them from the poverty which is their present lot. It is true that beauty must sometimes give way in the name of material progress, and it is also true that, on some occasions, this progress has been thwarted by vested interests who have no concern for the welfare of the people and are only anxious to preserve their selfish rights. But, in the case of Glen Affric, there could be no assurance that the scheme would promote the welfare of the Highlanders, because it was not introduced as a Government measure, and the opposition of the Secretary of State for Scotland secured its rejection in the House. In any case, the improvement of the Highlanders' standard of living should not be dependent on the action of a private company. If some industrialisation is necessary, then it should be made part of a comprehensive Government plan for betterment, and not left to follow haphazardly from the introduction of a power scheme primarily aimed at satisfying the industrial Lowlands. There is hardly an industrial centre in the country which is not a crying example of the evils of undirected development. Unfortunately, as Mr W. A. Goodbody pointed out in a letter to the *Times*, schemes such as Glen Affric have to be fought by private individuals or small local authorities with scanty financial resources against strong financial interests which can eventually wear down the opposition—especially during a war. Since the beauty of the Highlands and the welfare of the Highlanders are both a matter of national concern, it is time that this steady infiltration by private interests—here and elsewhere—was estopped.

Shorter Notes

The following table of comparative losses of aircraft has been officially compiled:—

	1939	Axis	R.A.F.
Great Britain	1940	23	...
	1941	3,038	847
At Sea	1939	568	37
	1940	6	1
	1941	27	36
Western Front	1939	5	17
	1940	14	5
Scandinavian campaign ...	1940	943	374
German Europe	1939	56	55
	1940	20	26
	1941	45	349
Near East	1941	625	959
	1940	421	78
By Royal Navy	1941	1,666	305
	1939	3	...
	1940	241	...
	1941	319	...
Total		8,020	3,089
Russia (estimated)		4,000	...

THE WORLD OVERSEAS

Lease-Lend and Duff Cooper

(By a Correspondent)

September 1st

NOT unnaturally, the public in this country has tended to think of the American Lease and Lend programme exclusively in terms of aid to Great Britain. It forgets that it includes aid to Britain's Allies, to South America, and now to Russia and to China. Particularly the aid to China is taking on a growing importance at Washington. In a sense, this part of the programme conflicts with aid to Great Britain, since the material sent to the one country is material denied to the other. But, on a larger view, the two parts of the programme are supplementary, for it is the American material which will maintain Chinese resistance—the resistance which is so vital to British interests. Aid to Great Britain and aid to China are thus two parts of a single mechanism, and the one must be, and is being, planned with reference to the other. And as the planning of the scope of the aid to China is thus a matter of joint Anglo-American interest, so also is the execution of the programme, since for various reasons it happens that American aid can only be made fully effective if certain action is taken by the British Government or by the Governments under its influence.

The scale of the programme of aid to China is, of course, dwarfed in comparison with the aid to the Empire. For liaison with Mr Hopkins' Lease-Lend administration the Chinese Government has set up in Washington an agency broadly similar to the corresponding British organisation. This is presided over by Dr T. V. Soong, the former Finance Minister.

As might have been expected after the repeated raids on Chungking, the chief interest of the Chinese is in the supply of aeroplanes. The creation of a really efficient, though not necessarily very large, air force would, they say, transform the whole character of the war and tilt the balance definitely in China's favour. It is this part of the China programme which is also of greatest interest to Britain. For a Chinese air force is an air force on the flank of a Japanese navy or army moving southwards. It is a force which could harass its communications, spy out its movements, and perhaps even bomb its industrial bases in the homeland. Here aid to China coincides with aid to the Empire. A Chinese striking force in the air would be a most substantial comfort to the mind of the Commander-in-Chief at Singapore. How large is the air force which China may expect from the United States is, of course, a carefully kept secret. The limiting factor is the competing claims upon all available aircraft by Great Britain. Every bomber and fighter for China has to be fought for from the British Air Commission. Nobody—American or Chinese—questions that British and Russian needs are paramount, since in the long run the fate of China depends on the defeat of Hitler in Europe, but it is worth emphasising that the division of supplies between China, Britain and Russia in the proportion which best forwards their common interests is one of the nicest and most vital questions of war strategy.

Aeroplanes are not the only material which America is sending to China. It is prepared to despatch small arms, artillery, ammunition, stores of all kind, medical stocks and trucks in very large quantities. Their despatch has, however, one proviso. Aeroplanes can be flown into China; other supplies have to go overland. The proviso therefore is that ways should be found for these supplies actually to reach China. In other words, the basic problem of the Lease-Lend administration in the east as in the west is one of communications. In the west, the obstacle is the submarine and bomber infested Atlantic Ocean. In the east it is the fact that all approaches to China except one have been sealed; and this approach is the celebrated but vulnerable and precarious Burma Road.

The capacity of this road is very limited. It is true that expert reports have unanimously agreed that the present extreme delays in transport are due partly to graft and incompetence; yet they are also agreed that, with the best management in the world, the road could hardly carry as much as 40,000 tons a month compared with the 75,000 tons a month which used to flow through the Indo-China roads and railway. Already very large stocks have been piled up in Rangoon, and the prospect is that as American shiploads reach this port their cargoes will accumulate in immense and rapidly deteriorating dumps. The Lease-Lend plan, so far as it affects Far Eastern strategy, would thus end in fiasco.

New Life Lines Wanted

It is precisely here that it would seem that Great Britain can make its contribution. The common interest of Britain, Russia, America and China is that Chinese resistance should continue. To this end China is contributing manpower and America the tools; and Great Britain can contribute the services, especially those for enlarging and maintaining the vital lines of approach to China. These avenues lie through British territory. China has a very long frontier with India and Burma, which is at present, except by the Burma Road, impassable, but which can certainly be pierced in other places as well. Admittedly, the terrain is among the most precipitous in the world. Nevertheless, under war conditions, construction miracles are everywhere being performed, and it is known that the building of a railway to supplement the Burma Road, and of an alternative and safer road to the north starting not from Burma but from India, and also the organisation of an air transport system, are all alike technically possible. Some of these projects have indeed already been accepted in principle by the British Government. But it must always be kept in mind that time is the vital factor, and that if these new lines are to have a decisive effect on the war, they must be completed within a matter of months, not years.

This is the background. The despatch of Mr Duff Cooper to Singapore is perhaps the best augury that the British Government has appreciated the problem in its immensity and its urgency. Mr Duff Cooper will have many other interests besides those of communications—the military plans, the diplomatic negotiations with China and the Dutch East Indies. Yet all problems in the Far East at present turn upon communications. And Mr Duff Cooper's best chance of writing his name into the history of the war will be as a kind of generalissimo of the Asiatic life-lines, as the supreme organiser of the intricate network of sea-lanes, air-lanes and motor-roads by means of which the imperial ambitions of Japan can be checked. It is a great task—it requires great energy and the closest co-operation with America and China, and perhaps the creation at Singapore of an administrative machinery to make this co-operation effective. But it is also a great opportunity.

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Western Business Leaves North China

[FROM OUR SHANGHAI CORRESPONDENT]

August 4th

LAST summer's Anglo-Japanese arrangements to liquidate the blockade of the British Concession in Tientsin on the whole turned out satisfactory and according to expectations. They successfully eliminated from Anglo-Japanese relations in North China the element of outright violence. But those arrangements could not prevent Japan from obtaining full paramountcy in North China's domestic and foreign trade. For years to come, Free China's armies have no prospect of driving out the Japanese from China north of the Yellow River. There is no longer any chance in the near future of expansion or even maintenance for western business in North China; the outlook is rather for a wearisome defensive fight, against heavy odds and little support from the outside, which may be expected only to slow down the pace of apparently inevitable retreat. Non-Japanese foreign business interests in North China, therefore, are no longer very keen on holding out at any price; and while their withdrawal as yet is by no means precipitate, opportunities of selling out in good style and at reasonably fair prices are no longer missed.

As regards British North China interests, the outstanding sale so far was that of the Taku Tug and Lighter Company's fleet of thirty-four lighters of over 15,000 tons gross, nine tugs and three other vessels, as well as docks and engine works at Taku, effected in July, to the semi-official Japanese East Asia Shipping Company. The price of £250,000 is considered satisfactory in the circumstances, and shareholders appear to have been well advised to let go in time of an investment whose value had come to depend entirely upon the goodwill, if any, of Japanese military authorities in North China. In Tientsin in recent months, there have also been a number of important sales of British real estate into Japanese and Chinese hands, also at prices deemed reasonable. Some other small and middle-sized British commercial firms had by last winter liquidated their Tientsin affairs for good. There are no really substantial American investments in North China, but prominent American firms there are also retrenching and withdrawing. The National City Bank of New York on July 31, 1941, closed its Peiping branch office. The American chemical mammoth concern, E. I. Du Pont de Nemours and Company, during the past few months has closed both its Tientsin and Tsinan offices, withdrawing altogether from business in North China.

North China's foreign trade is now entirely under Japanese control, exercised both through the Chinese Maritime Customs machinery and through foreign exchange control operated by Japan's semi-official Yokohama Specie Bank. Neither imports nor exports are possible except under a strict double regime of Customs and foreign exchange permits. All foreign trade transactions have to be framed into import-export "link" deals, mostly arranged artificially, but always with exchange proceeds from exports surpassing exchange allotments for imports. A certain improvement over last year has been the informal abandonment of the Peiping FRB puppet dollar's official exchange rate of US\$0.23875 for FRB\$1.00 in favour of a new "commercial link rate" of around US\$0.11. This latter rate roughly corresponds to open market valuations in Shanghai of FRB currency.

Japanese Middlemen

A definitely unfavourable development is that more and more special firms, recently organised by the Japanese military on the pattern of proceedings in Central China, monopolise the delivery at ports of export goods as well as the distribution in the interior of import commodities. This results in the complete separation of western foreign traders in these port cities from their suppliers and customers in the hinterland, as well as in the full Japanese control of demand, supply and internal prices of foreign trade goods. The rate of foreign trade profits for western firms consequently has been much curtailed, while the cream of these profits goes to the Japanese units inserted between the ports and the interior.

American firms still retain the biggest volume of non-Japanese foreign trade in North China. Exports to the United States, declared in June this year through the

Tientsin U.S. Consulate-General alone, were still valued at £550,000, consisting mostly of bristles, skins, woollen carpets and egg products unclaimed by Japan for itself. The bulk of these export goods, however, had to be acquired on the spot at Tientsin from Japanese commodity control units, which reduced formerly independent American exporters to the status of mere commission agents; part of these exports to America were even handled up to the New York markets by Japanese firms themselves. Other non-Japanese exporters in North China have been reduced to similar circumstances. Over 60 per cent of all exports from North China now appear in Japanese hands. Japanese firms monopolise the entire foreign trade in the region included within the puppet state of Meng-Chiang (Inner Mongolia), whose former exports to Anglo-Saxon countries of wool, furs and skins were mostly in British hands. Japanese firms equally monopolise all the North China trade with Japan proper and its dependencies. And Japanese firms have cut out entirely all western firms from any participation in what remains of Tientsin's once large transit trade with Manchuria.

In North China's imports, Japanese goods this year account for almost 90 per cent of the total. The import permit system is being manipulated with a view to excluding all western goods competitive with products which Japan is still able to supply, or expects to supply in years to come. The import-export link system is being operated in such a way as not only to provide the Yokohama Specie Bank with a net foreign exchange surplus from every single link transaction, but also to offset receipts of most of the convertible foreign exchange secured from Anglo-Saxon countries against imports from Japan paid for in yen. Even where import permits have been secured for non-Japanese goods, the interior markets remain inaccessible to western importers except through official or private Japanese middlemen.

Tientsin's trade position in the whole of North China continues to weaken. Western trade interests in North China are chiefly concentrated at Tientsin, where the continuous existence of foreign territorial Concessions, especially of the British Concession, naturally still tends somewhat to restrict the scope of Japanese economic and financial control. This is a reason for the Japanese to discriminate against Tientsin and to favour, at the city's expense, other North China ports where numerous export goods are more amply supplied, import permits are more easily obtainable, and more favourable exchange rates are being granted than at Tientsin. Strong Japanese interests favour, in particular, Tsingtao, which they expect in the long run to supersede Tientsin, especially with the help of Tsingtao's new railroad connection straight through Hopei Province with the Peiping-Hankow Railway and Shansi Province.

Financial Policy in Eire

[FROM OUR DUBLIN CORRESPONDENT]

August 26th

THE Government has decided to keep down the price of bread by a subsidy. The price of imported and home-grown wheat has risen, and many costs of milling and baking have increased. The annual consumption of wheat in Eire is about 350,000 tons, of which about 290,000 tons will be supplied at home this year. In order to prevent the price of bread from rising, a subsidy of £2,000,000 will be necessary. Of this sum, £750,000 will be contributed from the accumulated reserve funds of two bodies concerned with the importation of wheat before and during the war, and the balance of £1,250,000 will be provided from public funds. The Government has announced that in no circumstances will the subsidy be increased in future years.

Presumably it is the intention of the Government that its share of the subsidy should be provided by additional taxation. The Minister for Finance recently announced that new taxation would be necessary and that the only possible source of additional revenue is income tax. It is quite true that indirect taxation is incapable of yielding any more. Indeed, the yields of many Customs duties will probably fall as a result of the decline of imports. Additional direct taxation would not yield much and would prove very deterrent to enterprise and employment. In respect of war taxation, the circumstances of Great Britain and Ireland are entirely different, but this fact does not appear to be fully grasped by the Minister for Finance. In Eire there has been no expansion of money incomes caused by the

war. The income structure is very inelastic; there are very few surtax payers, and the capacity of the direct taxpayer is already strained to the utmost. Any increase in direct taxation would be definitely inadvisable.

If this opinion be correct, it would appear that additional revenue is not available from any source. Expenditure cannot be curtailed at present in view of the war. The conclusion is inescapable that the Government should borrow to meet a large part of its current commitments. The warnings of the Banking Commission against adding to the public debt are only partially valid in present circumstances. That Report, which was issued in 1938, was concerned with the normal practices of peace rather than with the abnormal practices of war. The Banking Commission's objection to the pre-war borrowing was largely based on the unproductive, recurrent and cumulative nature of the expenditure for which the borrowing was incurred. It is true that most of the present war expenditure is unproductive and that any debt now incurred would be deadweight, but tiding over an unprecedented and temporary emergency is precisely one of the purposes for which borrowing may properly be undertaken.

Furthermore, the Banking Commission was concerned with the growing debit balance on international account. The balance of payments was passive and was becoming more passive every year. In these conditions, borrowing that did not encourage exports was properly regarded with disapproval. But at present the balance of payments is active, and imports are being kept down by the realities of scarcity and blockade. In the twelve months between June, 1940, and June, 1941, the sterling assets of the Irish banks have increased by £9,000,000. During the same period deposits have increased by £13,000,000, advances have declined by £5,000,000, cash and money at call and short notice have increased by £11,000,000 and investments have increased by £11,000,000. These statistics disclose the accumulation of considerable savings, and the monetary situation appears to be definitely favourable for successful borrowing operations.

The Lesser Evil

To advocate a loan rather than additional taxation is to advocate the lesser of two evils. Additional borrowing is, at best, a disagreeable course, but it is less dangerous in its consequences at the present time than additional taxation. There is a likeness between the affairs of an individual and of a nation. If a man finds himself in an exceptional emergency he may be justified in living on capital for a short period. If reduction of expenditure is impossible, and if additional income can be earned only by a dangerous overstraining of his energy and resources, to live on capital may be the lesser of two evils. But it is an expedient which is in its very nature temporary, and when the emergency has passed, the normal standards of prudent finance should be immediately restored. The proposal that Eire should make use of its abundant credit to tide itself over a period of crisis in no way conflicts with the recommendations of the Banking Commission that, in normal circumstances, the Budget should be rigorously balanced, deadweight debt should not be increased and existing loans should be, at least partially, redeemed.

Hongkong and the Far Eastern Crisis

[FROM OUR HONGKONG CORRESPONDENT]

August 5th

As a direct result of the Anglo-American sanctions against Japan, Hongkong has joined the sterling bloc. For some time past, the position of this colony has been anomalous, for, although its close working relationship with China left no option at the outbreak of war but to remain with China outside the sterling area, the course of events has led to certain restrictions and the exchange market has been subject to a measure of control. The freezing of China's assets as well as those of Japan meant that Hongkong could no longer remain an appendage of China, and on August 1st the colony entered the economic fold of the British Empire.

The change over seems to be proceeding smoothly, and although there was much uncertainty for a day or two, it

is now clear that normal commercial transactions will meet with no serious obstacles. There will, of course, be close supervision by the Government, and, so far, experience of the control of trade instituted a few months back has not reconciled business houses and Chinese traders to the loss of their much cherished freedom to buy and sell as they choose. Certain local industries will directly benefit from the entry into the sterling bloc, as the markets of Malaya, which have been closed to Hongkong since the outbreak of war, will now be reopened. What will happen in the case of the large exchange of trade between Hongkong and Shanghai remains to be seen, but no doubt this will soon be adjusted. Presumably special arrangements will be made in regard to shipments from Hongkong to Free China via Rangoon, this trade having developed considerably since the reopening of the Burma Road.

It is a matter of regret that the surrender of the Vichy Government to Japan could not have been forestalled. While there is nothing but praise for the promptitude with which the British, American and Netherlands Governments acted in applying economic sanctions, there is little confidence here or in Shanghai that this action will have any effect on Japan's determination to bring Indo-China and Thailand within the Co-prosperity Sphere of Greater East Asia. It now remains to be seen how Japan reacts to economic pressure. The past week has produced many conflicting reports of the extent to which its trade will be penalised by Britain and America. First we were told that supplies of oil would be denied; then we heard that frozen assets would not prevent shipments of oil being made. Next came the announcement that America was putting an embargo on fuel oil and aviation spirit to areas outside the Western Hemisphere and British Empire, but as Japan was not specifically mentioned, this move could be given two interpretations. The general feeling here at the moment is that neither America nor Britain wishes to put the screw on too tightly. Yet Japan has recalled its great mercantile fleet from the high seas, and this sacrifice of

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earning power suggests that the Japanese Cabinet are not likely to deviate from the course which has been set. The large-scale movement of troops in Manchuria is scarcely a sign of repentance for having chosen the evil way. At the same time, it is hard to believe that Japan has cast all discretion to the winds, and the Japanese Government may still imagine that the game of bluff, at which it has the advantage, can be continued for some time to come. The whole situation is bewildering, but, despite the jeremiads of American journalists at present gathered here in some strength, Hongkong refuses to be rattled, and pursues its daily course with no apparent concern for the peril which hovers over it. If Japan can no longer avoid open warfare with the democracies, we shall, of course, be isolated from the main defences of the Empire, but in view of the military and civil defence preparations which have been carried out so extensively during the past few years, we trust we shall remain intact.

Foreign Trade Drop

The trade returns for the first half of this year show the inevitable shrinkage due to reduced shipping facilities. Both imports and exports were 7½ per cent less than the corresponding figures for the first half of 1940, but, taking into account the big increase of costs, together with higher freight and insurance affecting import values, the volume of trade must have contracted appreciably. Nevertheless, a comparison with the three years previous to 1940 suggests that the falling off is not so serious as might have been expected, and, so far as local exports are concerned, there has undoubtedly been a marked advance.

	IMPORTS	EXPORTS
	(in millions)	
First half:		
1939	\$301.0	\$270.0
	(£18.5)	(£16.6)
1940	\$419.6	\$326.5
	(£25.9)	(£20.2)
1941	\$387.3	\$302.5
	(£23.9)	(£18.7)

During the second quarter of the year there was a further rise in the cost of living, and the official index for all groups shows a figure of 216.5, compared with 192.4 for the first quarter of the year and 173.3 for the whole of 1940. The basis year is 1922. Foodstuffs, as was to be expected, show the largest advance of individual groups, the average for the June quarter being 234.3, compared with 199.8 for the March quarter and 174.8 for the whole of 1940. But a more striking indication of the rise in the cost of living to the poorer classes is an official statement that the cost of food and fuel (chiefly rice and firewood) per head per week rose from \$2.43 in June to \$2.54 in July, compared with \$1.20 in July, 1937. Although the Government and the principal foreign and Chinese corporations and commercial concerns have granted high cost of living allowances, the bulk of the wage-earners are not so fortunate, and are suffering cruelly from the ever increasing rise in the price of necessities.

Price Control Measures in Canada

[FROM OUR OTTAWA CORRESPONDENT]

August 20th

THERE are increasing signs that, with full employment now in sight, sterner measures for the curtailment of consumption of goods must be taken if there are to be adequate supplies of labour and material for the commitments of the war programme. There are also indications that a comprehensive system of price control may soon be put into effect. The Wartime Prices and Trade Board has been transferred from the ægis of the Department of Labour to that of the Department of Finance, and it is expected that its powers will soon be extended to cover practically all phases of processing and distribution. It will work in close co-operation with the War Industries Control Board, which is also deeply concerned about the rise in prices of raw materials; and it is probable that these two agencies will be given the task of working out a scheme of price

control. The need for some such control, which would check agitation by workers for higher wages, has lately been emphasised by serious strikes in the coalfields of Cape Breton, at Arvida in Quebec, Hamilton and other places. The question of priorities is also becoming acute, and the Government has lately appointed a special board of steel experts, who will try to arrange an equitable distribution of the available domestic steel supplies.

The grain harvest of the prairie provinces began earlier than usual this year. Recent rains have improved the later sown crops, but the crop experts will not forecast a greater wheat yield for the prairie country than 270 million bushels, which would be little more than half the yield of 1940. This sharp decline in production cannot be regarded as wholly a calamity, because the Bureau of Statistics placed the carry-over of Canadian wheat at the end of the crop year on July 31st at 480 million bushels, which represented an increase of nearly 180 million bushels over last year's then record carry-over of 300½ million bushels; another large crop would have produced an almost insoluble storage problem. Canada has been represented at a conference held in Washington between delegates of countries interested in the wheat problem, and, while no official statement about its proceedings has been issued, it is understood that plans were considered for a division of the available export markets between the producing countries on a quota basis and the possibility of a free distribution of surplus stocks of wheat to impoverished countries after the war.

Letter to the Editor

Political Economics

TO THE EDITOR OF THE ECONOMIST

SIR,—A Note entitled "Political Economics" in *The Economist* of August 23rd discussed an article published in the Bulletin of the Institute of Statistics, Oxford, that dealt with the problems of wage stabilisation and prices in connection with the recent White Paper. The writer of the Note considers that the article in the Bulletin, in its discussion on possible wage policy, trespasses on politics instead of remaining in the fields of economics and statistics, hence the unusually worded heading of the Note.

But the writer in the Bulletin does not, as the Note states, "advocate continued bargaining for higher wages"; he only says that this is the legitimate field of trade union action. The writer points out the existing differences in wages, and says: "A wage stop decreed from above would tend to do more harm than good by preventing all those adjustments which, via the money incentive, would increase the war effort, and would do injustice to the present and future claims of workers on the national income." This is not politics in any injurious sense, but a statement of the effects to be anticipated from a policy. In his summary, however, the writer in the Bulletin approaches more closely to political terminology. "The democratic machinery for settling labour questions could be fully maintained. . . . Bargaining would be for a fair share in the present supply of consumers' goods . . . and . . . in national savings." "Fair" is not necessarily equivalent to "higher," but the argument of the article is that without general rationing fairness will not be attained.

Economics alone does not decide for us whether wage stabilisation or rationing are better solutions for the problem of war finance than inflation; it can only show us the implications of any particular measure, but the criterion of preference remains non-economic. If one is to contribute intelligently to the discussion of economic policies, one cannot ignore the interconnection between business and politics. *The Economist* has for many years stressed this interconnection. "Since its foundation nearly a hundred years ago," wrote Sir Walter Layton on his retirement from the editorship, "*The Economist* has never failed to stress the interplay of those two phases of public life." It is to be hoped that the derogatory heading of the Note is not a sign that this great tradition is to be discarded, and that *The Economist* will not view with disfavour attempts to show the political significance of economic action, if at some other time the Bulletin is concerned with these aspects.—Yours faithfully,

ARTHUR L. BOWLEY,
Acting Director.

Institute of Statistics, Oxford.

German Europe

Wages and Social Policy.—The promised reform of wages and social institutions has been abandoned for the duration of the war. Additional wages and social benefits may, however, be introduced if they help the war effort; the incorporation of large new territories made some adjustments necessary in any case. The characteristic features of Germany's wartime social policy, which were partly introduced before the war, are the conscription of labour, the prohibition of the free movement of labour and the wages stop. Wage rates remained unchanged, and weekly earnings fell as long as overtime payments were prohibited. After the full restoration of overtime and other payments in September, 1940, weekly money wages soon reached the level of August, 1939.

The fact that social benefits and wages are closely related at one time threatened the carefully planned system of wartime employment and wages. Encouraged by the authorities themselves, employers introduced many different kinds of individual social benefits in addition to the official benefits. Some factories formed additional old-age pension institutions, others paid during sickness the difference between wages and sickness insurance benefit. Big concerns introduced special family allowances. Kindergartens, works canteens and extra pay for deferred holidays were established. In short, every possible means of increasing wages was tried out for the purpose of keeping workmen or attracting badly-needed recruits.

No general stop could be put on this policy, and the Ministry of Labour, in collaboration with the German Labour Front, was forced to generalise these individual policies. First, the employment of factory doctors was made compulsory; and the Labour Front took control of works canteens and of working conditions with the purpose of preventing these virtual increases in wages. At the same time, the increasing employment of women raised new problems. Married women with children were either employed for half-days or given a free Saturday every week. They were given holidays when their husbands were on leave from the Services. The widespread separation of families compelled the institution of separation allowances.

Yet the main problem remained unsolved. The wages stop seriously threatened the efficiency of workers, which was first experienced in the coal-mining industry, where an all-round increase in wages became necessary. This was followed by improved benefits under the health and old-age insurance for miners, which is still a separate part of the State insurance. The pressure in other industries remained; and in May, 1941, conditions under the general sickness insurance were also improved. The latest measure was the increase in old-age pensions decreed on July 30, 1941. These increases, however, only restored the reductions made during the economic crisis in 1930-32.

There is no doubt that the old-established system of social insurance has mainly been used by the Nazi regime as a source of public borrowing and a means of additional taxation. Unemployment, for example, virtually disappeared a long time ago, but contributions are still paid at the excessive rate imposed during the economic crisis in 1930-31. By the extension of compulsory insurance to higher incomes, the yield from contributions increased considerably. Private life and sickness insurance institutions are already complaining about State competition. The Labour Front, on the other hand, has grown into a big insurance company. It interferes everywhere with the old-established State insurances, which lack centralisation. There are three different old-age insurances—for miners, for all other industrial and agricultural workers, and for clerical or black-coated workers who receive salaries. There is the separate workmen's compensation organisation, sickness insurance, and, lastly, unemployment insurance. Benefits are frequently below subsistence level and the public welfare organisation of the communes had to assist 1,384,000 persons in September, 1940. Lastly, there is the purely Nazi organisation of "winter help," which distributed money to roughly 400,000 persons during the last winter in Berlin alone. Marriage and child allowances round off the picture of Germany's social policy.

Social policy is closely linked to the control of labour. Vocational guidance is now compulsory and dates back to 1925-26. The training and re-training of adult workers is practised on a large scale. The occupational competitions held of apprentices and the so-called factory competitions held by the Labour Front must be regarded as substitutes for the

incentive normally provided by rising wages. The preventive health services, mainly established in the armament and munition industries, have been greatly extended since the beginning of the war; they include regular medical examinations, X-ray treatment and the distribution of vitamin tablets.

Dividend Stop.—After more than three months' discussion, a general dividend stop, limiting dividends to 6 per cent, was decreed at the end of June, 1941. The dividend stop replaces the Loan-Stock Law, which was repealed shortly before the war, when the so-called "new financial policy" was introduced. The German Press makes it clear that the stop was accepted mainly because of psychological reasons. It was felt that some limitation of dividends was necessary as an addition to the price and wages stop. The decree makes provisions for a general adjustment of the capital of under-capitalised companies. The issue of bonus shares is expected to relieve the shortage on the bourses, where share quotations are still booming.

Railways.—During 1940, the German state railways were greatly extended by the acquisition of some private railway companies and the incorporation of French, Belgian, and Luxembourg territory. The financial results of the year show substantial increases indicating the heavy demand of military transport and greater economic activity:

	Income		Running Costs		Gross Profits
	Total	Passenger	Goods	Costs	Profits
1938	5,134	1,432	3,356	3,926	372
1939	5,813	1,690	3,771	4,520	468
1940	7,603	2,430	4,720	5,435	473

There was a much larger increase in passenger income than in goods income. It would be wrong, however, to assume that these figures indicate the actual development of traffic. The greater part of freight rebates were abolished, and the number of passengers using the more expensive classes of travel increased. Total income increased by 30.8 per cent, but running costs by only 20 per cent. Capital expenditure for the replacement of tracks, buildings and rolling stock amounted to Rm. 1,695 millions, against Rm. 455 millions in 1938, and Rm. 825 millions in 1939. These figures show that the long-delayed programme of renewing tracks and rolling stocks was well under way in 1940.

Consumers' Co-operatives.—The awkward problem of the consumers' co-operative, in which millions of workers had invested their savings, has been suddenly solved by a decree which makes more than one thousand co-operatives, comprising some 12,000 retail centres, the property of the Labour Front. Dr. Ley, the Front's leader, has stated that it has proved impossible to change the co-operatives into independent retail shops, as was decreed in 1935. Serious discontent among the members would have developed, and industrial districts would have lost efficient distributing organisations. They are still necessary to-day, but the Nazi Government considers their collective basis an unwanted privilege of the members. So Dr. Ley simply took over their assets, which he called a capitalist power. After the war the retail centres will be given to demobilised soldiers; and the necessary capital will be lent by the Labour Front.

Closed Down Industry.—Shortly after the war began the co-operative financial help for closed-down or curtailed civilian industries was introduced by imposing a levy on the whole of industry. In June, 1941, a fund amounting to Rm. 35 millions had been accumulated, of which only Rm. 8 millions had been distributed. The trustees of the fund expect, however, an increasing demand because of further reductions in the civilian sector of the industry. Even among the independent artisans there was little demand for financial help. The retail and wholesale organisations granted assistance to 1,800 members for maintaining the rent of shops. Applications for financial help came mainly from the textile and clothing industry, from motor-garages and from the furniture industry.

THE BUSINESS WORLD

Brewery Shares and Morale

THE balance sheets of British breweries, published during the last few weeks, make a showing which affords a remarkable contrast to the popular impression based on the undoubted existence of intermittent "shortages" of the industry's product. Lately, there have been a number of places where "those who stood before the tavern shouted: 'Open wide the door'"—and sometimes unsuccessfully. A visitor from Mars might have concluded that the brewery industry, in this war, was as other consumption trades, whose output had been cut to a fraction of its pre-war size, in the national interest. Actually, beer consumption, like tobacco consumption, has recently been running appreciably above its pre-war level. Such unsatisfied local demand as is not due to temporary and local transport difficulties has resulted from the fact that in wartime the national appetite for beer seems virtually insatiable.

It is, indeed, fortunate for the industry that the authorities have apparently accepted the view that beer, like tobacco, is less a consumable product than a factor in wartime morale. "Concentration" in the industry has been going on for many years, both on the production and the retail selling side, but it has certainly not attained anything like the Draconian character of the policy enforced on, say, the textile trades. Wartime experience, in fact, has shown that the industry's difficulties have little to do with quantitative restriction, but are attributable to two quite distinct factors. The first, common to all units in the industry, is the increasing level of costs. The second is the unequal incidence, in a highly localised industry, of enemy bombing and civilian evacuation. The really prosperous areas of the country at the present time, from a brewing point of view, are the munition-making areas, where local brewers frequently cannot cope with a demand which may be anything up to twice as great as in pre-war days. In the more heavily bombed areas, particularly in London, while the falling off in demand has not reached anything like catastrophic dimensions, purely physical difficulties have been quite considerable, and have left their mark on the earning power even of the largest companies, despite the existence of a mutual arrangement between producers to help each other, by way of supplies, to the utmost practicable extent.

Nevertheless, the accounts of those breweries whose financial years run, in most cases, to June 30th, show that the leading feature of brewery finance in peacetime—relative stability of profits at a fairly high rate on equity capital—has not so far been really seriously modified by war conditions. The table opposite, which includes companies operating in the north and north-east of England, in the London area and in Wales, as well as the all-embracing Guinness organisation, is equally noteworthy for the relatively strong resistance to depression shown by earning power in the badly-hit areas, and the absence of any striking expansion in the war-prosperous areas.

Stability, indeed, appears to have been the keynote of brewery finance in recent months. Few of the companies appearing in the table disclose their working expenses, but the single exception to that rule—Watney Combe—showed a rise from £827,000 to £948,000 between 1938-39 and 1939-40, followed by relative stability in 1940-41, when expenses of £932,000 were disclosed. Similarly, the stock-in-trade figures of the seven companies, on balance-sheet dates in 1939, aggregated £2,890,000. A year later, the figure had risen by 33 per cent to £3,840,000. The 1941 stock-in-trade total, however, showed a further rise of only 1 per cent to £3,883,000. This argues a creditable and successful adjustment to wartime conditions, which would seem to have been carried through, in large part, during the earlier months of the war. In this respect, the industry has been helped by the forbearance of the Chancellor, who last April was content to leave the beer duty at twenty-one times the 1914 level, after having increased it in his Emergency

PROFITS, EQUITY EARNINGS AND DIVIDENDS

	1935	1936	1937	1938	1939	1940	1941
<i>Profits (£'000)</i>							
Fraser & Neave (30 June) . . .	238	266	282	283	284	329	388
Guinness (30 June)	2,173	2,180	2,089	1,926	1,801	1,722	1,569
Wm. Hancock (31 May)	63	71	74	88	82	90	78
Tamplin (30 April)	319	339	346	364	361	378	389
Threlfalls (30 June)	378	395	425	420	431	460	435
Vaux & Associated (30 June) . .	82	88	106	119	117	99	70
Watney Combe (30 June)	2,447	2,531	2,573	2,515	2,491	2,549	2,391
<i>Earnings per share (%)</i>							
Fraser & Neave	19.6	21.6	22.3	21.9	22.4	24.3	24.2
Guinness	33.0	33.6	32.4	29.0	27.3	31.1	30.5
Wm. Hancock	6.1*	11.7*	10.5	18.5	17.0	17.3	11.1
Tamplin	20.1	23.2	24.4	24.9	22.8	22.8	26.6
Threlfalls	16.9	19.1	20.9	21.7	21.9	23.9	25.5
Vaux & Associated	8.0	9.0	10.7	11.2	11.2	10.2	6.7
Watney Combe	29.1	32.2	34.0	31.6	31.9	32.2	28.6
<i>Paid per share (%)</i>							
Fraser & Neave	11	13	13	13	13	13	13
Guinness	29	29	29	29	26	25	26
Wm. Hancock	Nil	Nil	8	10	10	10	10
Tamplin	10	10	10	10	10	8	6
Threlfalls	16	17	18	18	18	18	18
Vaux & Associated	7	7.5	9	10	10	8	7.5
Watney Combe	16	18	19	18	18	17	15

* After allowing for 1 year's Preld. Ord. Div. only.

Budget of July, 1940. The industry is undoubtedly making a formidable contribution to the Exchequer—much the highest, indeed, in its long history as a mainstay of the national revenue. But the larger part is being paid by the consumer. As the above table suggests, the industry is well placed in the matter of EPT, thanks to the fact that many of Britain's heavy industries, which largely provide brewing with its "marginal" customers, were more active in the base period than they had been for many years earlier. Some breweries are paying not EPT but NDC, and the undoubted increases in the total taxation which the companies are paying on their own profits come mainly under the heading of higher income tax.

All in all, investors may expect conditions to become more rather than less difficult as the war continues, but there is certainly no likelihood at the moment of any serious deterioration in earning power. The means by which the industry has achieved a slightly higher output from a slightly diminished supply of raw materials, since the war, may be inferred by consumers who remember what happened to average "strengths" in the last war. Against the higher costs of materials like malt and hops—and coal—the industry has been able to make considerable reductions in advertising expenditure, while the expensive (though progressive) policy of rebuilding and modernising licensed houses has had perforce to be suspended. But so far, the Government has resisted all pressure for a significant reduction in the quantities of essential materials available for brewing, particularly sugar and grain, which are in limited supply in the country as a whole.

Among the industry's difficulties, probably the shortage of labour is potentially the most serious. The nature of the work puts a definite limit on the extent to which called-up workers can be replaced by over-age men or by women. Transport is another difficulty on the physical side. Financially, the industry is a heavy contributor under the War Damage Act, and payments under this head will leave their mark on representative company accounts for the next five years at least. There seems, in fact, little likelihood that brewery dividends will increase during the war. Directorial policy, exemplified by the latest distributions, is likely to be increasingly conservative, and from that angle the recent rise in the market values of leading brewery shares is somewhat anomalous. As recently as the end of last April, the Actuaries' Index of brewery share prices (December 31, 1928 = 100) stood at 84.6, the average dividend yield on the twenty constituent shares being 6.89 per cent. By the end of last month, the price index had risen by 22 per cent to 102.9 and the average yield had dropped to 5.61 per cent.

The market, in fact, seems to be putting a fully adequate valuation on the favourable factors in the industry's outlook, without, possibly, laying equal stress on moral (as distinct from financial) factors. Directors have every inducement to keep dividends under strict control at a time when too effective a suggestion of prosperity might leave the

industry open to unwelcome attentions from Government control or generate unfavourable public opinion. Selective investment in brewery shares at present prices may have much to commend it, but that would not necessarily hold if values were to rise much further—as, to judge by the current tone of the market, they seem likely to do.

Finance and Banking

Bond Dealings in Lombard Street

The discount houses have during the past week enjoyed one of the most active bond dealing periods since the beginning of the war. The establishment of a real two-way market in National War Bonds has made it possible for them to unload some of their appreciable holdings of this security. The market seems to have joined the banks in swelling the last-minute applications for National War Bonds, and their participation in this movement no doubt helped to explain the exceptional stringency in the money market during the latter part of August. Now that the price of this issue has floated well off the basic figure of par, the whole market in shorts has sprung into more active life than it could claim as long as the War Bonds were available on tap. The market is now beginning to anticipate the terms of the next tap issue, and the general consensus of hope is that another 2½ per cent issue will make its appearance with perhaps an increase of two years in the currency to allow for the improvement which has taken place in the market for shorts since the tap for War Bonds was turned off. The need for a fairly early introduction of the new loan is indicated by the fact that this week the banks have been asked to pay £45 millions by way of Treasury deposits. This is against nominal maturities of £40 millions, but actual maturities probably well below this figure. Despite these heavy payments, the banks have been keen buyers of bills, thus indicating the complete return to abundance in bank cash which has taken place. The market obtained another generous allotment of Treasury bills at last week's tender, namely, 41 per cent, and has thus been in a position to feed the banks' appetite, though, it should be noted, not to the point of satiety. The exceptional ease of credit is reflected in the latest Bank return, which shows an increase of £11,099,000 in bankers' deposits, raising them to the abnormally high figure of £133,775,000. This is the result of heavy Government disbursements, which have drained public deposits by £5,223,000 to £9,274,000, and which have necessitated ways and means borrowing evident in an increase of £9,430,000 in Government securities. On the evidence of these figures, the appearance of the next Government loan ought not to be long delayed.

August Clearing Bank Statements

The outstanding volume of bank credit remained comparatively stable during August. The clearing banks' deposits over that month rose by £6,318,000 only, but established themselves at a new record within £3,000,000 of the £3,000,000,000 mark. Within this stability, however, there was a considerable redistribution of assets. As was to be expected, the main movement is the further increase in investments, reflecting the heavy bank subscriptions to

In £ millions

	Aug. 1940	Apr. 1941	May 1941	June 1941	July 1941	Aug. 1941
Capital and reserves	139.7	140.2	140.2	140.2	140.2	140.2
Acceptances, etc.	118.6	104.9	107.8	106.2	98.5	100.5
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts	2,481.3	2,828.6	2,824.0	2,945.9	2,990.7	2,997.1
Total liabilities	2,741.0	3,075.1	3,073.4	3,193.7	3,230.8	3,239.2
Cash	273.3	298.4	293.1	310.8	306.3	316.2
Cheques, balance, and items in transit	75.5	113.9	112.7	151.6	113.2	107.6
Money at call	147.6	137.4	128.4	142.9	138.6	139.5
Discounts	430.1	187.8	172.8	193.0	274.5	265.9
Treasury deposit receipts	26.0	461.0	469.0	482.0	476.0	468.5
Investments	682.1	819.7	848.3	880.2	902.5	935.2
Loans and Advances	919.0	883.7	873.0	859.2	863.4	838.0
Investments in affiliated banks	23.6	23.8	23.8	23.8	23.8	23.8
Cover for acceptances, premises, etc.	163.8	149.4	152.3	150.2	142.5	144.5
Total assets	2,741.0	3,075.1	3,073.4	3,193.7	3,230.8	3,239.2

National War Bonds in the final days of their tap issue. They have risen over the month by £32,700,000 to £935,177,000. For the counterpart to this movement, one turns to the item of Treasury deposits, for it has been generally assumed—and was suggested by the August debt return—that these bank subscriptions had been largely financed by the recall of Treasury deposit money. The latest return shows a reduction of £7,500,000 in this item. As in this period there were no maturities, and the banks were asked to pay £30,000,000 of additional Treasury deposits, it may be assumed that not only were the banks' subscriptions fully covered by such encashments of deposits prior to maturity, but that additional encashments were made in order to cover clients' subscriptions to National War Bonds. Advances continue their long-term decline, the past month showing a reduction of £15,357,000 in this item. Their total is now some £97,000,000 below that of investments. The August returns show a fairly comfortable cash position; this item was nearly £10,000,000 up on the July figure, and its ratio to deposits up from 10.24 to 10.55 per cent, figures which do not altogether accord with the evidence of stringency apparent at the time when the banks were making up for their August statements.

Chinese Exchange Agreement

The highly intricate exchange problems arising out of the conjunction of British and American freezing of Chinese assets with the combined effort of the two countries to stabilise the exchange value of the Chungking yuan have this week been brought nearer a makeshift solution. The coincidence of these two elements in the Chinese exchange situation has in a way facilitated the search for a solution, since the freezing of Chinese assets (a move aimed, of course, at the Japanese) has made possible some control of the sterling and dollar accounts of Chinese residents, including those of the crucial Shanghai Settlement. Without such control, Anglo-American help for the yuan could hardly fail to strengthen the exchange resources of the Japanese or their puppet authorities in China. What has now been achieved, as a result of prolonged negotiations in Hongkong between representatives of the new Stabilisation Board and the "authorised" banks in Shanghai, is a voluntary undertaking by these banks to desist altogether from operations in the free market in exchange for an undertaking by the Stabilisation Board to provide them with dollar and sterling exchange at fixed rates and within certain limits in respect of permitted imports. The rates fixed are 3 5/32d. and 5 5/16 cents to the yuan. The authorised banks are the fourteen Chinese, American, British and Dutch institutions licensed to deal in foreign exchange under the recent freezing order. It will be noted that the method chosen to obtain the co-operation of the Shanghai banks in working the new control is somewhat reminiscent of the voluntary undertaking of the American banks last year to freeze out the free market for sterling in New York and abide by the official rates.

The rates for the yuan fixed by the Stabilisation Board give a cross dollar-sterling parity of \$4.04 and thus eradicate the discount on the official dollar rate, at which sterling has since the beginning of the war been quoted in the Shanghai market. By licensing each transaction in respect of which dollar or sterling exchange will be granted, the Stabilisation Board will virtually ensure that none of the exchange disbursements which it makes finds its way into Japanese or Japanese-controlled channels. In the past all the efforts to support the yuan had to be made in a free market, in which it was well-nigh impossible to ensure that the exchange so expended did not ultimately find its way to one of the Japanese-sponsored banks whose currency was endeavouring to oust that of the Chungking Government. That possibility

is now effectively removed. A free market in foreign exchange will probably remain in Shanghai, but it will be one in which none of the reputable international banks in that centre will operate, and should rapidly become a shadow of what that market has been in the past two years. This throttling of the Shanghai market will close the only important remaining gap in the cordon around sterling exchange control. The efficacy with which the new Stabilisation Board will begin its operations more than makes up for the delay which was allowed to elapse in getting it started.

Insurance of Food and Supplies

The report recently issued by the Committee of Public Accounts discusses the arrangements for fire and marine insurance of raw materials and foodstuffs, concluded early in 1940 by the Ministries of Food and Supply. The Committee recall that it is not the normal Treasury practice to insure Government property; an exception was made in the case of commodities purchased in peacetime for private use but handled during the war by the Ministries of Food and Supply, because the withdrawal of these insurances might have reacted adversely on the machinery of the London insurance market. No criticism is offered of the fire insurance arrangements; comment is directed towards the marine contracts and covers two points—the method of assessing values and the rates of premium. Concerning values, the Committee question the propriety of following normal trade practices and fixing values in excess of landed costs, to cover such items as administrative expenses, remuneration to distributors, inland transport and storage, and reserves; they recommend that this particular aspect be considered during the general review of the policy of fixing prices of controlled war materials. In the matter of rates, the Committee express the hope that "full information will be available next year as to the outcome of the business, and that some investigation of the books and records of the undertakings will have been carried out in order that it may be possible to judge whether the Government contribution is not more than is reasonably necessary to secure the national objects on which the policy is based." These observations have caused some surprise in marine underwriting circles, where it is pointed out that marine insurance policies are "valued" contracts, so that if insured values are high, claims are in proportion. Furthermore, the Government contracts, on the first year's operations, have been anything but profitable to underwriters, a circumstance so well known that it is hard to understand how it can have escaped the notice of the Committee. It seems a pity that, in a public report of this kind, the suggestion has been made that the Government are paying underwriters more than is necessary if in fact the reverse is the true position.

Workmen's Compensation Rebate

Employers insured against workmen's compensation liabilities with companies which are members of the Accident Offices Association are to receive a rebate of 7.14 per cent of premiums for the year 1940, in accordance with the undertaking entered into with the Home Office. This rebate represents the difference between the ascertained loss ratio of 57.86 per cent and the agreed figure of 65 per cent, and compares with a rebate of 2.73 per cent for the year 1939; over the whole period since 1924 during which the undertaking has been in force, the allowance has varied between 2.16 per cent and 14.32 per cent. On this occasion employers derive some benefit from the upward adjustment of the agreed loss ratio, from 62½ per cent to 65 per cent, which was arranged last year, when rates were increased by 10 per cent to meet the higher rates of compensation provided for by the Workmen's Compensation (Supplementary Allowances) Act, 1940; the adjustment takes into account the fact that, by spreading their fixed costs over a larger volume of premiums, insurers are able to work at a lower expense ratio. While the undertaking is an effective method of ensuring that the companies' profits are kept at a modest level, it is not a particularly sound arrangement, since it fails to recognise that an insurance company provides service as well as indemnity, and by spending money on safety work fulfils just as important an economic and social function as in paying claims when they occur. Adherence to the fixed ratio of 65:35 for claims and expenses respectively does not appear to be a system calculated to en-

courage the offices to increase their expenditure on accident prevention, for any ensuing reduction in claims would involve a lower allowance for expenses, and thus tend to eliminate any small margin of profit which may still remain in the business.

Indian Silver for Thalers

The coinage demand for silver in the last few months has been fairly consistent and certainly greater than the amount which could have been accommodated by the arrival of newly mined silver in the London market. These imports consist in the main of Australian silver and have been about sufficient to cover the commercial and industrial demand for silver, which now makes up the sum total of the turnover in the silver market. The coinage demand, of which a considerable part has been for the minting of Maria Theresa thalers, has been satisfied direct by sales from Indian Government stocks. These sales are now handled by the Bank of England, acting on Treasury account. They have eaten sufficiently into the London stocks of the Indian Government to bring to the fore the question of some replenishment of these stocks by direct imports from India. There is ample silver in India from which such replenishments could take place. The last published figure of Indian Government stocks was that for March 31, 1940, when 112,000,000 ounces of silver were held. Since that time there have been fairly heavy sales of silver in the Bombay market on Indian Government account, but on the other hand there has been a reduction in the silver content of new rupee coin, and this has probably swollen the stocks of demonetised silver held on Government account. Any deficiency in London stocks of silver could also be made good by increasing the imports from sterling area countries. Australian exports to this country, for example, could be appreciably increased; but this problem is obviously one of available shipping tonnage and it will have to be treated from that particular angle. Meanwhile, the London open market remains exceptionally quiet, with a cash price which adheres firmly to the ceiling of 23½d. established by the continued readiness of the Bank of England to sell Indian silver at this figure.

Irish Banks' Returns

The returns for the banks operating in Eire for the June quarter, published by the Currency Commission, are as follows:—

	(£000)		June Quarter 1941		
	June Quarter 1940	March Quarter 1941	In Eire	Else-where	Total
LIABILITIES					
Capital, reserves, etc.	17,551	17,591	10,381	7,217	17,599
Notes in circulation	10,798	12,745	5,306	8,115	13,421
Current deposit and other accounts	167,939	174,961	131,844	49,295	181,139
Other liabilities	5,871	7,461	5,161	2,021	7,182
Total	202,160	212,760	152,693	66,648	219,341
ASSETS					
Cash and Balances with London	21,265	25,722	10,018	18,580	28,599
Agents and other Banks	8,241	12,297	...	12,514	12,514
Money at Call and Short Notice	5,663	4,888	4,327	604	4,930
Bills	73,767	70,784	46,044	22,401	68,445
Loans and Advances	74,541	79,523	6,681	78,901	85,582
Investments:—(a) Government	10,294	10,378	4,138	5,961	10,100
(b) Others	8,387	9,166	4,537	4,634	9,171
Other Assets	...	...	...	...	...
Total	202,160	212,760	75,745	143,596	219,341
Excess of Assets outside Eire over Liabilities outside Eire	65,954	73,994	...	...	76,947

Irish banking has developed a well-marked trend analogous to that of banks in other parts of the sterling area. The large increase in resources has failed to find employment in the more remunerative category of assets, and the banks have been forced to hold many assets yielding a relatively low return. The liquidity of the banks has been naturally increased, partly because some of the new deposits are regarded as temporary and liable to early withdrawal. No Government bills are held in Eire and only £16,000 elsewhere. The increase in the net sterling assets continues. While this trend is satisfactory from the purely monetary point of view, it, unfortunately, reflects the great difficulty of obtaining imports which is inflicting severe inconvenience in Eire.

Investment

Rise in Funds Resumed

Between July 9th, which was a temporary peak for gilt-edged stocks in general, and September 3rd, eight weeks later, the general trend in this market was irregular. There were substantial relapses in Old Consols, the longer-dated Conversion loans, Local loans and Victory bonds, and smaller improvements in the rest of the market, including the "shorts." It is difficult to find a rational explanation for these diverse movements. The turnover in the market was, in general, small, and they probably represent a series of rather imperfect adjustments after the sustained advance. The past week has produced a general and well-sustained rise throughout the Consol market, with improvements of ½ point and over in the longer-dated stocks and a relatively more marked rise in those of shorter date. Of the latter, both series of National War Bonds are up by at least 3/16 point, while the general advance has made the 3 per cent Savings Bonds, the only Government issue on tap, the cheapest of this class. It is reasonably certain that, except for "shorts," the clearing banks have come back into the market. The figures of these banks for August and of changes in the debt suggest that their operations may have been restricted to conversion of Deposit Receipts into War Bonds in the first half of the month. Since the beginning of September, the amount of new Deposit Receipts they have been called upon to take up does not appear to have been great, although it must considerably exceed the difference between new issues and those of six months before. However large it is, the banks have had plenty of money to buy bills on a fair scale and to lend all the market required. It will not be surprising, therefore, if they have been in the market for modest amounts, which would be quite sufficient to account for the rise in prices, especially as this has been assisted by advance investment of next month's disbursements on requisitioned Canadian stocks. The familiar sequence of events is thus in train once more. The pressure of plentiful money is already lifting prices above the levels at which they have been more or less stationary for some weeks past. The rise is not yet sufficient to warrant talk of a fresh tap issue, but the ground is being prepared. The other features of the week were speculative buying of developing Kaffirs—a gamble on the domestic politics of the Union—and a general strength of South American investments, arising out of developments some of which were mentioned in *The Economist* of a week ago. Neither of these developments owes much to the rise in the Funds or to general considerations making for optimism at home. The middle of the week saw, however, the beginning of the upward drag on equities, which follows every rise in the Funds, in a rather more buoyant tone in a number of sections. It seems probable, however, that any general rise in ordinary shares should be treated with caution.

Company Law Anomaly

Section 225 (1) of the Companies Act, 1929, makes it clear that the only circumstances in which a company can be placed in voluntary liquidation by a simple majority of the members is the occurrence of an event, specifically provided in the articles of association as being due to terminate the life of the undertaking. In all other circumstances, either a special or an extraordinary resolution is necessary. It is in fact quite clearly the intention of the Act that special precautions should be taken that a very substantial majority—not less than three-fourths—of the holdings should favour liquidation before it can be pressed upon the minority. Marvin and Co. (Brazil) own, as virtually their sole earning asset, a Brazilian subsidiary for which they received an offer. This offer was placed before the shareholders as an ordinary resolution, and passed by a considerable majority, in the face of opposition from influential interests, who thought the terms insufficiently attractive, and considered it wrong that it should be submitted as an ordinary resolution, to be passed by a simple majority. The majority secured amounted to some 58 per cent against 42, far short of that required for a special resolution. The purpose for which the company was formed no longer exists. It will be necessary either to sanction the carrying on of a new business, for which the capital was not originally subscribed,

or, more probably, to consent to a liquidation. This simple procedure—available to any holding company—appears completely to remove the protection which it was desired to give to any substantial minority of holders in the matter of liquidation. The fact that, in this particular case, there was little chance of effectively resisting a sale supported by the Brazilian authorities does not affect the principle.

Hudson's Bay Meeting

The meeting of the Hudson's Bay Company, at the end of last week, resulted in a victory for the board on a show of hands by the very meagre attendance. It had been opened by the announcement of a crushing majority for the board in proxies, but this did not prevent a number of members from delivering highly critical speeches. *The Economist* has always called for greater activity on the part of shareholders, and has continuously advocated more informative reports and accounts. The shareholders owe a debt to Mr C. L. Nordon, the leader of the opposition, and to some of his collaborators, who may claim some share in the credit for the better accounts now presented. But perhaps the proprietors' largest debt is on account of the part he played in securing the election of a new board ten years ago, which still holds office. In that decade the fortunes of the company have been partially restored, but the standard of criticism at the company's meetings does not seem to have shown a parallel improvement. Mr Nordon is probably right in several suggestions, aimed at increasing the interest of individual Canadians, or the whole of the Dominion, in the affairs of the company. Whether his programme would be practicable in the form in which he put it forward is a matter of which only experts can judge. These points tended, however, to be obscured by a mass of criticism of detail which, in so far as it concerned the published accounts, did not always reflect a desire to make the fullest use of the material provided by the board. It is clear that the board has a long row to hoe before the company is again prosperous, and that much must depend on matters beyond its control, such as the solution of the problem posed by the fall in the price of Canadian wheat, coupled with the shrinkage in the demand. It is also very probable that organised criticism will help to keep the management healthy and active. But criticism should always be restricted to points of real importance, and the critic should, to carry weight, use to the best of his ability all the facts bearing on the point at issue. This would save not only time, but a great deal of emotional strain, the waste of which was only too painfully evident at last week's meeting.

Dutch Coupon Payments

It has always been recognised that the suspension of payment by the Netherlands Government in London of interest on its loans was due solely to the desire to keep the proceeds out of the hands of the enemy. The suspension

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Sir EDGAR HORNE, Bart. (Chairman)
Sir WILLIAM H. DAVISON, K.B.E., M.P. (Deputy Chairman)
J. ROY LANCASTER
A. E. LEONARD
Sir NIGEL G. DAVIDSON, C.B.E.
ERNEST DEWEY
General Manager: C. R. C. MARLOW

**A
PERSONAL BANKING SERVICE**
LUDGATE CIRCUS, LONDON, E.C.4

took place a year ago, when the business of registering all holdings outside enemy, or enemy occupied, territory in the hands of non-enemy nations was begun. This has needed longer than was expected, since holdings proved to be more numerous than was thought probable. It is, however, now completed, and the Netherlands authorities have announced that payment for all coupons, subsequent to May 15, 1940, will be resumed at an early date. There are a number of loans involved, all in florins, several of which are or were quoted in London, although business in them has been virtually non-existent of late. As a basis for negotiations, a price of 50-60 has recently been made for the 3 per cent loan. Payments will be made at the prevailing Batavia rate of exchange in the case of sterling, dollar and Swiss franc holdings. Coupons held in the United Kingdom should be presented not earlier than Monday and payment is likely to be deferred for a week or two.

Company Notes

Textile Export Earnings

Shareholders in Whitworth and Mitchell are to be congratulated in that the demand for the company's fabrics has been so well maintained as to permit of a further increase in earnings for the year to June 30th last. Total income, before tax, at £112,572, compared with £107,072, and is the highest since 1932-33. Taxation calls for £45,000, against £40,000, while ARP outlays are almost trebled at £4,490. The amount earned for the ordinary shares is reduced from £31,200 to £28,916, but the distribution and percentage earned are both unchanged at 7½ per cent and 8.7 per cent respectively. This satisfactory result owes not a little to a substantial expansion in the proportion of export to internal business. The board intend to do all in their power to increase this proportion, but their success will depend, *inter alia*, on the development of the shipping position. During the year, a part of enemy and occupied country debts has been paid, and this, as well as the first indications of a reduction in turnover, helps to account for a decline of some £59,741 in debtors. Against this stock-in-trade has risen by £94,274. This is mainly due to increased prices, although the valuation is on a conservative basis. To the extent that it is not covered by reduction in debtors this expansion is financed by a rise in creditors. The immediate future of the company must depend in large measure on the extent to which the export trade can be increased, or even retained. This will be largely conditioned by Government policy, and it has been clear for a number of months that, in general, the post-war position is being left to look after itself, a regrettable necessity in view of the short supply of shipping. It is, however, not clear that this general policy is of universal application. In particular, it appears to be the case that exports to the U.S.A.—producing hard currency, helping to fill ships which would otherwise return in ballast, and supplying American wants—will be tolerated, if not encouraged. There will still remain the questions of supplies of raw materials for the British exporter, and of coming cuts in U.S. consumption, but it appears that Marks and Spencer, to take an outstanding example, are continuing the business of their export subsidiary in the U.S.A., and with a large measure of success. It is unnecessary to stress the value to the country of such new business, and it is clear that it should be encouraged to the extent that it does not clash with more immediate and vital needs. The Marks and Spencer venture is, however, a highly specialised experiment, backed by the enterprise which has brought that firm so rapidly to the fore. It is not certain that the organisation of other concerns is as well adapted to compete in this promising new market, or that their specialised products are wanted there. The £1 ordinary shares of Whitworth and Mitchell, at 12s. 6d. ex dividend, yield some £12 per cent, an indication that there are considerable doubts as to the immediate future, whatever the post-war period may hold.

Great Universal Stores Improvement

After the very sharp reverse in the fortunes of the Great Universal Stores in 1939-40, the group secured a modest improvement in the year ended March 31st last. Trading profit rose only from £480,943 to £489,001, but depreciation was less, and although debenture sinking fund

and war damage contribution appear for the first time, ARP expenditure called for nothing, and the amount earned for ordinary capital is equivalent to 14.1, as against 12.6 per cent, including in each case the undistributed profits of all subsidiaries. The earnings of the group and their allocation for the past three years are set out in the table below:—

	Years ended 31st March		
	1939	1940	1941
<i>Consolidated Figures</i>			
Trading profit.....	614,391	480,943	489,001
Depreciation	39,380	61,545	53,093
Deb. Interest	24,455	41,012	36,685
Deb. Sinking Fund			18,750
Fees	4,500	4,500	4,708
ARP Expenditure		10,318	
War Damage Contribution...			20,414
Taxation	205,422	243,516	246,346
Preference dividends*	53,192	39,977	35,024

Ordinary shares—			
Earned†	287,442	80,075	72,981
Paid	181,250	79,375	64,373
Earned %†	38.6	12.6	14.1
Paid %†	25	12½	12½

To General Reserve§	97,361		
Carry forward subsidiaries	4,423	2,719	23,081
„ „ G.U.S.	18,983	21,417	9,663

* Including shares of subsidiaries not held in the group.
† Including change in carry forward of subsidiaries.
‡ On present capital doubled by bonus in January, 1940.
§ In 1939 £80,559 and in 1940 £22,000 were charged against reserves.

The consolidated balance-sheet shows a small decline in fixed assets, while floating assets fell by £426,923 to £2,911,906, a rise in cash being more than offset by falls in stock and debtors. There is, however, a larger fall in liabilities, and the net excess of cash assets is £1,589,396 against £1,481,313. Stocks, although still substantial at £1,406,476, must have fallen substantially in terms of goods, and the past five months have brought further restrictions. Despite this, the managing director is able to report that the position of the group is being maintained, while the chairman states that the outlook for the chain store company is favourable. The reduction in debtors is an indication that, despite difficult times, payments are being regularly met. One factory was surrendered to the Government during the accounting year, and is likely to make an even smaller contribution during the current period. Although the year is likely to be a difficult one, the board appear to anticipate that profits will be maintained. The fact that the 5s. shares stand at 8s., giving a yield of £7 16s. 3d. per cent, suggests some doubts as to so fortunate a result.

Chosen Corporation Disclosures

Appointed by the Board of Trade in October, 1938, to investigate the affairs of the Chosen Corporation, Sir Harry Peat was able to present a report in July of this year, which was delivered to the applicant, Mr F. E. Banbury, towards the end of last month. It may be recalled that the corporation owned, *inter alia*, two concerns, Nurupi and Kalam, conducting mining operations in the Far East. It was out of the sale of shares of the former company, and the refusal of the board of the corporation to make a return of capital, that the application arose. The report, however, covers many other matters, and, from the summary so far published, it appears that, in most of these, the position is considered unsatisfactory by Sir Harry. The impression gained is that the structure of the group was more complex than was supposed and that relationships between units were not made clear to shareholders, as they should have been. Further, not all the directors insisted upon having precise information as to some of these concerns. Sir Harry is not satisfied that certain shares were issued for adequate consideration; that a sale of shares ought to have been cancelled; that the Gódo company was independent of the group at a crucial time; that the liquidators of Nurupi acted properly in certain matters; and so on. This curiously negative method of reporting has been thrust upon the Board of Trade's inspector by the fact that Mr Rubinstein, managing director of the corporation for several years past, and the present chairman, Mr Miller, failed to answer questions—and because, generally, the information and explanations given by the directors were unsatisfactory. Since the date of their examination, further particulars of the Nurupi accounts, as yet uncertified, have come to hand, which would make possible a more searching questionnaire than was possible at that time.

In these circumstances it is not clear why the investigation has been stopped at this point. Two possibilities suggest themselves, however: that it is thought desirable to proceed with the realisation of the American assets; and that the inspector found himself unduly hampered by the inadequate powers conferred under Section 135 of the Companies Act, 1929. This provides that officers and agents of the company shall answer questions and produce books, and that, if they fail to do so, they may be punished, after due inquiry, by the somewhat cumbersome procedure of an action for contempt of court. It is, however, not apparent that either the company's solicitor or its bankers are brought within the category of those who may be questioned, nor is it clear to what extent the officials and agents of subsidiary and associated concerns are included. These are points at which the section must be strengthened at the earliest opportunity. In the present instance, the completion of the investigation is further impeded by the fact that much of the information would have to be sought in the Far East. Pending a fuller study of the report and exhibits, it is difficult to say whether further investigation is necessary. The latest accounts suggest that in any case there is little or no reason for continuing the existence of Chosen Corporation, since the principal asset of any real value is, or was, an advance in dollars to a subsidiary. It will be surprising if, now that the report is available, pressure for liquidation is not intensified, while it is understood that further action is contemplated by the applicant.

Calico Printers' Earnings

In some quarters there was disappointment at the news that preference shareholders of the Calico Printers' Association were to receive only one year's arrears of dividend out of the earnings of the period ended June 30th last. This is the same as the distribution of the previous year and leaves 3½ years' arrears still to be met. The preliminary statement of results shows a profit, after providing for depreciation, of £220,565, £335,395 against £355,671 for depreciation, of £220,565, which appears to compare with £251,970. After meeting dividends, the appropriation of £50,000 to war contingencies reserve is maintained and the carry forward raised from £91,193 to £110,933, the previous year's increase having exceeded £51,000. In all the circumstances, it is difficult to arrive at any other conclusion than that the result is satisfactory. The accounting periods of the operating companies end somewhat before the middle of the year, but they are late enough for the bulk of the period to coincide with the closing of European markets, and to have covered part of the regime of increased control of output for domestic use. The latter factors will be accentuated during the current year, while there is little hope of exports improving, even if they can be maintained. In these circumstances, it is not surprising that the £1 stock units of the 5 per cent cumulative preference capital stand at 12s. 6d., giving a return of some 8 per cent, ignoring accumulated arrears nominally worth 3s. 6d. per unit.

Triplex Glass Recovery

Preliminary figures of Triplex Safety Glass for the year ended June 30th show that the company has made an almost complete recovery from the slump of the previous year. The only figure provided is one of profit before tax of £159,617 against £72,349 for the previous year and of £163,489 for 1938-39. Some idea of the effect of taxation and of other special war charges may be gained from the fact that the dividend on the ordinary capital, although doubled against last year at 10 per cent, compares with 20 per cent for two years ago. The improvement is in line with the chairman's comments at the annual meeting a year ago, when he disclosed that a factory, which had been making a loss, was again on a profitable basis, and that matters which might have caused a drag on future earnings had been dealt with. The company occupies a dominant position in the relatively new industry of safety glass manufacture, having obtained control of Lancegaye, one of its more successful competitors. There can be no doubt that there is a large demand for its products from the Services as well as from such other motor transport as continues to function. Profit per unit is apparently satisfactory, although earnings are far below the best period of the company's history, 1936-38. The outlook for the war period thus seems

fair, while there should be a further revival in demand when peace comes. The 10s. stock units at 22s. 6d. cum dividend give a return of some £4 10s. 11d. per cent.

Bakery Earnings

Preliminary figures for Allied Bakeries for the year to June 30 last show that the holding company's receipts in gross dividends, from subsidiary baking companies, were a trifle higher than in 1939-40, at £486,812, against £484,458. Unfortunately the group, formed towards the end of 1935, failed to reach its maximum rate of earnings until 1938-39, and in consequence suffers from a poor base period for E.P.T. Taxation is up on the year from £214,272 to £305,525, and the net receipts are almost £100,000 down, a familiar picture to those who see any substantial number of company accounts. The figures provided give no account of expenses for the year, but after meeting the preference dividend and setting aside £25,000 for contingencies, compared with £40,000 to general reserve, the final payment is halved at 5 per cent., making a total of 10 against 15 per cent. A year ago some £10,000 was added to the carry forward, and total earnings for the ordinary capital were 21.1 per cent. On this occasion, there has been a material over-distribution—unless some reserve appropriation has been concealed—for, against the transfer of £25,000 to contingencies, the carry forward is reduced by £34,405 to £45,881. The figures suggest also a rise of some £25,000 in total expenses, a not unlikely figure if the parent company covers war damage premiums. As one of the features of the past year has been the consumption of increased quantities of bread in place of rationed foods, it is probable that the group has not suffered any reduction in demand. This is the more likely as it has recently acquired substantial interests in the Glasgow area, which is one of those benefiting most from both expansion of population and increase in individual wage receipts. The full effect of E.P.T. is presumably reflected in the figures now given, but it is doubtful whether the price of 11s. 9d. for the 5s. shares, yielding some £4 6s. on the reduced dividend, is reasonable.

Seager Evans Accounts

The full accounts of Seager Evans for the year to March 31st show that the improvement, achieved during the preceding broken period of eight months, was approximately maintained. The gross trading profit rose from £118,288 to £158,358, which compares with £117,194 for the year ended July 31, 1939. As compared with the eight months' period, receipts from subsidiaries fell away once more, mainly owing to provisions for E.P.T., so that total income is £189,060, compared with £153,177 for the shorter period. Advertising expenses have been cut to the minimum consistent with keeping the products before the public, and general charges were very little increased, with the result that, after meeting much increased taxation, £43,913 was earned for the ordinary shares compared with £37,842, a rise in the rate from 12.3 to 17.8 per cent. In view of the nature of the business it is not possible to give an exact correction for the broken period. There is again no dividend, but the carry forward is strengthened after placing £32,000 to reserve. The consolidated statement shows a substantial rise in stock-in-trade from £544,268 to £661,778, and the chairman gives the assurance that current values are substantially above this figure. Against this there is a £54,000 decline in debtors, but fixed bank loans and other creditors show falls of £25,000 and £30,000 respectively, so that the liquid position is considerably improved. The outlook depends in part on the degree of control of distilling, but the company appears to have recovered from the worst effects of its reverse of 1938-39. The £1 ordinary shares stand at 15s. 9d., suggesting that the resumption of dividends is expected within a comparatively short period.

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

THE STOCK EXCHANGES

London

Note: all dealings are for cash

AGAINST a background of continued Russian resistance, the strength of the gilt-edged market led to a good close before the week-end. The Chancellor's statement on future taxation prospects helped a further advance in the Funds at the opening of the current week, while the Premier's review of the war further strengthened sentiment, as did re-investment demand. Rather overshadowed by the advance in the Funds, the other markets nevertheless continued firm, interest being concentrated on the South American railway issues, while the kaffir market was also active. Some selective buying continued in the industrial section where tobacco issues were in favour.

After closing for the week-end with a general advance in the gilt-edged market, with both $2\frac{1}{2}$ per cent. National War Bonds $\frac{1}{2}$ higher on revival of institutional buying, the market opened strongly in the current week. Both institutional and investment buying found the market short of stock, and good gains were general. Thus, among funded issues, $2\frac{1}{2}$ per cent Consols gained $\frac{1}{2}$, $3\frac{1}{2}$ per cent Conversion and Local Loans each $\frac{1}{8}$ on Monday, when $2\frac{1}{2}$ per cent National War Bonds 1945-47 advanced $\frac{1}{8}$. The following day $3\frac{1}{2}$ per cent. War Loan advanced $\frac{1}{8}$ to a new high level since 1936, while 4 per cent. Funding rose $\frac{1}{8}$, and Victory Bonds $\frac{1}{4}$. In midweek prices remained very strong, despite some London selling of "shorts."

The foreign bond market was rather quiet but firm. Brazilian issues were supported, but apart from a gain of $1\frac{1}{2}$ points on Monday by the San Paulo 7 per cent Coffee Loan, rises were small. Peruvian Corporation issues were prominent with consistent support, the 6 per cent debenture stock rising $1\frac{1}{2}$ points on Monday and the following day, while before the week-end Chilean issues were strong. Japanese bonds, which before the week-end all declined 1 point, opened weakly on Monday but recovered strongly in mid-week.

Pending clarification of the terms of the agreement, interest in the home rail market lagged, and junior stocks were lower before the week-end, when GWR and LMS ordinary lost $\frac{1}{4}$ and LNER deferred and preferred both eased $\frac{1}{4}$. Monday witnessed a further decline of $\frac{1}{4}$ in GWR ordinary and $\frac{1}{4}$ in Southern deferred, although LMS ordinary recovered the same amount. Senior issues were slightly supported before and after the week-end, while a few falls on Tuesday were more than made good next day. In the foreign rail market consistently good traffic returns led to a revival of interest in South American issues. While investors were interested mainly in the senior issues, junior issues also improved. Thus on Tuesday, after earlier but smaller gains, BAGS ordinary rose $1\frac{1}{2}$, and B. A. Western and C. Argentine each gained 1 point. San Paulo ordinary was prominent with a jump of $6\frac{1}{2}$ points on Monday, while elsewhere, Canadian Pacific issues advanced strongly, on rumours of a possible interim dividend. In mid-week Argentine railway equities continued to advance.

Some irregularity, with prices moving within narrow limits, marked the close before the week-end in the industrial market, but the tone remained firm, while during the current week conditions im-

proved quietly. After some small gains the previous Friday, brewery issues opened firmly, Ohlsson's Cape and Watney deferred advanced $1\frac{1}{2}$ on Monday, while the following day Bass gained, and Simonds lost the same amount. Aircraft and motor issues were firm, Leyland gaining $\frac{1}{8}$ on Monday, while among the heavy issues slightly higher prices ruled for Babcock & Wilcox, Stewarts & Lloyds, Thornycroft and Vickers in the early part of the current week. Textile issues were firm apart from slight declines in Calico Printers and Bleachers, while shipping shares opened the week on a strong note. Chief interest was centred in tobacco issues, and gains of $\frac{1}{8}$ were registered on Monday by Carreras, Gallagher and Imps, while the following day Godfrey Phillips advanced $\frac{3}{4}$ and BAT, Carreras and Gallagher improved $\frac{1}{8}$. Elsewhere Cable & Wireless ordinary was in demand, Eastwoods jumped $1\frac{1}{2}$ on Monday, and Lever & Unilever, Ranks and Spillers all improved. Later the tone became more generally firm with business a trifle brisker.

Both before and after the week-end, the kaffir market enjoyed good support mainly from the Cape. An early gain of $1\frac{1}{2}$ on Monday in Blyvoors led to numerous small improvements among which West Wits. gained $1\frac{1}{2}$, W. Holdings $9\frac{1}{2}$ and Venterspost $3\frac{1}{2}$. The following day the market continued active, with Libanon, Vlakfontein and West Wits, all higher, although Blyvoors reacted slightly. After closing quietly firm at the week-end the rubber market opened the week on a firm note, and on Tuesday United Sui Betong gained $\frac{3}{4}$ among other small gains. Despite a small turnover in the oil market, prices of the leading issues held firm on Monday, while the following day Shell Transport and Burmah improved $\frac{3}{4}$, and Lobitos gained $1\frac{1}{2}$, while the rubber market was idle, the activity in oils and Kaffirs was well maintained.

"FINANCIAL NEWS" INDICES

	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	30 Ord. shares*	20 Fixed Int.†
Sept. 4.	3,103	12,120	78.5	130.2	
" 5.	3,043	11,992	78.2	130.3	
" 8.	3,906	11,547	78.5	130.4	
" 9.	3,229	11,734	78.6	130.5	
" 10.	3,644	11,017	78.9	130.6	

* July 1, 1935-100. † 1928-100. 30 Ordinary shares, 1941 highest, 78.9 (Sept. 10); lowest, 66.8 (Apr. 24). 20 Fixed Int. 1941; highest, 130.6 (Sept. 10); lowest 126.1 (Jan. 2). ‡ Excluding "Stop Press" bargains.

New York

BOTH before the last week-end and in the current week, uncertainty as to Federal tax policy and the desire to await the outcome of President Roosevelt's speech prevented the development of any definite trend on Wall Street. Aircraft issues were outstanding on the news of new large orders, while on Monday "war" issues were prominent, but profit-taking generally prevented any advance. In midweek prices were generally lower and trade reduced by uncertainties as to the President's speech.

The Iron Age estimates steel mill activity at 97.5 per cent of capacity, as against a revised figure of 96.5 per cent. in the previous week.

New York Prices

Total share dealings: Sept. 4, 540,000; Sept. 5, 570,000; Sept. 6, 240,000*; Sept. 8, 620,000; Sept. 9, 870,000; Sept. 10, 520,000.

STANDARD STATISTICS INDICES (1926 = 100)

WEEKLY AVERAGES

	1941	1941	1941	1941	1941
	Low	High	20	27	31
	Apr. 30	May 15	June 1	June 15	June 27
347 Industrials	83.6	86.0	82.8	83.4	85.9
32 Rails	82.4	82.5	82.0	82.1	82.0
40 Utilities	67.0	78.7	68.8	69.8	70.0
419 Stocks	71.9	82.1	74.3	78.9	79.3
Av. yield*	6.80%	6.11%	5.50%	6.39%	6.36%
High-Low	30	100			

* 50 Common Stocks, (a) July 29, (b) Jan. 2, (c) Feb. 11, (d) Feb. 15, (e) May 28.

DAILY AVERAGE 50 COMMON STOCKS

Aug. 28	Aug. 29	Aug. 30	Sept. 1	Sept. 2	Sept. 3
101.9	101.9	102.1	(a) 100.6	102.5	101.7

1941 High: 105.80, January 10. Low: 90.70 April 30.
(a) Labour Day.

	Close	Close	Close	Close
	Sept. 2	Sept. 3	Sept. 2	Sept. 3
1. Railroads.	82.4	82.5	82.0	82.1
Balt. & Ohio	42	41	41	41
Chesapeake & Ohio	26	25	25	25
Ill. Cent.	92	91	91	91
N.Y. Cent.	127	127	127	127
Norfolk & W.	71	71	71	71
Pennsylvania	23	22	22	22
Southern	18	16	16	16
2. Utilities, etc.	67.0	78.7	68.8	69.8
Amer. Tel. & Tel.	154	154	154	154
Amer. W. & A.	43	43	43	43
Edison	39	39	39	39
Gen. Elec.	22	21	21	21
Nat. Dist.	23	23	23	23
Pub. Serv. N. J.	23	23	23	23
Sth. Cal. Ed.	71	71	71	71
United Gas	71	71	71	71
3. Commercial and Industrial.	71.9	82.1	74.3	78.9
Amer. Metal	201	201	201	201
Am. Ref. M.	143	143	143	143
Am. Smelting	42	42	42	42
Anaconda	28	28	28	28
Briggs	20	19	19	19
Celanese of A.	261	251	251	251

Capital Issues

	Week ending September 13, 1941	Net Capital	Conversions	New Money
By Permission to Deal	165,020	208,263		
Particulars of Government issues appear on page 338				
Year†	Including Conversions	Excluding Conversions		
1941 (New Basis)	1,130,022,501	1,077,887,919		
1940 (New Basis)	1,111,471,621	758,516,488		
1941 (Old Basis)	1,125,804,462	1,076,400,318		
1940 (Old Basis)	1,096,026,117	743,270,984		

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1941 (New Basis)	1,074,337,073	3,280,646	70,000
1940 (New Basis)	757,331,316	984,672	Nil
1941 (Old Basis)	1,073,500,318	2,300,000	Nil
1940 (Old Basis)	743,128,528	112,456	Nil

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1941 (New Basis)	1,073,558,974	477,460	3,851,485
1940 (New Basis)	742,921,173	1,458,755	14,166,360
1941 (Old Basis)	1,073,350,318	150,000	2,900,000
1940 (Old Basis)	741,984,352	77,500	1,209,132

† Includes Government Issues to Sept. 2nd only.
* "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

Celanese Corp. of America.—Is paying on September 30th a dividend of 50c on Common stock, compared with 25c, plus stock dividend of 1 share for each 30 held.

Nitrate Railways Company.—Subject to ratification by the Chilean Congress, a decree has been signed for the expropriation of the Company's undertaking in Chile under payment of an indemnity to be determined. The directors will give shareholders full information as soon as possible.

Industry and Trade

The Miners' Attendance Bonus

As had been expected, the Government has brought pressure upon the Mining Association to agree in full to the miners' demand for the conversion of the new attendance bonus into what is, in effect, an increase in wages. At the meeting on September 4th, of the Joint Consultative Committee, the owners informed the workers' representatives that they were prepared to concede that a miner absent from work should be penalised for that day only. The main consideration which influenced the settlement was a mutual desire to maintain friendly relations between employers and workmen and to preserve the usefulness of the Central Joint Committee. The following agreement was substituted for the conditions hitherto attached to the attendance bonus: "Realising that the fullest possible output of coal is of vital importance to the national war effort, it is agreed that the district and pit production committees shall co-operate fully in the production of coal and that it shall be the responsibility of the district coal production committee to secure that machinery is set up at each pit which shall insure that effective measures shall be taken at the pit to deal with any person whose conduct militates against the maximum possible production of coal." Thus the miners, described as "the greatest victory for common sense," have succeeded in converting the due reward for regular attendance into a virtually unconditional war increase. Every reasonable objection to the attendance bonus in its original form had already been met, but coal miners at present have an unprecedented scarcity value which they have not scrupled to exploit in bargaining. The Government, by its inept coal policy during the spring and summer, has left itself in the ignominious position of having to woo miners, not only actual but potential. Whether miners should or should not be better paid is irrelevant. The intention of the bonus, in the first place, was to secure regular work; and it is impossible not to view with misgiving this agreement, which scarcely amounts to more than a vague assurance that something, sometime, will be done about absenteeism. What "effective measures" are the workers likely to agree to if they view a straightforward attendance bonus with such hostility? A grave responsibility rests upon the pit production committees to see that effective steps are taken to ensure regular attendance and taken with the greatest speed.

Unemployment in August

For the first time since last October, the number of wholly unemployed persons on the registers of the employment exchanges in Great Britain shows a rise, though a negligible one. On August 11th, 219,771 persons were wholly unemployed, compared with 219,577 on July 14th, and the small increase was brought about by a rise of 10,111 in registered unemployed boys and girls—a rise probably almost entirely due to the school-leavers' appearance on the registers. The number of unemployed men declined again, from 102,010 on July 14th to 98,737 on August 11th, and for women the comparable figures were 88,852 and 82,208. The total number of persons temporarily out of employment was 37,950 on August 11th, compared with 46,027 on July 14th. Unemployed persons normally in casual work rose by 892 from July 14th to 12,568 on August 11th. (The number of unemployed girls normally in casual employment was always low, but since July only one is left. Could not a full-time job be found for her?) The total unemployed in the three classes was 270,289 on August 11th, against 277,280 on July 14th and 799,452 on August 12th, 1940. The total numbers of unemployed on the registers in the various administrative regions have lately shown an all-round decline, but between July 14th and August 11th five of the eleven regions of Great Britain record rises. The smaller declines in unemployment which are taking place each month illustrate with increasing force the necessity for combing out non-essential industry to the demands of war industry. News from the North-Western region that 13,000 women aged between 20 and 25 are to be moved from clothing factories to munition work is a small but welcome contribution. An agreement reached in the same region, whereby each firm in the boot and shoe trade is to release $12\frac{1}{2}$ per cent of its workers for war production, is an example worthy of imitation in other trades and regions.

NIMS

Evidence of imagination and drive in the Ministry of Supply is given by the formation of National Industrial Mobile Squads of skilled engineers. Their purpose is to get production at Britain's new war factories under way in the shortest possible time by the loan of highly skilled key men for periods of about one month. Each squad consists of about fifty men, expert fitters, setters, drillers, turners and other craftsmen, from established ordnance factories, who have volunteered to leave their homes and be rushed from one job to another anywhere in the country. They meet at a central point, each with tools and personal kit, and are transported to the selected centre. There they pave the way for the introduction of semi-skilled and female labour. When their job of training and stepping-up production is done, the process is repeated at another new factory, which may be hundreds of miles away. It needs little imagination to realise how trying and exhausting this work, with its concomitant conditions of living, must be. Men with this form of skill are in any case of exceptional value to the country, and by accepting this way of living they multiply their value by a large factor. If the inventive power behind the organisation of this scheme, and the self-sacrifice involved in its execution, could be emulated throughout British industry, the war might be appreciably shortened.

British Policy and Irish Agriculture

The difficulty of allowing for all the repercussions which result from measures of price control are great enough when those repercussions are confined to the controlled community. When there are important reactions upon producers outside the community the complications are intensified. This has been happening to the farmers of Eire, whose products have been in the past largely destined for the British market. Since 1932, a protective policy destined to encourage the fattening of beef cattle at home has been pursued by the British Government, so that the export of fat cattle from Eire gave place to an export of store cattle in Eire has not been profitable, because although of cattle in Eire has not been profitable, because although of feeding stuffs has risen still more. This was inevitable: it was the Government's policy to make the production of cereals more profitable to British farmers than the production of beef, and this policy would have been nullified if their prices had risen equally. Moreover, the fact that a very slightly reduced cattle population had to be maintained on a very much reduced supply of cereals was bound to raise the price of oats disproportionately. Circumstances, in the shape of an exceptional outbreak of foot and mouth disease in Eire, have contributed to some extent to counteract this state of affairs, since the embargo on the export of store cattle has caused Irish farmers to resume the fattening of their cattle, but this is likely to be only temporary, and it does not solve the problem of profitability to the Irish farmer. In the matter of egg production also, because the British controlled prices are based on a subsidy to British producers, and are therefore alleged to be unremunerative to the unsubsidised poultry keepers of Eire. Actually, however, the Ministry of Food is buying eggs, probably at a slight loss, from Irish producers at 20-23 shillings per 120, whereas the pre-war wholesale price of Irish eggs in English towns was 12-14 shillings. This does not seem ungenerous. The fact is that economic relations between a country at war and a non-belligerent can only be kept on a sound basis by a degree of friendly co-operation which is not always easy to obtain.

Welding in War

Employment of welding leads to reduction in weight, economy of material and labour, and increased production—results always valuable, and doubly so in wartime. A saving of weight of as much as 20 per cent is effected by using fabricated construction in shipbuilding, and it is estimated that about half the total output of welding materials in this country is already being diverted for this purpose. The same technique is made use of in the construction of port-

able hangars, military bridging equipment, light armoured cars, and bombs and shells, to save weight. Welding instead of riveting in the construction of an anti-aircraft gun platform saved 19 per cent in weight and 63 per cent in man-hours. A similar change-over for a field carriage assembly reduced the production cost per unit from £269 to £60, largely owing to reduced machining time. Welding not only plays its part in the production of war material, but can also be used to counteract the enemy's efforts to destroy existing structures. Investigations into the strength and behaviour of steel frameworks with rigid joints have indicated that their load-carrying capacity exceeds that of a similar structure with flexible joints by as much as 30 per cent. This means not only saving of material, but a welded structure offers greater resistance to blast than one built to ordinary designs. An Advisory Service on Welding, staffed by experts attached to the Ministry of Supply, is advising firms on designs to ensure that the fullest use is made of welding. Advances in technique have made practicable the welding of armourplate for fighting vehicles, leading to a diminution in deadweight. Welding is a valuable ally in economising the factors of war production and its extended use would quickly bear fruit.

That welded construction results in saving steel is well understood in the United States. Such saving arises from the fact that extra metal required for connecting members in the riveted structure is eliminated in welded production. Furthermore, since steel is not weakened by rivet holes, a further saving is effected, since equivalent strength is obtained with lighter, and hence less, steel. At a time when the ingot steel capacity of America is taxed to the utmost, and steel plate mills are called upon to provide increasingly large tonnage for ships, boilers, tanks, railroad and other equipment, the advantages of the new technique are becoming increasingly obvious. An average of 18 per cent less steel is required to build the welded product or structure than the same one riveted. The following table is drawn from industrial practice in 1939, 1940 and 1941:—

STEEL SAVED BY WELDED STEEL CONSTRUCTION
Actual Examples in lb.

Product or Structure	Actual Examples in No.			Percentage of Weight Saved
	Former Method	Welded	Saved by Welding	
Truck bodies....	2,158	1,958	200	9
Locomotive frame	24,769	17,942	6,827	27
Barge	565,000	500,000	65,000	11
Car float.....	1,976,290	1,666,860	309,430	15
Five-span girder bridge.....	1,597,088	1,175,563	421,525	26
Passenger coach frame.....	94,000	65,000	29,000	30
Freight car under-frame.....	10,490	9,470	1,020	9
Scroll case for turbines.....	391,640	214,830	176,810	42

Source: James F. Lincoln Arc Welding Foundation Report (1941).

Given an average saving of steel of 18 per cent, America's production for national defence would have 360 lb. more usable material in every ton of steel. Applied to the country's annual ingot capacity of 82 million net tons, this would conserve 2½ months' production a year, which indicates how a given amount of steel could be made to go further by a greater employment of the welding process.

Controlled Pepper

Following its decision late last month to take over imports of pepper into this country, the Ministry of Food has established complete control over pepper prices. Details of this control, which will be gradually extended to all stages of the pepper trade, were given on page 306 of our last issue. Though control over prices naturally removes one of the most important functions of the London pepper market, for the time being, at least, it is intended to make use of the market organisation to facilitate distribution of pepper, on the same lines as the London rubber market is being used by the Ministry of Supply. A firm of produce brokers has been selected by the Ministry of Food, after consultation with the Brokers' Association, to act as principal broker for the Ministry in its transactions in the market. Brokerage earned by this firm will be pooled by all the pepper brokers, so that the whole market shares in the benefit derived from official transactions. As the Ministry of Food has neither requisitioned trade stocks nor taken steps to acquire pepper in the producing countries, it cannot

offer any pepper at present. On the other hand, private holders of stocks are inclined to withhold their offerings as they regard the present maximum price-level as too low. If this stoppage of offerings continues, the Ministry of Food may well be forced to take additional measures to revive normal sales. As stocks in this country cover about one year's requirements, the requisitioning of trade stocks would probably be preferred to the immediate resumption of imports. The whole of the world's pepper is exported from Asia and the Dutch East Indies, and the latter, whose annual exports fluctuated between about 600,000 to 1,550,000 cwts. in the last five peace years, produces between 80 and 90 per cent of the world's total. French Indo-China, the largest of the other exporting countries (with an average yearly export of 80,000 cwts.), is now under Japanese control, while Siam, Sarawak and British India—the only other exporting countries worth mentioning—may be affected by the next move Japan may make. In peacetime, British net consumption of pepper was about 50,000 to 60,000 cwts. per year, but owing to much extended canning activities the figure may now be higher. Nevertheless, requirements for twelve months could probably be shipped in one big load. Apart from the fact that the Ministry of Food's control over pepper has greatly reduced the price to all consumers, it may easily help to ensure supplies, as the Ministry could certainly act more swiftly than the trade in shipping larger quantities at short notice if the trend of Far Eastern events required it. Despite the initial dislocation of normal trading through the introduction of low maximum prices, therefore, the Ministry of Food's initiative must be warmly welcomed.

Changes in Chrome Supplies

The Balkan and Russian wars have led to considerable changes in the international chrome supply position. Of current world chrome ore output of about 1,200,000 metric tons of an average Cr.₂O₃ content of 48 per cent, Jugoslavia and Greece together supply about 100,000 tons; Russia produces slightly over 200,000 tons; while some 5,000 tons comes from Bulgaria and other Balkan countries. Before the German conquest of the Balkans, a substantial part of the Yugoslav and Greek supplies was shipped to Great Britain and the United States, but now the whole output will be reserved for Germany. Improvements in the German supply position will, however, depend on the outcome of the Russian campaign, as it is known that since 1939 Russia has supplied substantial quantities of chrome-ore to Germany, although normally Russia is not an exporter. The Russian deposits are situated chiefly in the Ural Mountains and minor deposits exist in the Caucasus, territories still far from the fighting line. It would appear at present that an improvement in the German supply position may be secured rather through higher imports from Turkey than from a Russian conquest. Turkey produces well in excess of 200,000 tons of high-grade ore, a large part of which goes to Great Britain and the United States, but under the recent Turko-German trade arrangement increased supplies have been promised to the Nazis. This development is quietening from the Allies' point of view, as it may cause a scarcity of supplies in the United States. The British Empire has, however, in Southern Rhodesia and South Africa, two of the largest chrome producers, who can spare a considerable part of their annual output of about 500,000 tons; but these quantities would not cover United States needs, especially as the 100,000 to 150,000 tons of Cuban and Philippine ore available to the United States consist mainly of low-grade ore unsuitable for metallurgical purposes. The United States itself at present produces less than 5,000 tons of chrome ore (chiefly in California), but the Bureau of Mines is taking steps to develop a smelting process by which low-grade ore found in other parts of the country could be converted for metallurgical uses. These developments may bring an adequate but expensive solution of the problem. In the meantime, every endeavour should be made to obtain the maximum supply from Turkey and to develop production in Rhodesia and South Africa to capacity. In the early months of this year, Empire production, especially in South Africa, was far from this goal. Adequate supplies of chromium are of substantial significance to the war industry, for use in the manufacture of armour plate and torpedoes. Though some chromium may be saved by reducing the chrome content of certain steel alloy metals, large-scale substitution of other alloying elements for chromium is possible only at the expense of the qualities and properties of the alloys.

(For Commodity and Industry News see page 337)

COMPANY MEETINGS

UNION INSURANCE SOCIETY OF
CANTON, LIMITED

FAVOURABLE RESULTS

MR J. O. MEEKS'S REVIEW

The ordinary yearly meeting of the Union Insurance Society of Canton, Limited, was held at the society's head office in Sydney, Australia, on June 20th last.

Mr J. O. Meeks (chairman) presided, and, in moving the adoption of the report, revenue account, and balance sheet, said:—The report, revenue accounts, and balance sheet for 1940 were issued on June 10th and you will have had time to consider the figures. I propose, therefore, to follow the usual custom and take these, as well as the auditors' report, as read.

The disturbances of war were the direct cause of the removal of our head and registered offices from Hongkong to Sydney, Australia, for the duration of the war and a limited time thereafter. Had our business in Hongkong only been concerned it would have been accepted as a misfortune of war, but this was not the case. Important interests abroad were affected and connections there became apprehensive of the society's position should the head office be isolated. I am glad to report that the objective of the transfer has been attained, and confidence in the ability of the society to conduct its business on normal lines has been restored.

LARGER MARINE INCOME

You will see that our marine income at £1,278,518 os. 10d. increased materially over last year. This is due to surcharges on marine rates and war risk premium. Sources of income of this sort are, fortunately, not permanent. First-year settlements, marine and war, on the 1940 account totalled £298,625 8s. 11d., representing 23.36 per cent. of the premium, which is satisfactory. Special reserves have been set up to meet abnormal conditions, and it is considered that the transfer to the underwriting suspense account to close the 1939 account will be sufficient, and the balance of the 1940 account should suitably provide for outstanding claims. I hope to leave a reasonable margin of profit.

In the fire account the premium at £608,003 8s. 6d. and claim settlements at £242,282 19s. 9d., representing 39.85 per cent. of the income, are at a normal figure. The society was fortunate in that results in practically all fields were favourable. The results of the accident and general account show welcome improvement. The premium of £278,461 14s. 9d. is less by some £14,000 than the previous year, but the transfer to profit and loss of £21,000 is more satisfactory than has been the case for a number of years.

ADDITIONS TO RESERVES

You will notice in the marine and fire revenue accounts that special reserves have been made for outstanding balances in enemy and enemy-occupied territories. In addition, a further sum has been

COMMODITY AND INDUSTRY NEWS

THERE was more activity in the tin market last Tuesday than for some time, turnover being 275 tons. This may be due indirectly to Russian buying in the Far East. Standard cash was £257-£257 5s. a ton on Wednesday, compared with £256 5s.-£256 10s. a week earlier. Three months was £259 15s.-£260, compared with £259 5s.-£259 15s. A meeting of the International Tin Committee is to be held this month to discuss the future of the restriction agreement, which is due to expire at the end of this year. It is understood that the committee has recommended that standard tonnages should be changed to the actual outputs in the year ending last July 31st. Bolivia and Thailand are the only producing countries whose standards would be lowered by such a change. It is, however, considered likely that some means may be found to overcome any opposition they may raise, as all producers are anxious that some agreement should be reached to safeguard their position.

"Clothing Coupon Quiz."—The Board of Trade has issued a small pamphlet* giving "answers to questions on the rationing of clothing, footwear, cloth and knitting yarn" which have been put to them by retailers and the public since rationing was introduced. The booklet contains sections on the working of the rationing scheme, on the actual coupons themselves, and lists of the numbers of coupons needed for each type of rationed article. The largest section, entitled "Your questions answered," consists of 85 questions with answers, covering virtually all aspects of the scheme. The publication deserves a wide circulation, and is a guide which will serve retailer and consumer alike by putting into simple language the provisions of the Consumer Rationing Orders.

* *Clothing Coupon Quiz*. Issued by the Board of Trade and published by H.M. Stationery Office, price 2d. net.

Standard Pots and Pans.—An Order, with effect from September 24th, has been issued by the Board of Trade, which will enable it to standardise designs and sizes of domestic holloware made wholly or partly of iron or steel. Registered manufacturers are to be licensed and directions for manufacture will be issued from time to time. Standardisation would effect economies in the use of materials and labour, and the public will gain, as supplies will not diminish and prices would tend to be lower.

New American Cotton Crop Estimate.
—A new estimate of the American 1941-42 cotton crop has been published by the United States Department of Agriculture. Their previous forecast, which was given on page 212 of *The Economist* of August 16th, was 10,817,000 bales. The new estimate is an even smaller one of 10,710,000 bales. Yield is now estimated at 25.7 lb. per acre less than the original figure of
(Continued on page 342.)

(Continued on page 342.)

debited to the underwriting suspense account for the years concerned. The total sum reserved in this connection is £100,000. In the profit and loss account we have set up a contingency taxation reserve of £20,000. This was necessary in view of the heavier taxation charges we must meet in future.

In February of this year Mr E. P. Webb resigned as London underwriter, and Mr A. V. Townsend was appointed to succeed him. His appointment was made with full confidence in his ability to carry out successfully the responsibilities of that important post. It is with the deepest regret that your board received advice this week of the death in New York of Mr W. J. Roberts. The society has lost a sincere friend and most able supporter.

There being no questions, the report, revenue account, and balance sheet were unanimously adopted.

HUDSON'S BAY COMPANY

RECORD STORES PROFITS

The two hundred and seventy-second annual general court of the Governor and Company of Adventurers of England Trading into Hudson's Bay was held, on the 5th instant, in London.

Mr P. Ashley Cooper, the governor, said that industrial activity through 1940 had been maintained at a high level, and Canada had produced more goods and services than in any previous year of her history. The company's profit on trading had increased by no less than £273,383, while the land department showed a decrease of £23,835. Provision for income tax had increased by £257,630, leaving only £60,000 for dividends. That had enabled them to pay the preference dividend and to recommend 1 per cent. on the ordinary shares, the same as in the previous year. Although land account receipts had fallen by £10,900, they were again able to recommend a distribution of 1½ per cent. from the proceeds of land sales.

During the year they had provided for H.M. Government considerable sums of dollar currency and had invested as largely as circumstances would permit in the war loans of this country and Canada. Once more their six large stores had broken all previous aggregate profit records and so had the three stores at Winnipeg, Victoria, and Saskatoon broken their individual records.

The reorganisation in Canada previously mentioned had progressed in spite of the added difficulties due to the war, but the process of modernisation was an expensive one. It must, however, be pursued if they were to retain their position and to combat effectively the competition which they met on all sides. The fur-purchasing agencies were rendering useful service and continued to play their part in their organisation. They had had a good collection of Canadian fur, which had been sold well and profitably during the year.

The increase in sales of land was a satisfactory item and was some evidence that the plans and policies for sales promotion adopted by the Canadian committee were bearing fruit.

Resolutions submitted by Mr. C. L. Nordon, one of the proprietors, were defeated by a large majority.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended September 6, 1941, total ordinary revenue was £25,122,000, against ordinary expenditure of £99,893,000 and issues to sinking funds of £2,178,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £1,300,896,000 against £991,172,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	April 1 to Sept. 7, 1940	April 1 to Sept. 6, 1941	Week ended Sept. 6, 1940	Week ended Sept. 6, 1941
ORDINARY REVENUE					
Income Tax	756,000	86,549	157,951	7,606	8,492
Sur-tax	80,000	10,650	10,989	200	140
Estate, etc.	82,000	36,210	40,452	1,210	979
Duties	14,000	6,400	5,201	...	...
N.D.C.	210,000	9,830	7,695	320	235
E.P.T.	1,000	22,380	82,531	1,490	4,070
Other Ind. Rev.	...	210	165	...	...
Total Ind. Rev.	1143,000	174,222	304,984	10,826	13,916
Customs	310,700	127,740	150,357	5,619	7,797
Excise	266,660	68,999	138,605	899	1,795
Total Customs & Excise	577,360	196,739	288,962	6,518	9,592
Motor Duties	39,000	9,375	9,073	104	153
P.O. (Net Receipts)	3,300	9,750	7,050	600	450
Crown Lands	1,100	540	530	...	...
Receipts from Sundry Loans	2,600	645	1,898	64	...
Miscell. Receipts	20,000	12,112	25,960	249	1,011
Total Ord. Rev.	1786,360	403,390	638,457	18,361	25,122
SELF-BALANCING P.O. & Brdcastg.	99,346	33,050	39,750	900	1,150
Total	1885,706	436,440	678,207	19,261	26,272

Expenditure	Estimate, 1941-42	April 1 to Sept. 7, 1940	April 1 to Sept. 6, 1941	Week ended Sept. 6, 1940	Week ended Sept. 6, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	111,879	127,853	8,457	8,841
Payments to N. Ireland	9,200	3,319	3,253	297	326
Other Cons. Pnd. Serv.	7,800	3,332	3,189	8	...
Total	272,000	118,530	134,295	8,762	9,167
Supply Services	393,497	127,108	179,932	63,610	90,726
Total Ord. Exp.	420,697	138,961	193,427	72,372	99,893
SELF-BALANCING P.O. & Brdcastg.	99,346	33,050	39,750	900	1,150
Total	430,633	142,269	197,377	73,272	101,043

After decreasing Exchequer balances by £352,325 to £2,427,123, the other operations for the week (no longer shown separately) raised the gross National Debt by £73,158,501 to about £12,674 millions.

NET ISSUES	(£ thousands)
P.O. and Telegraph	200
Anglo-Turk Arms Agreement	112
Total	312

NET RECEIPTS	(£ thousands)
Under War Damage Act	3,596
Under Tithe Act	155
Total	3,751

AGGREGATE ISSUES AND RECEIPTS

Aggregate issues and receipts from April 1, 1941, to September 6, 1941, are:	(£ thousands)
Ordinary Exp.	1,934,227
Ord. Revenue	638,457
Gross Issue	1,295,998
Sinking fund	5,126
Net borrowing	1,274,872
Miscell. Receipts	30,699
Debt Repaid	199
Total	1,934,227

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Public Depts.	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1940						
Sept. 7	836-0	Not available				
May 31	905-0	1410-4	138-0	498-5	2949-9	
June 7	915-0	Not available				
" 14	925-0	"				
" 21	935-0	"				
July 5	955-0	158-7	28-2	519-0	3063-0	
" 12	960-0	Not available				
" 19	965-0	"				
Aug. 2	960-0	1491-7	174-3	12-0	515-5	3153-5
" 9	960-0	Not available				
" 16	960-0	"				
" 23	960-0	"				
Sept. 6	970-0	1525-3	213-9	1-0	513-0	3223-2

TREASURY BILLS

Date of Tender	Amount Offered	Applied	Allotted	Average Rate of Allotment	Per Cent Allotted at Min. Rate
1940					
Sept. 6	65-0	125-8	65-0	20-7	0-1
May 23	75-0	141-8	65-0	20-0	0-59
June 6	75-0	145-1	75-0	20-1	0-06
" 13	75-0	156-1	75-0	20-0	0-22
" 20	75-0	166-5	75-0	19-11	0-88
" 27	75-0	158-5	75-0	20-0	0-15
July 4	75-0	163-1	75-0	19-11	0-83
" 11	75-0	155-7	75-0	20-0	0-54
" 18	75-0	146-8	70-0	20-0	0-33
" 25	75-0	163-6	75-0	19-11	0-84
Aug. 1	75-0	165-2	75-0	20-0	0-14
" 8	75-0	159-1	75-0	20-0	0-16
" 15	75-0	151-8	75-0	20-0	0-31
" 22	75-0	133-2	75-0	20-0	0-95
" 29	75-0	152-3	75-0	20-0	3-17
Sept. 5	75-0	148-6	75-0	20-0	3-46

On September 5th 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 41 per cent of the amount applied for, and applications at higher prices in full. £75 millions of Treasury bills are being offered on September 12th. For the week ending September 13th the banks will be asked for Treasury deposits to a maximum amount of £45 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2% BONDS SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	New 2% Bonds	3% Savings Bonds
July 29	3,353	2,454	4,316	7,202
Aug. 5	3,017	2,510	7,171	6,740
" 12	3,239	2,348	36,255	9,944
" 19	3,813	2,860	59,874	3,335
" 26	3,201	2,805	94	3,446
Sept. 2	3,473	3,206	23	3,343
" 9	...	...	1	5,683
Totals to date	351,805*	333,702*	493,611†	299,046†

* 93 weeks. † 36 weeks.
 * Including series "A." £15,735,019 to date.
 † Interest free loans received by the Treasury up to Sept. 9th amounted to a total value of £36,497,583. Up to August 30th, principal of Savings Certificates to the amount of £43,772,000 have been repaid.

BANK OF ENGLAND RETURNS

SEPTEMBER 10, 1941

ISSUE DEPARTMENT

Notes Issued	Govt. Debt
Rest. in Circulation	11,015,100
In Bank of England	716,357,766
Outstanding	2,120,217
Total	506,917
Amount of Issue	730,000,000
Gold, Coin & Bullion (at 168s. per oz. fine)	241,575
Total	730,241,575

BANKING DEPARTMENT

Proprietary Capital	Govt. Secs.
14,553,000	125,352,838
Reserves	5,470,536
Public Deps.	9,274,767
Other Deps.	133,775,679
Bankers' Deposits	26,382,710
Other Assets	33,008,112
Total	60,837,752
Gold & Silver Coin	1,508,794
Total	214,082,094

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

THE WEEK'S CHANGES

Both Departments	Amt. Sept. 10, 1941	Compared with Last Week	Last Year
COMBINED LIABILITIES	669,404	2,146	60,765
Note circulation	9,275	3,223	3,903
Deposits: Public	133,776	11,099	26,070
Bankers	53,008	5	2,972
Others	865,463	4,017	85,904
Total outside liabilities	18,024	9	67
Capital and rest	852,726	9,335	86,167
COMBINED ASSETS	5,312	1,774	1,238
Govt. debt and securities	23,191	939	2,490
Discounts and advances	507	5	243
Other securities	1,750	68	678
Silver coin in issue dept.	62,347	2,213	39,914
Res. of notes and coin in banking department	31-7	2-2	18-6

COMPARATIVE ANALYSIS

	1940	1941
Sept. 11		
Sept. 27		
Sept. 3		
Sept. 10		
Issue Dept.		
Notes in circulation	608-1	654-7
Notes in banking department	21-6	15-3
Government debt and securities	627-1	677-7
Other securities	2-7	2-1
Silver coin	0-3	0-3
Gold, valued at s. per fine oz.	0-2	0-2
Deposits	168-00	168-00
Public	13-2	14-9
Bankers'	107-7	125-7
Others	50-0	49-1
Total	170-9	189-7
Banking Dept. Secs.	139-5	160-5
Discount, etc.	4-1	6-4
Other	23-0	23-6
Total	166-6	190-3
Banking dept. res.	22-4	17-3
"Proportion"	13-1	9-1

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £680 millions to £730 millions on August 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; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Mellie Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Egypt, of May 10th; Yugoslavia, of June 7th; Bulgaria, of August 9th; International Settlements, Japan, Roumania, of August 16th; Greece, of August 23rd; Prague, Sweden, Reichsbank and Turkey, of August 30th; Federal Reserve Reporting Member Banks, Australia, Switzerland and Canada, of Sept. 6th.

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS	Sept. 6, 1940	Aug. 21, 1941	Aug. 28, 1941	Sept. 4, 1941
Gold Certs. on hand and due from Treasury	18,631	20,306	20,300	20,299
Total reserves	18,966	20,590	20,590	20,550
Total cash reserves	323	275	275	236
Total U.S. Govt. secs.	2,434	2,184	2,184	2,184
Total bills and sec.	2,438	2,202	2,204	2,206
Total resources	22,201	23,905	23,873	23,819
LIABILITIES				
F.R. notes in circ.	5,391	6,953	7,007	7,118
Excess m. bank res.	6,490	5,060	4,990	4,860
Mr. bank res. dep.	13,525	13,037	12,998	12,884
Govt. deposits	791	785	772	708
Total deposits	15,825	15,658	15,612	15,427
Total liabilities	22,201	23,905	23,873	23,819
Reserve ratio	89-4	91-1	91-0	91-2
BANKS AND TREASURY RESOURCES				
Monetary gold stock	20,944	22,710	22,716	22,722
Treasury & bank currency	3,036	3,178	3,178	3,180
LIABILITIES				
Money in circulation	8,092	9,840	9,899	10,034
Treasury cash and dep.	3,085	3,162	3,160	3,108

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s	July 1, 1940	June 16, 1941	June 23, 1941	June 30, 1941
ASSETS				
Gold and stg. exch.	16-22	24-65	25-06	22-77
Advances to State	25-02	18-53	18-69	18-77
Investments	2-54	3-77	3-77	3-77
LIABILITIES				
Bank Notes	18-79	21-71	21-77	21-84
Demand liab. State	23-16	10-37	10-67	7-95
Banks and others	13-86	14-41	14-41	14-73
Reserves to sight liab.	53-6	53-4	51-1	51-1

RESERVE BANK OF INDIA

Million rupees	Aug. 30, 1940	Aug. 15, 1941	Aug. 22, 1941	Aug. 29, 1941
ASSETS				
Gold coin & bullion	444	444	444	444
Rupee coin	349	374	374	383
Balances abroad	269	448	450	451
Sterling securities	1,315	1,316	1,316	1,316
Ind. Gov. rup. sec.	496	785	785	785
Investments	87	76	76	76
LIABILITIES				
Notes in circ. India	2,193	2,596	2,588	2,577
Burma	122	192	190	188
Deposits: Govts.	138	203	172	130
Banks	403	324	370	418
Reserve Ratio	67-6	60-3	60-3	60-1

CENTRAL BANK OF ARGENTINA

Million paper pesos	July 31, 1940	June 30, 1941	July 15, 1941	July 31, 1941
ASSETS				
Gold at home	1,224	1,071	1,071	1,071
Other gold and for. exch.	155	363	389	415
Non-int. Govt. bonds	119	119	119	119
Treasury bonds	395	394	394	394
LIABILITIES				
Notes in circulation	1,218	1,248	1,259	1,263
Deposits: Government	157	104	54	64
Banks	415	635	656	669
Certs. of participation	152	30	35	36
Reserve ratio	76-9	71-8	73-6	73-9

BANK OF PORTUGAL

	May 29, 1940	May 14, 1941	May 21, 1941	May 28, 1941
ASSETS				
Gold	920-6	1271-3	1271-3	1273-4
Balances abroad	745-8	1292-0	1290-4	1322-0
Discounts	413-2	347-3	344-8	347-5
Securities	102-8	329-4	329-4	329-4
LIABILITIES				
Notes in circulation	2424-0	3066-5	3071-1	3092-7
Deposits : Government	394-1	426-3	434-0	391-3
Bankers'	673-5	1288-2	1360-9	1431-9
Others	88-1	221-8	200-0	214-1
Foreign commitments	249-4	256-3	258-5	262-4

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	Total Profit	Net Profit	Ord. Div.
Breweries, &c.												
Lovibond (John) & Sons	Mar. 31	21,016	351	10,442	32,084	3,025	6,300	12	2,000	22,344	14,770	12
Coal, Iron and Steel												
Brightside Foundry, &c.	June 30	78,415	...	50,910	94,188	2,500	43,750	25	4,660	83,026	58,601	25
Dorman (W. H.) & Co.	Mar. 31	145,504	...	31,702	35,762	13,750	4,916	16½	10,000	90,551	23,971	16½
Partington Steel and Iron	June 30	72,530	...	4,908	Dr. 31,264	...	...	...	4,908	80,575	12,827	Nil
Pearson & Knowles Coal and Iron	June 30	56,168	...	2,303	Dr. 27,790	...	...	...	2,303	57,376	10,512	Nil
Financial Land, &c.												
Atlas Electric, etc., Trust	Mar. 31	173,568	...	133,949	259,175	111,781	...	...	22,168	205,446	158,163	Nil
Lewis (John) Partnership	April 30	11,407	...	9,437	11,185	8,221	...	...	1,266	13,949	6,424	Nil
London & National Property Co.	Dec. 31	162,566	...	Dr. 8,832	1,963	...	...	...	8,832	163,319	40,298	4½
Monument Property Trust	Mar. 31	153,523	...	Dr. 1,766	16,901	...	...	...	1,766	181,741	13,798	Nil
Trojan (Holdings)	Aug. 14	11,346	...	10,838	13,643	1,025	10,210	8	397	18,234	17,566	10
Oil												
Trinidad Central	Dec. 31	50,254	2,527	30,492	40,521	...	10,074	7	12,500	42,269	33,281	7
Rubber												
Abaco (Selangor)	Mar. 31	12,592	...	4,816	7,277	...	3,744	121	1,500	5,454	3,112	71
Brush	Mar. 31	12,748	350	3,724	11,881	...	3,493	121	...	2,31	2,953	5
Johore Rubber Lands	Mar. 31	11,670	235	6,633	14,509	...	5,488	5	...	5,605	5,395	5
Kuala Perak	Mar. 31	23,426	417	2,929	4,200	...	2,599	6	...	16,510	2,303	5
Padang Jawa	Mar. 31	11,401	...	3,994	5,037	...	3,750	5	...	2,468	1,327	2½
Simo	Dec. 31	50,234	1,000	16,773	20,038	...	14,000	10	...	2,773	16,509	10
Sungei Bahru	Mar. 31	23,130	...	5,894	8,386	...	5,404	61	...	16,346	6,433	6½
Tai Tak	Mar. 31	16,131	...	3,726	5,452	...	3,667	4	...	9,984	4,627	5
Teekay	Mar. 31	12,756	353	5,461	7,847	...	5,550	7½	...	7,588	3,972	5
Shipping												
Furness Withy & Co.	April 30	665,072	350,000	215,073	404,652	38,438	180,000	6	...	618,651	218,151	5
Shops and Stores												
Great Universal Stores	Mar. 31	328,236	15,877	84,116	105,533	31,497	64,373	12½	...	354,430	116,807	22½(a)
Textiles												
Sunbeam Wooley	June 30	36,875	12,000	11,236	36,548	5,300	8,281	12½	...	36,605	15,980	12½
Whitworth & Mitchell	June 30	112,572	2,048	58,916	64,222	30,000	25,000	7½	...	107,072	61,200	7½
Other Companies												
Cementation Company	Mar. 31	102,005	21,082	23,247	27,239	12,000	10,336	15	...	911	124,039	15
Millets Stores (1928)	April 30	60,689	2,506	10,535	14,595	3,169	1,500	14-4	...	5,866	43,578	14-4
Wright's Biscuits	June 30	23,008	8,598	8,913	15,806	3,656	7,063	27½	...	1,806	39,768	12½
Totals (£'000's)	No. of Cos.	2,439	416	740	1,901	264	419	26	31	2,389	890	...
Week to Sept. 13, 1941	27	288,063	23,117	134,215	208,170	29,154	87,460	13,034	4,561	278,691	153,826	...
Jan. 1 to Sept. 13, 1941	1,381	288,063	23,117	134,215	208,170	29,154	87,460	13,034	4,561	278,691	153,826	...

(a) Absorbed £79,375.

† 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 dividends

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					Kundang Tin	10*	...	...	...	Express Dairy	13*	...	...	...
Central Hanover Bank	5½ps	...	...	...	Malayan Tin	10*	...	...	...	Foster (M. B.) & Sons	13*	...	...	...
Eastern Bank	2½*	...	...	...	Minefields Separation	20*	...	...	...	Fulton (William) & Sons	...	...	...	...
Guaranty Trust (N. York)	3	...	...	...	Southern Malayan Tin	10*	...	...	...	Gale, Lister & Co.	7½*	...	...	...
INSURANCE					Southern Tronoh Tin	7½*	...	...	...	General Investors, etc.	10*	...	...	...
Bagle Star	7½*	...	...	...	Tronoh Mines	10*	...	...	...	Halesowen Steel	7½*	...	...	...
General Accident	30*	...	...	...	INDUSTRIALS					Illovo Sugar Estates	...	...	...	...
TEA AND RUBBER					African Theatres	10*	...	...	...	Kay & Co.	...	...	...	...
Ayer Panas Rubber	5*	...	...	...	American Celanese	50 cts	...	...	...	King Line	...	...	...	...
Bengal United Tea	12½	...	...	...	American Investment Trust	2*	...	...	...	Lambert Joinery	10*	...	...	...
Buxa Doora Tea	14½	...	...	...	Associated Fire Alarms	4*	...	...	...	Mandleberg (J.)	...	...	...	...
Cachar and Doora Tea	10	...	...	...	Associated Fisheries	4*	...	...	...	Oxley Engineering	...	...	...	...
Djemba Rubber	...	...	...	...	Beechams Mills (Def.)	7*	...	...	...	Ransomes & Rapier	12*	...	...	...
Kali (Java) Rubber	...	...	...	...	Bolover Colliery	31*	...	...	...	Royal Brewery, Brentford	4*	...	...	...
Lambak Rubber	...	...	...	...	Boots Pure Drug	10*	...	...	...	Steam Romana	...	...	...	...
Poonmudi Tea	...	...	...	...	Bridgewater (G. & T.)	10*	...	...	...	Scottish Valley Gas	...	...	...	...
Riverview Rubber	5*	...	...	...	British Cellynd	...	...	...	...	Sheppy Gas	...	...	...	...
Sino Rubber	10	...	...	...	Canadian Celanese	50 cts	...	...	...	Standerden & Co.	...	...	...	...
Suloh Rubber	5*	...	...	...	Cementation Co.	...	...	...	...	Tunnel Portland Cement	...	...	...	...
Sungei Timah Rubber	...	...	...	...	Churchill (Charles)	...	...	...	...	Waller & Hartley	...	...	...	...
Sungei Tiram Rubber	...	...	...	...	Clifford Motor	20*	...	...	...	Warne, Wright & Rowland	...	...	...	...
MINING					Daniell & Sons	...	...	...	...	Wickman (A. C.)	...	...	...	...
Central Provs. Manganese	7½*	...	...	...	Dorman (W. H.)	...	...	...	...					
Kramat Pulai	12½*	...	...	...	Eastwoods	25*	...	...	...					
do. (1941)	24*	...	...	...	English & Calein. Invest.	13*	...	...	...					

† Free of Income Tax.

(a) 10 months to March 31st, 1941.

(b) Also Stock dividend one share for each 50 held.

OVERSEA WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week	Aggregate Gross Receipts
		1941	1941
B.A. and Pacific	9 Aug. 30	11,240,000	+ 129,000
B.A. Gt. Southern	9 " 30	12,311,000	+ 188,000
B.A. Western	9 " 30	1,734,000	+ 197,000
Canadian Pacific	36 Sept. 7	14,226,000	+ 736,000
Central Argentine	10 " 6	12,061,000	+ 698,450
San Paulo (Brazil)	35 Aug. 31	1,377,500	+ 3,497
			1,314,930

† Receipts in Argentine pesos.

† 10 days.

UNIT TRUST PRICES

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

Name	Sept. 9, 1941	Name	Sept. 9, 1941	Name	Sept. 9, 1941
Second Bt.	21/6-22/3 xd	National D.	11/3-12/3	Key Gold	8/9-10/1
Lim'd Inv.	14/3 bid	Century	12/11-13/10	Ind. 4th	12/0-13/6
New British	8/3 bid	Scottish	11/0-12/6	Ind. 5th	13/9 bid
Inv. Trust	9/3-10/3	Univ. 2nd	13/11-14/10 xd	Met. & Min.	10/4 bid
Bk. Insur.	15/3-16/9*	Inv. Flex.	9/9-10/9 xd	Cum. Inv.	14/3-15/9
Insurance	15/3-16/9*	Inv. Gen.	13/7-14/7	Producers	5/9-6/9
Bank	15/3-17/0*	Key. Flex.	11/3-12/6	Dom. 2nd	5/3-6/0
Scottish	11/0-12/0*	Key. Con.	10/4-11/7	Orthodox	7/9-8/0

* Free of commission and stamp duty.

† Bid and offered.

September 13, 1941

THE ECONOMIST

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, Sep. 2, 1941	Price, Sep. 9, 1941	Yield, Sep. 9, 1941	Prices, Year 1941		Dividends	Name of Security	Price, Sep. 2, 1941	Price, Sep. 9, 1941	Yield, Sep. 9, 1941
High	Low	High	Low					High	Low					
77	68½	82½	76½	British Funds	81½	82½	£ s. d.				Iron, Coal, &c.-cont.	26/10½	26/10½	£ s. d.
111½	103½	112½	110	Consols 2½	111	112½	3 0 0	27/5½	21/-	15 b	Hadfields Ord. 10/-	16/10½	16/3	6 15 6
98½	98½	99½	98½	Do. 4% (after 1957)	99½	99½	3 11 5	17/-	11½	14 a	Powell Duffryn Ord. 11/-	25/-	25/-	4 16 0
100½	95½	100½	98½	Conv. 2% 1943-45	99½	100	2 11 4	25/-	18/6	12 c	South Durham Ord. 11/-	45/-	45/-	2 17 9
103	97½	103½	101½	Do. 2½ 1944-49	101½	102	2 13 8	47/4½	41/3	12½ c	Staveley Coal, Ord. 11/-	33/11	33/11	5 5 3
103½	94	106½	102½	Do. 3½ 1948-53	105½	105½	3 6 8½	34/4½	28/-	6 b	Stewarts and Lloyds 11/-	23/6	23/6	6 16 0
112	107½	108½	106	Do. 5% 1944-64	107	107½	2 16 0	24/3	19/9	5½ b	Swan, Hunter Ord. 11/-	16/6	17/-	5 17 9
92½	86½	95½	91½	Fund. 2½ 1956-61	94½	94½	2 17 4	17/1½	14/3	4 a	Un. Steel Cos. Ord. 11/-			
98½	92	99½	97½	Fund. 2½ 1952-57	99	99½	2 16 0				Vickers Ord. 10/-			
99½	95	101½	98½	Fund. 3% 1959-69	100½	100½	3 0 0	8/-	2/9	Nil c	Textiles	7/-	6/6	Nil
114	105½	116	111½	Fund. 4% 1960-80	100½	100½	3 0 0	3/-		Nil	Bradford Dyers 11/-	5/3	5/3	Nil
102	98½	101½	100	Nat. D. 2½ 1944-48	101	101	3 7 0½	5½	27/6	5½ a	British Celanese 10/-	36/-	36/-	5 11 0
102	98½	101½	100	Do. 3% 1954-58	101	101	2 18 0	36/4½	26/9	5½ a	Coats, J. & P. 11/-	36/-	36/-	5 4 0
100½	100	100½	100	War Bds. 2½ 1946-47	100½	100½	2 9 0	22/4	22/9	7½ c	Courtaulds 11/-	26/6	26/6	5 9 0
100½	100	100½	100	Do. 2½ 1946-48	100½	100½	2 19 6	29/6	15/-	7½ c	English Sewing Ctn. 11/-	21/4½	21/9	6 18 0
112½	105½	112½	110½	Sav. Bds. 3% 1955-65	111½	112½	3 2 0½	53/1½	45/-	18½ c	Lanes, Cotton Corp. 11/-	47/6	47/6	2 2 0
101	98	101½	100½	Victory Bonds 4½	101½	101½	2 18 9			10 c	Patons & Baldwins 11/-			
103½	101½	106½	102½	War L. 3% 1955-59	105½	106½	3 6 0½	43/3	38/3	10 c	Electrical Manufacturing	42/6	42/6	4 14 0
83½	80½	106½	89½	War L. 3½ after 1952	95½	95½	3 2 10	90/3	78/9	5 a	Associated Electrical 11/-	42/6	42/6	4 8 9
94½	85½	98½	93½	Local Loans 3%	95½	96½	3 2 6	70/6	58/3	5 a	British Insulated 11/-	42/6	42/6	4 7 0
101	97½	101	100	Redemption 3% 1986-96	100	100	3 1 0	20/6	17/6	10 b	Callenders Cable, &c. 11/-	19/4½	19/4½	5 3 0
71½	59½	78½	70	Austria 3% 1933-53	71½	71½	3 1 1	35/10½	28/3	10 c	Crompton Park 'A' 5/-	35/-	35/-	5 14 0
97½	82½	100½	96	India 2½	98½	98½	3 10 8	84/3	77/-	20 c	English Electric 11/-	80/-	80/-	4 7 0
107½	101	105½	103½	Dom. & Col. Govts.	104	104	4 0 0	52/-	42/6	7½ b	General Electric 11/-	51/3	51/3	5 17 0
110½	106	110½	107½	Australia 5% 1944-75	110	110	3 16 0			5 b	Johnson & Phillips 11/-			
105½	100	106	103½	Nigeria 5% 1950-54	104	104	4 0 0	38/3	33/6	5 b	Clyde Valley Elec. 11/-	36/6	37/6	4 5 0
108½	103	108½	106	New Zealand 5% 1946-75	104	106	3 3 6	36/0½	29/6	3 a	County of London 11/-	27/-	27/-	4 8 0
116½	104	108½	106	S. Africa 5% 1917-75	106	106	3 3 6	27/11	23/6	2½ a	Edmundsons 11/-	19/9	19/9	3 8 0
85	78	93	84½	Corporation Stocks	96½	107	3 8 9	14/11½	9/3	2½ a	Gas Light & Coke 11/-	33/11	33/11	4 10 6
94½	87½	96½	93	Birmingham 5% 1944-56	102½	102½	3 5 3	36/-	28/-	5 b	Lancashire Elec. 11/-	29/4½	29/4½	4 15 0
104	97	104½	100½	L.C.C. 3% 1954-64	96½	96½	3 5 3	30/-	25/6	4½ b	North-East Elec. 11/-	35/-	35/-	4 0 0
92½	85	97	84½	Liverpool 3% 1954-64	96½	96½	3 5 3	35/3	28/6	3 a	Northampton Power 11/-	38/11	38/11	4 4 0
35½	20	47	31	Midx. 3½ 1957-62	102½	103	3 4 3	39/-	33/-	2½ a	Yorkshire Electric 11/-	38/11	38/11	4 4 0
102	93	102½	98½	Foreign Governments	83	84	5 8 5	39/6	33/9	3 a	Aircraft			
103	94	103½	99½	Argent. 4% Stg. Bds.	83	84	5 8 5	18/9	11/3	15 c	Motor Cars	17/6	18/9	2 13 0
104	95	104½	100½	Brazil 5% Fd. 1914	84	84	5 6 5½	21/10½	16/-	6 c	B.S.A. Ord. 5/-	21/9	21/6	7 0 0
105	96	105½	101½	Chile 6% (1929)	84	84	7 10 0	16/-	16/-	6 c	Bristol Aeroplane 10/-	10/6	10/9	9 6 6
106	97	106½	102½	China 5% (1913)	84	84	5 2 7	11/3	25/9	12½ c	De Havilland Aircraft 11/-	33/9	33/9	7 8 8
107	98	107½	103½	Egypt United 4%	84	84	5 2 7	35/7½	10/10½	11½ c	Fairley Aviation 10/-	13/3	13/3	7 8 8
108	99	108½	104½	Greek 6% Stab. Ln.	84	84	5 2 7	13/7½	15/9	6 c	Ford Motors 11/-	22/6	22/6	5 16 0
109	100	109½	105½	Japan 5½ 1930	84	84	5 2 7	15/9	15/9	6 c	Hawker-Siddeley (5/-)	12/6	12/3	13 0 0
110	101	110½	106½	Portuguese 5%	84	84	5 2 7	17/3	17/3	15 a	Leyland Motors 11/-	70/-	70/-	5 14 0
111	102	111½	107½	Spanish 4%	84	84	5 2 7	14/9	11/3	20 c	Lucas, J. (11/-)	60/-	60/-	5 0 0
112	103	112½	108½		84	84	5 2 7	73/9	57/6	20 c	Morris Motors 5/- Ord.	30/-	30/-	2 18 0
113	104	113½	109½		84	84	5 2 7	61/3	50/7½	12½ b	Rolls-Royce 11/-	81/3	81/3	4 18 0
114	105	114½	110½		84	84	5 2 7	32/3	24/6	10 a	Standard Motor 5/-	14/-	14/3	5 1 0
115	106	115½	111½		84	84	5 2 7	81/3	70/7½	20 c	Shipping			
116	107	116½	112½		84	84	5 2 7	14/6	10/3	25 c	Furness, Withy 11/-	21/6	21/6	5 1 0
117	108	117½	113½		84	84	5 2 7	23/3	17/6	5 c	P. & O. Def. 11/-	21/-	21/-	4 14 0
118	109	118½	114½		84	84	5 2 7	29/3	20/-	2 a	Royal Mail Lines 11/-	16/6	17/-	5 18 0
119	110	119½	115½		84	84	5 2 7	22/2	17/-	5 c	Union Castle Ord. 11/-			
120	111	120½	116½		84	84	5 2 7	17/3	6/3	Nil c	Tea and Rubber			
121	112	121½	117½		84	84	5 2 7	10/3	7/3	4 c	Allied Sumatra 11/-	7/6	8/11	9 16 0
122	113	122½	118½		84	84	5 2 7	13/6	13/6	2 a	Anglo-Dutch 11/-	15/6	16/9	7 3 0
123	114	123½	119½		84	84	5 2 7	28/9	28/9	2½ a	Jokal (Assam) 11/-	31/10½	32/6	6 3 0
124	115	124½	120½		84	84	5 2 7	24/6	24/6	3 a	London Asiatic 2/-	2/7½	2/7½	7 12 0
125	116	125½	121½		84	84	5 2 7	1/9	1/9	5 c	Rubber Trust 11/-	27/6	28/3	7 0 0
126	117	126½	122½		84	84	5 2 7	25/11	25/11	20 c	United Serdang 2/-	2/1	2/1	8 12 0
127	118	127½	123½		84	84	5 2 7	42/-	42/-	17½ b	Oil			
128	119	128½	124½		84	84	5 2 7	24/10½	24/10½	12½ a	Anglo-Italian 11/-	41/3	41/3	2 8 0
129	120	129½	125½		84	84	5 2 7	61/3	51/3	10 b	Apex (Trinidad) 5/-	26/9	26/6	5 13 0
130	121	130½	126½		84	84	5 2 7	38/9	38/9	12½ a	Burmah Oil 11/-	58/9	58/9	5 12 0
131	122	131½	127½		84	84	5 2 7	52/9	52/9	7½ b	Shell Transport 11/-	51/10½	52/6	1 18 0
132	123	132½	128½		84	84	5 2 7	71/3	58/9	5 a	Trinidad Leaseholds 11/-	66/3	70/-	3 11 0
133	124	133½	129½		84	84	5 2 7	47/6	47/6	5 a	Miscellaneous			
134	125	134½	130½		84	84	5 2 7	25/-	25/-	10 c	Assoc. P. (John) 11/-	55/-	55/-	5 14 0
135	126	135½	131½		84	84	5 2 7	32/9	32/9	24 c	Boots Pure Drug 5/-	37/6	37/-	36/-
136	127	136½	132½		84	84	5 2 7	38/-	38/-	11½ c	Brit. Aluminium 11/-	47/6	47/6	4 10 0
137	128	137½	133½		84	84	5 2 7	80/7½	80/7½	11½ c	Brit. American Tobacco 11/-	67/6	67/6	4 8 0
138	129	138½	134½		84	84	5 2 7	63/10½	63/10½	15 b	British Oxygen 11/-	62	62	6 8 0
139	130	139½	135½		84	84	5 2 7	31/-	31/-	12 c	Cable & W. Hdg. Stk.	100/-	102/6	5 4 0
140	131	140½	136½		84	84	5 2 7	6/9	6/9	Nil c	Carreras A. Ord. 11/-	35/6	35/9	5 12 0
141	132	141½	137½		84	84	5 2 7	25/-	25/-	15 a	Dunlop Ord. 11/-	12/3	12/3	7 1 0
142	133	142½	138½		84	84	5 2 7	19/6	19/6	3 a	Eds. & Mus. Ind. 10/-	28/3	28/3	7 1 0
143	134	143½	139½		84	84	5 2 7	44	44	10 b	Forestal Land 11/-	24/-	24/-	7 1 0
144	135	144½	140½		84	84	5 2 7	22/3	22/3	20 b	Gallaher Ltd. Ord. 11/-	54	54	5 12 0
145	136	145½	141½		84	84	5 2 7	17/6	17/6	12½ a	Gestetner (D.) 5/-	30/7½	30/7½	4 4 0
146	137	146½	142½		84	84	5 2 7	22/3	22/3	20 b	Harrisons & Cros. Def. 11/-	30/7½	30/7½	2 12 0
147	138	147½	143½		84	84	5 2 7	22/6	22/6	2 b	Harrods 11/-	31/9	31/9	5 0 0
148	139	148½	144½		84	84	5 2 7	33/10½	33/10½	3 a	Imperial Chemical 11/-	12/6	12/6	5 12 0
149	140	149½	145½		84	84	5 2 7	8/3	8/3	Nil c	Imperial Smelting 11/-	54	54	3 17 0
150	141	150½	146½		84	84	5 2 7	12½ b	12½ b	17½ a	International Nickel n.p.	54½	54½	4 8 0
151	142	151½	147½		84	84	5 2 7	13/4	13/4	10 c	Lever & Unilever 11/-	25/7½	25/7½	5 12 0
152	143	152½	148½		84	84	5 2 7	43/9	43/9	5 a	London Brick 11/-	53/9	53/9	3 14 0
153	144	153½	149½		84	84	5 2 7	71/-	71/-	15 a	Lyons (J.) Ord. 11/-	92/6	92/6	4 13 0
154	145	154½	150½		84	84	5 2 7	38/-	38/-	5 a	Marks & Spencer A 5/-	37/-	37/-	4 13 0
155	146	155½	151½		84	84	5 2 7	5½	5½	12½ b	Metal Box 11/-	92	92	4 10 0
156	147	156½	152½		84	84	5 2 7	12½ b	12½ b	7½ a	Murex 11/- Ord.	23/-	23/-	3 12 0
157	148	157½	153½		84	84	5 2 7	16/9	16/9	2½ a	Pinchin Johnson 10/-			

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

(000's omitted)

AUGUST, 1941	Barclays Bank Ltd.	Bank of England	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 & Deane's Bank Ltd.	Assef Bank Ltd.
Date: 26th	25th	27th	26th	19th	27th	27th	27th	22nd	27th	28th	25th	27th
ASSETS	£	£	£	£	£	£	£	£	£	£	£	£
Coin, Bank Notes and Balances with the Bank of England	61,549	3,148	12,753	4,620	53,652	15,674	66,295	3,634	43,388	45,499	5,972	516,134
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland	17,756	767	3,050	2,198	16,280	2,997	18,110	215	13,719	16,788	3,491	95,371
Items in Transit	56,447	1,869	14,521	2,516	52,258	12,807	58,423	1,130	38,434	25,720	1,742	12,266
Money at Call and Short Notice	21,036	3,384	4,815	6,248	19,068	7,615	18,322	4,142	21,702	23,734	9,407	139,473
Bills Discounted	99,000	2,000	17,500	4,000	87,000	14,000	101,500	500	62,000	72,000	9,000	265,867
Treasury Deposit Receipts	156,485	12,132	43,598	21,028	150,884	55,365	194,397	16,028	132,696	134,457	18,307	468,500
Advances to Customers and other A/c's	181,116	8,854	25,392	9,969	143,132	35,887	174,884	16,122	113,186	118,206	11,285	935,177
Liabilities of Customers for Acceptances, Endorsements, etc.	12,783	975	3,007	3,860	18,219	8,621	13,127	238	10,585	27,166	1,937	100,518
Bank Premises Account	7,954	412	1,533	740	7,143	2,854	9,397	556	7,219	5,230	991	44,029
Investments in Affiliated Banks and Subsidiary Companies	6,282	...	...	...	3,775	...	8,200	...	2,514	2,992	...	23,763
	620,408	33,541	126,169	55,179	560,652	158,645	662,655	42,565	445,443	471,792	62,132	3,239,181
Ratio of Cash to Current, Deposit and other Accounts	10.60	10.30	10.88	9.35	10.39	11.02	10.66	9.49	10.41	10.68	10.40	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	12,411	1,160	8,500	9,320	900	61,967
Current, Deposit and other Accounts	580,517	30,566	117,209	49,409	516,613	142,244	621,958	38,273	416,879	425,969	57,420	2,997,057
Acceptances, Endorsements, etc.	12,783	975	3,007	3,860	18,219	8,621	13,127	238	10,585	27,166	1,937	100,518
Notes in Circulation	...	...	...	...	10	20	...	1,394	...	17	...	1,441
	620,408	33,541	126,169	55,179	560,652	158,645	662,655	42,565	445,443	471,792	62,132	3,239,181

TRANSVAAL GOLD OUTPUT

Statistics for August 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					Central Mining—Rand Mines—cont.					"Johannesburg"				
Brakpan	140,000	260,786	96,002	106 2.9	New Modder	200,000	26,991	68,538	117 5	E. Champ D'Or	35,000	74,415	39,024	80 3
Daggafontein	164,000	391,988	225,609	71 4.6	Nourse	84,000	16,624	33,609	127 7	Gov. Areas	260,000	424,394	165,326	103 5
East Daggafontein	84,000	186,752	73,987	101 6.1	Rose Deep	89,000	13,605	28,726	125 11	Langlaagte	125,000	139,208	10,048	157 7
Sth. African Land	120,000	277,550	154,032	74 9.6	Transvaal G.	32,400	4,983	4,508	147 9	N. State Areas	124,000	248,741	120,094	87 6
Springs	165,000	372,008	193,113	80 9.7	General Mining					Randfontein	400,000	474,463	140,224	119 6
West Springs	90,000	162,065	59,183	106 8.3	Van Ryn	63,000	59,793	7,004	151 11	Van Ryn	108,000	116,209	15,079	147 2
W. Reefs Devpt.	40,000	66,972	5,110	155 3.5	W. Rand Cons.	240,000	376,511	162,058	99 1	Witwatersrand	89,000	108,401	18,237	141 8
Central Mining—Rand Mines					Goldfields					Union Group				
City Deep	115,000	26,166	69,297	115 2	Venterspost	118,000	22,952	56,408	119 1.8	E. Geduld	161,000	46,318	255,553	57 9
Cona. M. Reef	215,000	33,218	54,147	135 6	Simmer and Jack	156,000	29,049	61,040	126 6.1	Geduld	118,000	28,050	121,584	81 5
Crown	342,000	79,524	290,940	95 1	Robinson Deep	129,500	27,071	85,404	105 0.3	Grootvlei	124,000	33,826	140,082	95 3
Durban Deep	196,000	35,481	97,026	113 8	Sub Nigel	66,500	41,536	228,756	58 0.4	Marievale	51,000	13,531	36,987	113 6
East Rand Prop.	231,000	46,576	121,263	116 1	Vogelstruisbult	75,400	19,492	61,324	105 3.9	Modder Deep	49,600	6,204	10,935	134 1
Goldenhuis	71,600	8,909	15,237	134 0	Rietfontein	34,000	5,261	16,010	107 2.4	Van Dyk	99,000	25,668	84,003	102 8
Glyn's Lyd.	10,000	3,137	8,291	115 3	Lupatards Vlei	90,000	18,462	44,579	119 11.8					
Modder B.	83,000	15,975	64,008	88 8										
Modder East	131,000	22,150	72,859	102 10										

COMMODITY AND INDUSTRY NEWS—continued from page 337

252.5 lbs. per acre. These new estimates may be the cause of the rise in price of American middling cotton, spot, during the week, to 18.40c. per lb. on September 8th, which is the highest level reached for about 12 years.

Cotton Position.—Indications that demand for yarn and piece-goods exceeds the supply have been increasing. In the circumstances spinners and manufacturers have been able to pick and choose orders which they are prepared to accept. No relief in the situation is likely to take place until the Controller has removed the embargo upon selling yarns for delivery after the end of next month. A considerable inquiry has been experienced in piece-goods for foreign markets. A few more offers have come through for India, with occasional sales. Further buying has occurred in cambrics and dyed fancies for Java. Useful support has been met with in standard makes for South America and making-up cloths for the Dominions, especially Canada and South Africa. More favourable shipping facilities are now available for Egypt. Some special Government contracts have been reported for the Admiralty. Yarn sales have been comparatively small as a result of spinners refusing to sell. A further reduction in statistical information relating to raw cotton is that the New York Exchange has discontinued total export figures. Detailed exports were banned some time ago.

Apple Prices.—A new Home Grown Apples (Maximum Prices) Order came into force on September 8th, the earlier one being revoked. The new Order classifies apples into two groups and fixes prices at the various stages of sale for each group. Prices vary from 93s. 4d. to 109s. 8d. a cwt. for Group 1, and from 46s. 8d. to 60s. 8d. a cwt. for Group 2, in the wholesale stages of sale. Retail prices 1s. 3d. and 9d. a lb. respectively.

Lard Licensing.—The Minister of Food has made an Order, which comes into force on September 22nd, prohibiting, except under licence, the production, refining or selling by wholesale of lard and hog grease. Bacon curers and butchers will be permitted, under general licences to be issued shortly, to produce lard without the necessity for holding individual lard producers' licences.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week Ended	From Apr. 1 to
	Aug. 23, 1941	Aug. 30, 1941
Argentina	40	55
Atlantic America	87	52
Danube region	...	...
S. and E. Africa	...	...
Indo-China, etc.	...	...

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

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM

	Mar. 31, 1937	Aug. 30, 1939	Sept. 3, 1940	Aug. 19, 1941	Sept. 2, 1941
Cereals and Meat	93.0	66.9	93.4	98.7	99.2
Other foods	70.4	61.1	81.5	99.7	99.7
Textiles	74.2	54.3	87.4	93.5	94.3
Minerals	113.2	95.4	120.9	129.3	129.2
Miscellaneous	77.0	77.6	109.0	113.0	113.0
Complete Index	87.2	70.3	98.4	106.4	106.7
1913 = 100	119.9	96.8	135.5	146.4	146.7

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" SENSITIVE PRICE INDEX (1935 = 100)

	Sept. 4, 1941	Sept. 5, 1941	Sept. 8, 1941	Sept. 9, 1941	Sept. 10, 1941
Crops	112.8	112.8	112.8	112.8	112.9
Raw materials	170.5	170.1	170.3	170.4	170.7
Complete Index	138.7	138.5	138.6	138.7	138.8
1913 = 100	119.9	96.8	135.5	146.4	146.7

* Highest level reached during 1932-37 recovery.

THE ECONOMIST

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SEPTEMBER 20, 1941

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BANKING SUPPLEMENT

East or West?

THE press and the people of Britain are searching their consciences. The question is whether all possible help is being given to the first nation which has opposed Hitler's total attack with total resistance. The Prime Minister has said that hundreds of fighter planes are being produced for Russia. A wing of the Royal Air Force, complete with ground staff, is in action with the Russians. In the west, the enemy's communications by the northern route with the eastern front are being harried on the sea and from the air. Day and night attacks against German Europe continue. Raw materials from the Empire have already been shipped to Russia; and the British and American delegates to the supply conference are moving towards Moscow.

The question whether more can be done, for Russia in the east or against Germany in the west, is impossible for the layman, without knowledge of the facts, to answer. The heartfelt and general wish that the larger part of the men and equipment of the British Empire need not stand idle, while Soviet Russia is bruised and torn on the world's behalf, is based on no plan of action. It rather rests upon the belief that the addition of many millions of fighting men to the Allied cause in the east must have altered the requirements, not only of production, but also of strategy, in the west. The forces of the British Empire have now to bear heavy commitments, stretching from Iceland to the Far East. In Libya, there is a large and reinforced enemy army. All along the transcontinental front there are long, tenuous communications to be served with ships and to be protected against attack. In the west, a frontal assault would probably be a task involving a weight of equipment, in manpower, in the air and in shipping, which is still not available. In the east, rapid and large-scale supplies and reinforcements are held off from the Russians by hard geographical facts, and by the enemy's control of the Balkans and the Aegean

islands. The vital Persian routeway is rough and narrow.

The problem of the best allocation of British manpower between the Services and production has been widely canvassed. The problem of the geographical disposition of trained and armed manpower has not received the same attention, because the observer cannot know the grand strategic scheme towards which the factories and the forces are being directed. But it is not only the unthinking and the fools who rush in who are wondering whether large British forces must stand by while the Russians carry the burden of the whole world's destiny. With the war in Russia, the old question of the last war "east or west?" has reappeared. At present, there are three-quarters of a million men in the Middle East. The presence of this force there is an earnest of increased strength. It is some assurance that the gates to Suez, the Middle Eastern oilfields and India have for the time been locked; and its heavy duty, if the Russians were to be driven back from the Dnieper, the Crimea and the Don, would be to guard these gates against a Nazi flood swirling north and south round the Black Sea. The maintenance of such a force, remote from the supply centres of the west, requires shipping and supply facilities which in the last war might have maintained a force more than twice its size on the nearer French front.

Three-quarters of a million men is too many to do garrison duty and too few to take up the entire fight against an enemy advancing with secure supplies from inner lines if Russian resistance were to fail in the south. Tactically, the British forces in the Middle East possess a plain advantage. Strategically, with the chance that the Germans may still thrust in force into Asia from the north and, less formidably, from the west towards Suez, their position is less secure. It may well be that they can only be defenders, for if the question is asked whether, say, an invasion of the Balkans or of Italy would

be more practicable than an invasion or a landing in the west, the answer must be that shipping and supply problems, alone, to say nothing of air power, make the nearer venture the least unlikely. The manpower of India is being tapped, trained and equipped; but, if it is in the east that a decision, as well as the defence of the eastern Empire, is to be sought, very many more men and a great deal more aircraft, supplies, equipment and shipping will have to travel the thousands of miles from Britain and the United States.

While three-quarters of a million men are on guard in the Middle East, perhaps three or more times their number are waiting anxiously for action in this country. It is this fact, and the addition of Russia's millions in the east, that has bred discussion of the possibilities of more offensive action in the west, on the long arc from Narvik to Dakar, where the problems of shipping and supply, for all their size, are many thousands of miles less than in the east. It is right that this anxiety should be understood, even if it is based on lack of knowledge.

The War Cabinet has no doubt devised a new strategical plan from the great change, brought about by the advent of Russia as an ally, for it would plainly be a waste of time and fortune if the disposition of British manpower over the continents were still based upon an earlier programme and an earlier strategy in which, with Russia non-belligerent, it was imperative to dispatch men and material in maximum numbers to the Mediterranean and the Middle East in order to contain the whole weight of the invading *Wehrmacht*.

Before the war in Russia, there were three tasks—which still remain: the defence of Britain; the defence of Egypt and the Middle East; and the watch over all the western places within and without the dominion of Germany and Vichy which are accessible to British sea-power and the great British-based air power—a watch that some day it may be possible to turn into a counter-offensive. The people who have called, before or since the June invasion, for military ventures in the west, whatever the cost, have been foolish and irresponsible. But those who feel now that the chink in the enemy's armour, when Russia has risen and resisted in the east, may be found nearer home in the west are simply trying to bring into line the

aspirations of a nation in arms and what they believe to be the facts of the strategical and economic situation.

Only Mr Churchill and his chiefs of staff know the answer to the riddle. They know the resources of men, supplies and ships that are to hand; and Lord Halifax has underlined the need to step up production to meet the demands of strategy. But it needs no inner information to realise that the answer lies in the maximum aid to Russia, for if Russia were to be bled or battered down into helplessness before the western Allies are ready for the grand assault, there would be no riddle, but only the defence of Britain. The call upon British resources, while the fate of Russia is in the balance, is to engage the enemy, if it is possible, to draw off his power and malice from the torn Soviets. The theatre might be the Caucasus or Asia Minor by the side of the Russians, as well as in the air over Leningrad, Moscow, Kiev and the Ukraine. It might be in north or west Africa or across nearer home waters. But it would have to force the enemy to action. It would have to waste his men and his material on land, at sea, and in the skies; and it would have to be much more than defence. It may, as yet, be impossible.

To make a direct assault against the enemy's front with the present resources would very likely be suicide; the time and the strength for the final offensive is long distant still. But to stand inactive on guard may be to accept a world of commitments and then await disaster. And it is by an indirect approach to the enemy's flanks—in the east, where the Russians are neighbours, or in the west, where ships and planes are multiplied by short distances—that Britain's men and ships might be used, even before their full force and numbers have been marshalled, in the counter-offensive that Russia's resistance claims. Russia knows, in the cruellest degree, the hell of invasion that Poland, Norway, Holland, Belgium and France suffered. Britain has not known it, and may not if Russia stands. Britain may well be still too weak to strike the blows that the conscience and the ardour of its people are demanding. This is even likely; and the moral is plain—that the people of British cities and villages must be prepared to toil as desperately, and to sacrifice and endure as much, as the cities and villages of Russia.

Transatlantic Transactions

IN the last few days, the character of American aid has been made plainer. On Tuesday, President Roosevelt reviewed the progress of Lease and Lend; and it was announced on the same day that American ships would carry arms and munitions to some areas of the British Empire. On Wednesday, the American Navy began to provide protection between America and Iceland for all ships carrying Lease and Lend supplies; and a week before, the disturbance caused to Anglo-American trade relations in world markets by Lease and Lend had been met by the British Government's pledge to prevent the misuse, at home or abroad, of American supplies. Since the war started, first under Cash and Carry and, after March this year, under Lease and Lend, the British Empire has obtained about £1,100 millions worth of goods from the United States. In the last three months, supplies worth £42,750,000 have been shipped under the Lease and Lend Act, the great bulk to Britain but some to China and the exiled Governments of occupied Europe.

A daily addition of £350,000 to the supplies of the countries resisting aggression does not seem large, to say the least, in comparison with Britain's own expenditure of £10 millions a day on the war and over £12 millions a day on all purposes; and a large part of the £42,750,000 was probably food—the war supplies that crossed the Atlantic during that period coming largely under earlier cash orders. Moreover, the urgently needed supplies that the American Government is now to make available, for cash, to Russia must in the first instance represent some subtraction from the transatlantic flow. But the United States is simultaneously furnishing supplies for a record

expansion in America's own armed forces; and, if transatlantic deliveries are still low, appropriations are high and growing. Programmes under the original Lease and Lend appropriation will provide aid to the value of nearly £400 millions to countries resisting aggression; contracts have been placed and work started for £250 millions worth of bombers; and the President will soon need a new appropriation from Congress to supplement the £440 millions allocated for Lease and Lend last March.

Lord Halifax has spoken of the "great giant" of American production getting gradually into gear. It is true that the attention of the United States is still concentrated on the grand philosophical debate whether America should go to war; and that, compared with the country's tremendous industrial capacity, production plans in the United States are still insufficient and slow to mature. To Englishmen who remember 1938-40 the scene appears familiar. There has been the same reluctance to understand that in a war (or "defence") economy all resources are inevitably scarce, and that the production of consumers goods cannot be maintained for long at even moderately high levels during rearmament. There are even some critics, in the United States, who forecast that the stringency in steel supplies which recently confounded the critics may be repeated in oil refining capacity—quite apart from the diversion of oil and tankers to Britain.

But the picture is perceptibly changing. In many respects, perhaps, output has not climbed out of the rut; some items of civilian manufacture may be anomalously large; and the administrative machinery for defence

production retains loose joints and overlapping. Criticism on the foundation of British experience can, of course, be helpful. It may be regarded as an essential *quid pro quo* for American aid. But there is no ground, in fairness or in expediency, for random stone-throwing by British critics. The United States is now definitely on the way to doing everything that war involves, except the use of the American army to attack. Under present programmes, Britain and the United States will not outproduce the Axis Powers and German Europe until the middle of 1943; but there is less determination in Washington to defend existing production plans, and a greater readiness to increase them, than there has been, or maybe is, in London. The second half of next year will see the British orders that could not be arranged until Lease and Lend was passed flooding in; and, by every sign, David is slowly but surely taking on his true stature of Goliath. The slowness may be—must be—remarked; but the certainty cannot be questioned. It is not questioned in Berlin or Rome.

In Anglo-American affairs, in fact, the critic tends to find himself between the millstones. If he points to American shortcomings, he does harm to friendly sentiment in the United States. If he draws attention to British shortcomings, he gives fuel to American isolationists—as well as to Dr Goebbels. A Note in *The Economist* on July 26th (page 101) is a case in point. It drew attention to the obligation of Britain not to misuse leased and lent materials—by the re-export of vitamins or the waste of petrol; and this has been widely used in evidence against this country by the isolationist press. Nevertheless, it is probable that such comments do more good than harm—a conclusion that has been responsibly endorsed from across the Atlantic. It is essential to show the Americans that there is no desire or intention to abuse Lease and Lend, in the spirit or in the letter; and British good faith has since been sealed by last week's official agreement.

British Export Policy

The agreement about the use of leased and lent materials was published as a White Paper a week ago. American exports are impeded by the restrictions imposed by the United States Government on the supply of materials required for defence and Lease and Lend; the British Government will accordingly take steps to secure that no advantage is obtained over their American competitors by British manufacturers for export with the use of these materials; and leased and lent supplies will be distributed and employed for the war effort and the good of the whole community, and not for private gain. The justice of this promise has been openly questioned by nobody in this country, though not a few have been taken aback by the realisation that the United States is now, by reason of the importance of American supplies, in a position to exercise a considerable influence on British trade and industrial policy. It is only certain implications which still need the clarification that is now generally looked for. The export drive that was set on foot at the beginning of last year, as part of the war effort, was a quest for foreign exchange with which to pay for essential imports; above all it sought for dollars. It was marred by the wasteful shipment of non-essential goods to Empire countries; and it was disrupted for a time after Dunkirk by the imperative need to devote every possible item of industrial equipment, labour and materials to the immediate task of direct war production week by week. When Hitler was stopped short at the Channel, the campaign to earn hard currencies was resumed, with markedly more discrimination than before. But, with the passing of Lease and Lend last March, the need for dollars abated. It was time for a redefinition of the place of exports in the British war economy.

The export drive was mainly a dollar drive. Lease and Lend makes the payment of dollars for materials from the United States no longer necessary; and the need for making the best use of shipping space makes shipments from America the most economical method of supply. It would be a waste of scarce industrial resources—and especially of imported materials—to manufacture exports

to pay for supplies that can be obtained on credit; and it would be a double waste of shipping. It is true that dollars are still needed to pay for pre-Lease and Lend orders, and for orders outside of Lease and Lend—some \$2,000 millions, it has been estimated, in 1941. But, as Mr Manning Dacey suggested last week in his comprehensive survey of these problems to the Institute of Export, the export of British merchandise could only earn perhaps 8 or 9 per cent of this requirement which, in any event, will have to be met, partly by the sale of Empire rubber, tin and manganese for which American defence demand must grow, but mainly by the sale of gold and the sale, or pledging, of dollar assets.

Mr Dacey's point was that the subsidiary rôle which was, in effect, accorded to British exports in the war effort by last week's White Paper is simply a recognition of fact. It was only worth while to reserve plant, materials and labour for manufacture for export so long as dollars were munitions of war. Two-fifths of the chief peacetime exports were made by industries that are now indispensable to war production. The markets of Europe, where a third of British exports used to go, are closed. Over half British exports went in peacetime to parts of the Empire or to the United States; and, since Lease and Lend, exports to these countries, except to meet essential war or civilian needs, are a dissipation of resources and shipping space. Trade with Japan is, or ought to be, at a standstill. War supplies to Russia and to China are, of course, part of the common war effort; and it is a counterpart of the British blockade that neutral countries, such as Turkey or Britain's important suppliers in Latin America, should be served, where possible—by Britain or by the United States—with the essential manufactures they lack. To aid and provide for allies, collaborators and friends is an integral part of war policy; and to obtain hard currencies in Latin America to pay for Latin American supplies is still important. But, in general, the indirect means of nourishing the war effort by exporting must now give way to direct war production.

There are hard cases. Export industries have been groomed for an export drive that has now to be largely stopped in its stride. But these immediate troubles are not insuperable; the firms, or their plant and labour, can most of them be mobilised for war work at home instead of in foreign markets. It is the prospect of losing overseas markets to American or other rivals that really makes exporters anxious; and it is because of this concern that they are naturally not over-happy that the United States may now be able to propose where and to what extent British exporters may trade. Nor is this a question that can be decided merely in reference to materials actually leased and lent. It is a question of the whole of British trade policy—or, at least, as the White Paper states, of trade in any of the materials that are in short supply in the United States. The materials which are now being leased and lent include almost every kind of material that goes into the manufacture of British exports.

Anglo-American Collaboration

The fact is that these transactions have ceased to be separate matters of British trade policy, on the one hand, and American trade policy, on the other. They are rather part of the single set of Anglo-American trade problems that what Mr Churchill called "the Mississippi flood" has now brought into being; and the urgent task is to recognise and define what the common policy should be. The logic of Lease and Lend—that is, of the arrangement whereby goods are to be supplied by the United States during the war to be replaced by goods supplied by Britain after the war—is that British exports should be reduced to a minimum while the war is on; and that, after the war, British exports should expand correspondingly to repay the debt. It is part and parcel of the Lease and Lend principle that there should be mutual guarantees between Britain and the United States about export policy, not only now, but also after the armistice.

The test that should be applied now, in wartime, is whether any particular kind of trading activity, from either

side of the Atlantic, will strengthen the joint defence position of America and Britain. If it is legitimate to say that the use of Lease and Lend materials by British exporters in competition with American traders is invalid, it is also legitimate to suggest that the use of such materials by American exporters should, in turn, be strictly conditioned by the requirements of the joint defence effort; and that the war should not be an opportunity, in the absence of British traders, for American manufacturers and exporters to open up new markets or establish new trades and monopolies. In the specific case of Latin America, whose supplies are needed by Britain for essential wartime purposes, it should be clear that either the United States should allow British exporters to trade there as freely as possible, whatever the ingredients of their goods, in order to obtain foreign exchange, or that the United States should be prepared, as a corollary of Lease and Lend, to furnish Britain with the foreign exchange necessary to purchase these supplies. At bottom, the test is what expenditure of resources, either in Britain or in the United States, will yield the maximum return for the war against the Hitler tyranny, directly in war supplies or indirectly in foreign exchange.

In sum, what is needed is a Trade Charter which will recognise the fact that Lease and Lend has so "mixed up" the affairs of Britain and the United States that unified direction is imperative; and unified direction should not mean either the subordinating of American to British interests or the dictation of British activities by Americans. Post-war guarantees for British exporters will neither win

nor lose the war; and in the immediate military context they must be regarded as irrelevant. But, without post-war guarantees, the policy of Lease and Lend may collapse after the armistice into the same friction and exacerbation as marked the debt question after the last war. While the war lasts, the fact must be accepted in Britain that there is only a minimum place for exports; and no export can be justified which is not clearly necessary to the winning of the war, and which does not make a better use, in its manufacture, of manpower and materials than could be made in direct war production or in some other export activity.

The need above all is for understanding. Last week's agreement was designed to end a chapter of misunderstanding, misrepresentation and ill-feeling in the United States. It might conceivably only prepare the way for a new chapter of suspicion in both countries, and in the Empire countries which now look to the United States rather than to Britain for many supplies, if it is not followed up by a wider and more detailed trade arrangement between the two countries. It should be made beyond all doubt clear that the object is, not to impair the autonomy of British economic life, but rather to win the war, and to put into practice, for the first time, the economic collaboration which was called for by Mr Churchill and President Roosevelt in the fifth point of the Atlantic Charter. Lease and Lend is necessary for the winning of the war. It may even be the beginning of a new era of international co-operation. But, mishandled, it could breathe new life into old bitterness.

Ten Years Off Gold

EXACTLY ten years ago, on September 21, 1931, the pound sterling left the gold standard. It was a bitter defeat for British economic statesmanship. The restoration of the gold standard in 1925 had been conceived as a deliberate and positive contribution to the resettlement of world finance after the disturbances of the 1914-18 war; and it had been put through against opposition, because of the faith that Great Britain's highest service to the world, in the twentieth century as in the nineteenth, was to ensure the stability and dependability of its money. For several years, it looked as if Mr Norman—whose proposed retention as Governor after his seventieth birthday is the Bank's contribution to the celebration of the tenth anniversary of the pound's downfall—and Mr Churchill had been right and the critics wrong. The restored gold standard worked. Currency after currency followed the pound sterling back into the temple of gold. Some, like the pound, climbed the steps and entered at full stature; others came in through various basements and sub-basements; but by 1929 all but a few chronic exceptions such as the peseta, the tael and the Mexican dollar, were back in the fold. Confidence in the exchanges was restored; capital flowed—too easily—along the international channels.

Then the hurricane struck. There is no need to tell once more how it blew in the autumn of 1929, all through 1930 and the early months of 1931. It is, however, worth recalling that faith in the gold standard was unimpaired. As late as July, 1931, the Macmillan Report had very few doubts about its maintenance—and the Report carried the signature of the chief critic of 1925. All through that heated summer, it was common form that the gold standard must be preserved. A Government fell and political miracles were performed to that end. Pride was swallowed and dollar credits were raised. The files of *The Economist* bear witness to the seriousness with which the struggle was waged. On that dramatic Monday morning, when the country awoke to find itself off gold, there were many people who felt a sense of national defeat.

Even on that Monday morning, however, defeat was not the dominant emotion. The pound sterling had suffered the fate that is worse than death, but there was less shame than relief. And, in the ten years since then,

the public view has hardened that the departure from gold was, in the public tongue, a Good Thing. The chronic depression of the twenties and the crisis of 1929-32 were followed by seven long years of almost uninterrupted and very rapid progress. From being the economic laggard among the great nations, Britain has become the classical demonstration that an elderly, mature community can achieve a rate of economic progress fully as rapidly as in the days of its most boisterous growth. The contrast between the two decades is most striking and, in the public mind, the touchstone is the gold standard. It would be easier to-day to persuade the electorate and the Commons to accept the Corn Laws than the gold standard.

The public mind, however, is given to the fallacy of *post hoc ergo propter hoc*. Some of the events that followed the departure from gold, and are taken as its consequences, should more justly be regarded as fortunate coincidences. There was, for example, the happy accident that the fall of the pound coincided fairly closely in time with the turning point of the world trade cycle. It was also an accident that the departure took effect on a buyers' market and that the prices of imported foodstuffs and raw materials showed very little, or any, appreciable rise. The consequences of the second rapid depreciation, in August, 1939, show what might have happened, and the dependence of British prosperity on cheap food and materials is so great that the departure from the gold standard might have had considerably less favourable effects upon the state of domestic trade.

The whole course of events since 1931 and, in particular, the contrast between the two decades, cannot, however, be put down to coincidence. There have been certain quite definite benefits directly derived from the fall of the pound. There has been, for example, the release which was felt from the depressing effects of over-valuation. It is true that a mere maladjustment of the external value of a currency seems to be too small an explanation for the widespread economic depression and lassitude that ensues, not merely in the export trade, but throughout a country's economic structure—just as the pathological states of the human body seem to be in all proportion to the originating cause. However, a country after another has now learned by exper-

it is allergic to over-valuation, and escape from that state must be accounted a great gain from the depreciation of the pound.

If it were merely a question of over-valuation, that could be corrected by returning to the gold standard at a lower rate. But it is hardly conceivable that the gold standard, at any parity, could be combined with the thoroughgoing cheap money policy which, to the country's inestimable benefit, has prevailed since July, 1932. A fixed rate, if it is combined with a free market (and that is what the gold standard implies), must from time to time be defended. Indeed, experience would indicate that, for a market in as precarious a situation as London, defence is a chronic necessity. Defence of the reserve, in the brief life of the post-war gold standard, was never taken to require very high rates of interest (it is an item of complaint in the United States that the pound went off gold with Bank Rate at no more than 4½ per cent); but it could hardly be combined with a Bank Rate of 2 per cent and an ineffective rate at that. The gold standard and cheap money cannot be combined for any length of time—at least in a country that is on the financial defensive as Great Britain is. It follows that the benefits that have been derived from cheap money must be counted among the advantages of leaving gold.

There have, of course, been disadvantages in the new system. A regime of fluctuating exchanges inevitably imposes some handicap on international trade. Moreover, the sudden and extensive fall of the pound—even in these days the world's leading commercial currency—undoubtedly did considerable harm to the economies of other nations, especially those that were determined to maintain their gold parity. The obverse of the fact that prices did not rise in England is that they fell in gold standard countries. With the fall of the dollar eighteen months later, there was a risk, for some months, that a competitive depreciation of currencies would begin. But both these disadvantages, fluctuation of rates and the risk of competitive depreciation, were removed, without a return to the gold standard, by the Tripartite Agreement of 1936. A more real and lasting effect of the new autonomy of currencies is likely to be the division of the world's currencies into blocs or groups—but even there it remains to be seen whether the greater freedom of trade within the groups offsets the restrictions between the groups. There is very great force in the contention that overseas trade will prosper most if the nations direct their energies towards the maintenance of a high level of domestic activity and purchasing power.

Ten years is perhaps too short a time, and the atmosphere of wartime the wrong occasion, to express a balanced judgment. It may be that, in a few years' time, when war has once more led to inflation, and inflation

has given rise to a search for stability, the present popular judgment on the gold standard will be reversed. But for the moment any such reversal seems unlikely. Indeed, at present, the question whether there will be a return to the gold standard seems to be strangely irrelevant, like an echo from a past age. It is not that there is no choice to be made in the province of international finance. There is a real alternative before the world, the choice between free exchanges and fixed rates with exchange control. But either alternative is only half of the classical gold standard; that regime of free exchanges and fixed rates now seems to be very remote.

Indeed, now that we have ten years of varied experience to give some perspective, the departure from the gold standard seems to mark a much more definite epoch than was apparent at the time. It was the end of the Financial Age, the failure of the last attempt to restore the dominance of finance over economics. The foundations of a new order of ideas have been laid in the ensuing years, in Britain, in America and in Germany, and the war will carry the process much farther. The world is showing an unmistakable tendency to argue that, if a thing is physically possible, whether it be fighting a war or removing unemployment, it must not be stopped by considerations of "sound finance" alone. In war, finance is manifestly a mere camp follower, and the tendency is to reduce it to dependent status in peace as well. Whether the world will find more happiness than grief in this new order of ideas must be awaited with some scepticism; but that this is the trend of events is unmistakable. There is no place in such a system for the categorical imperatives of the gold standard.

Does this, then, mean that the long reign of gold is over? In one sense, completely; the old popular reverence for gold as the one satisfactory form of actually circulating money is dead in Europe and dying in America (where, after all, gold coin still circulated nine years ago). As an international standard of value also, the day of gold is done; the value of currencies is unlikely in the future to be measured by the number of grains of gold for which they will exchange. But, as the international precious substance, there may still be a use for gold. The decision rests with the United States Government; for in any foreseeable time, dollars will be sought after by the rest of the world, and so long as gold remains a sure means of acquiring dollars, gold will be desired by the whole world. No currency, not even the dollar, is now on the gold standard; but gold is on the dollar standard, and it is in the general interest, and specifically the British interest, that it should remain there. The Emperor has abdicated, but he still rules his St. Helena at Fort Knox, Kentucky, the pensioner of a stronger power. Ten years after Waterloo, there is no desire to see a return.

NOTES OF THE WEEK

The "Shoot First" Order

The reception given to the President's order to the United States Navy to attack all commerce raiders operating in waters essential to American defence has had, on the whole, a very favourable reception in the United States, and bears out, once again, the belief that, while the President will not get popular support for a general policy involving the risk of intervention, any particular action he may take will be accepted and even applauded. Nevertheless, the immense pains the President was at to explain his "shoot first" order as an inevitable act of self-defence, which he owed to the safety of the nation, illustrates the care with which public opinion must be handled and the distance the United States has yet to travel to see the war as a world struggle in which it is already involved. The "shoot first" order is now in operation, primarily on the route to Iceland, but the implications of the new policy extend beyond the one Atlantic route. A new executive order has been issued to increase the transport of goods to American bottoms to a number of ports in the British Empire, notably Singapore and the harbours of West

Africa. Will these cargoes be given "adequate protection"? The President based his new policy on the traditional conception of "freedom of the seas," and that freedom must be presumed to prevail everywhere on the high seas, save where the United States—in their combat zones—have voluntarily abandoned it. The immense importance to Japan of the extension in space of the new principle is obvious enough. Are American supplies reaching Vladivostok for Russia, or Singapore for Britain, to be covered by the "shoot first" order? The President's silence is a warning, for otherwise, in the interests of some—mythical—Pacific goodwill, he might have specifically excluded the Far East. No doubt the frank and lengthy exchanges which are still going on between the American and Japanese Governments have made this point clear.

Shipping and the War Effort

The significance of the American Government's decision to take a bigger share in the policing of the high seas, needs no emphasis. The only effective answer to Germany's

attempt, to sap the staying and striking power of the Allies by sinking food and munition ships is force; and the first stage in winning the Battle of the Atlantic is to prevent merchant shipping losses from exceeding replacements. There are indications that this object may actually have been achieved in July and August, when losses showed a marked fall; up to June, losses were appreciably in excess of the output of British and American shipyards, and the merchant fleet at the disposal of the Allies was steadily dwindling. But shipping has more than a defensive rôle in the strategy of the war. The demand for shipping will grow as the power to attack grows; and success on each and all of the world fronts will depend on ships. Ships are needed to sail out of British ports with expeditions as well as to sail in with materials and supplies; already the Middle Eastern force is making tremendous calls on tonnage; and there are Russia and China to be nourished. It will by no means be enough to prevent any further shrinkage in carrying capacity. It will be necessary, for victory, to add greatly to the fleet at present at the disposal of the Allies; and, for this increment, Great Britain must depend mainly upon the shipyards of North America.

The Drive for the Ukraine

By a tremendous effort the Russians have restored the position in the Smolensk sector, where the Germans have been driven back some nineteen miles, roughly to the line they occupied at the end of the battle for Smolensk. True to their old tactics, the Germans now appear to be attacking above and below the Russian counter-offensive, hoping no doubt to find a weak place from which troops have been drawn off. In the north, they describe Bolegoy beyond the Valdai Hills as their—very distant—next objective, and claim to be advancing up the railway from Velikiye Lugi to Toropets. In the south, a new drive from Gomel appears to have brought them to Chernigov, with the result that Kiev is in greater danger of encirclement than ever before. The news is the more disquieting in that the Russians admit the establishment of German bridgeheads on the east bank of the Dnieper and the evacuation of Kremenchug. The river has also been crossed in its lower reaches, and the Germans claim—though this is almost certainly exaggerated—that they have advanced on the Crimea as far as Perekop. After thirteen weeks, the Germans still retain the initiative over practically the entire front. Russian losses in the south now include a considerable part of their industrial replacement capacity; and more is in danger. Only in the north is the onslaught definitely held—in the near approaches to Leningrad. The ring has not yet closed round the city, and for the Germans the problem is how to force the city in time to establish winter quarters there. This is a problem which must concern them now on every front, and it is almost certainly influencing their choice of objectives. The last Russian counter-offensive in the Smolensk area has probably extinguished the hope of wintering in Moscow; and in the south, Von Rundstedt's and Von Bock's armies can either concentrate on capturing Kiev and Kharkov or push forward through the Donetz area towards the Don. With October on their heels, they may well prefer to limit their commitments.

Black Sea Front

With Von Rundstedt's armies attacking across the lower reaches of the Dnieper, it would be an obvious move on the part of the German High Command to attempt to turn Marshal Budyonny's flank by an attack launched against Crimea or the Eastern Ukraine. Given the experience of Crete, an air and sea attack upon Crimea would not be impracticable. True, the distances are a little greater—Varna, Burgas and Constanza are between 250 and 320 miles from Sebastopol, whereas the distance from the Greek mainland and islands to Crete was only 100 to 200 miles. But the bringing of Odessa within reach of the Germans' bomber squadrons and, possibly, of their heavy artillery may well have interfered with the efficiency of the Red Navy. There are signs that some such new adventure is envisaged. If it is true that Brauschitsch and Raeder have been together in Sofia, their meeting suggests co-ordinated sea and air operations, carried through in conjunction with the Bulgarians. At the same time, Russia's sharp note of protest to the Bulgarian Government shows that the Soviets are aware of Germany's intention to use Bulgaria as a base for operations in the Black Sea. Recent reports talk of the

arrival of German E-boats down the Danube and of the equipping of Roumanian and Bulgarian merchantmen as troopships. It is almost certain, too, that Bulgarians are mobilising. The attack, should it be launched, would serve a wider purpose than that of attacking Budyonny on a vulnerable flank. It would be a step towards cutting Russia off from her most important supply route through the Caucasus and Iran, and it would at the same time offer an opportunity of doing this without drawing the Turks into the war. A winter campaign across the heights of Anatolia is not an encouraging prospect, and it may be that the Turks will still see themselves condemned to remain the Sweden of the Middle East.

The Shah Abdicates

Nothing in the past history of Riza Khan suggested that he would submit quietly to the reversal by the Allies of the policy upon which he has for some time conducted his diplomacy. Before the war, his relations with Nazi Germany had been drawn closer; and during the war itself, apart from direct Nazi activity, Iran was the refuge and centre of all the anti-Allied forces in the Middle East. It was, for example, a natural step for Rashid Ali and the Mufti of Jerusalem to seek sanctuary there. With this declared policy, the Shah combined a harsh, dominating character, used to absolute rule and increasingly intolerant of any outside check. When this is remembered, the wonder is not that he jibbed at the Allied terms, but that he accepted them at all. In the circumstances, the only conceivable explanation is that the British and the Russians, like the British in Iraq, struck too soon. The Nazi coup in Teheran was probably timed to coincide with the appearance of Von Rundstedt's panzer divisions at Batum. When the Allies took action several weeks too early, the Shah attempted delaying tactics. He accepted the terms, just as Rashid Ali accepted the first shipment of British troops to Basra. This was to allay suspicion; even so, the negotiations trailed on a fortnight. Then, when the terms were finally agreed on, new delays began, this time fantastic administrative difficulties engineered by the German Minister. Presumably the plan was to prolong this period for as long as possible by multiplying the reasons why this or that list of Axis names, or this or that Axis agent, could not be produced. Each day gained gave the hope of holding on until Von Rundstedt had broken through. The British and Russians, however, decided to put an end to the comedy and marched on Teheran. At this point, the Shah could choose between resistance, which apparently his people did not want, compliance, which would have compromised him with the Germans, or abdication, which might conceivably enable him to "rise and fight again" in the event of a German victory in the Caucasus. The Allies have probably not heard the last of Riza Khan.

The Bank Decides

The half-yearly General Court of the Bank of England on Thursday was charged with greater significance than usual. It has recently been felt by many that the time was arriving to place at the head of the Bank's affairs a Governor who had not grown up in rigid attachment to the old narrow economic notions which, for a decade or more, have been outmoded, probably for ever. The Court has decreed otherwise. The opportunity was taken on Thursday to anticipate by some months the nomination of the Court for the Governorship and Deputy Governorship; and the informal rule has been suspended which, for twenty years or so, has ordained that a director of the Bank must retire at seventy years of age. Mr. Montagu Norman will serve for a twenty-third year, at least, as Governor. When so many likely candidates are engaged in national service, it is reasonable that Sir Edward Peacock, Lord Kindersley and Mr. Cecil Lubbock should continue as directors and not be superannuated. But the Governorship is another matter. In effect, or at least in influence, it is a high office of State; and the Court's decision to adhere, in the person of Mr. Norman, to old ways and old ideas is only tempered by the replacement of the late Lord Stamp by Mr. Keynes, a most welcome and encouraging choice. Age apart, Mr. Keynes is essentially one of the new men—their most brilliant—and his views on the "humbug of finance" should bring new life into the Bank.

Recruitment by Lot

There is a song of Gilbert's which proclaims that, while A is happy, B is not. This is almost inevitably the state of affairs which results from an attempt to mobilise manpower by volunteering with a leaven of compulsion. The distinction between those conscripted for military service and those who are left free in their workplaces is probably too much hallowed by tradition to cause the resentment that might be expected. Where bitterness does appear is when the distinction is drawn between one workman and another in industry, or between one citizen and another in civil defence. In industry, compulsion is only used where other methods have failed. Miners are compelled to go back to the pits, whatever their loss in remuneration and working conditions may be. Essential workers are kept at their places by Government order. Unemployed women are pressed into national service; and there are various degrees of suasion which are applied to different categories of workers according to their status and local needs. The anomaly is that the only people who are able to work where they will, when they will, how they will and at whatever wage they can obtain are those employed in the least essential industries. Similarly, in civil defence, there are wide anomalies. In certain areas, fire watching is now compulsory, but the duties which exempt from fire-watching—work in the civil defence services proper or in the Home Guard—are entirely voluntary. This means that, in fact, a man can be exempted from the obligation to do 48 hours a month on fire guard by the fact that he does few or no hours a month in A.R.P. or the Home Guard. Clearly, the time has come to impose a minimum standard of attendance and service in home defence upon every individual—a conclusion which surely follows from the institution of compulsory means to make up the Fire Guard. The simple requirement is that every man—not yet every woman—should be performing some defence duty; and this requirement—even apart from the failure of great numbers of men to register for fire watching—is still very far from being satisfied. Moreover, there may be ironic smiles in Leningrad and Moscow, Kiev and Odessa at the chivalrous British assumption that however useful, indeed necessary, they may be as volunteers, women are not really suited to serve, as conscripts, beside men in the defence services.

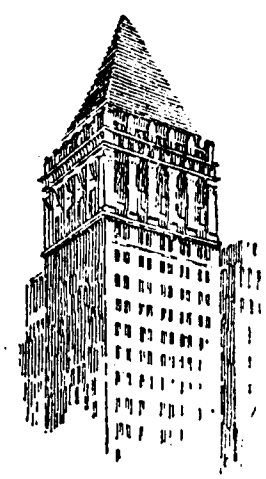
The Price of Services

It is good news that action has at length been taken under the Goods and Services (Price Control) Act, 1941, to fix maximum charges for laundry work. The particular instance is less important than the principle involved, that is, that the prices of services, in fact as well as in law, are to be brought under control. The London laundries were prevented from bringing into effect on September 15th a further price increase of 1d. in the shilling, which would have made a total increase of 4d. in the shilling since the outbreak of war. The Central Price Regulation Committee were not convinced that the increase was justified by rising costs. They had issued a memorandum containing suggestions for the control of costs as recently as July 28th, and they approached the Board of Trade, who have made an

order declaring charges on September 1st to be maximum charges. The Committee intimate that they are still open to representation from the laundries concerned; and they may agree to a modification of the order, if significant increases in costs can be proved. In point of fact, there is a strong possibility that the increases that have been made are due to an attempt to retain labour by raising wages. It is well known that many laundries are working short staffs because of the counter-attractions of more remunerative munition work. Since laundry work is an essential service to the community—which is the basic reason for controlling laundry charges—there is a good case for also providing it with an adequate labour supply; and the first step toward this goal might be the application of the Essential Works Order to laundries, thus freeing the labour supply already employed.

Purchase Tax Amendments

Three recent Treasury orders which will come into force, subject to the approval of Parliament, on November 3rd, are designed to stop loopholes in the operation of the purchase tax and to extend the number of exemptions from it on compassionate grounds. The most important change is that which brings small wholesalers and manufacturers, with a gross annual turnover of chargeable goods between the limits of £2,000 and £500, within the scope of the tax. Formerly, only wholesalers and manufacturers above the £2,000 level were obliged to register. Consequently, those small concerns which were able to obtain their raw materials from non-registered sources were in a position to put untaxed goods on the market with consequent loss to the Exchequer. They were also placed in an unreasonably favourable competitive position vis à vis those of their rivals who just came within the scope of the tax. While the yield of the new order may not be considerable, it will eliminate an anomaly which to many dealers and manufacturers barely above the £2,000 level must have proved exceptionally irritating. The remaining orders detail the list of costly drugs exempt from the tax, in place of the existing general exemption, and extend such exemption to gramophones for the use of the blind and solid tyres. All these modifications are sound improvements in the operation of the tax as it is. The recent resolution of the TUC asking for the abolition of purchase tax on "essential" commodities is a demand for modification of a more sweeping kind. The resolution is based on an allegation that the purchase tax has served significantly to reduce working-class standards of living. If criticism is to be levelled against the tax, the charge that prices have been raised without the achievement of a corresponding retrenchment would appear to be a shrewder comment, for its object was to curtail consumption. Yet there is some substance in the TUC motion. The basic problem of war finance is to draw off all surplus spending power from the consumer; and the question is whether the purchase tax does this equitably and effectively. In fact, does not the rich man continue to spend and the necessity of going without fall upon the poorer members of the community? From the outset of the discussion, *The*



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Economist has maintained that the taxation of income at source, coupled with comprehensive rationing, was a more promising solution; and the operation of the purchase tax during its first year of existence has done nothing to modify this conclusion.

Payment for Use

It is always healthy when agitation is followed by facts. Ever since the war began, there have been a great many complaints about the way in which buildings and land have been requisitioned by the forces or by Government Departments and about the inadequate payments which had been made in compensation. At the request of the Chancellor of the Exchequer, an investigation has been made into requisitioning and the operation of the Compensation (Defence) Act. The conclusions have been published as a White Paper and the Government has accepted its recommendations in principle. In general, the impression is given that requisitioning and compensation are running with reasonable smoothness. Up to July 4th, 124,000 requisitions had been made by the Army; and out of 100,000 claims for compensation, 86,000 had been settled. The Royal Air Force had made 28,000 requisitions and 10,000 out of 15,000 claims had been settled. The Navy, up to the end of July, had made 10,000 requisitions; and 6,000 out of 7,500 claims had been settled. Of 80,000 claims referred to the valuation department of the Inland Revenue, for re-housing the homeless or for civil evacuation, by the end of June over 60,000 had been settled. The delay has not been unreasonable. Inconvenience has been caused by the requisitioning of flats in the London area, but not, for the most part, unnecessarily. Good agricultural land has sometimes been taken for aerodromes, but only when the gain was probably greater than the loss. There has been considerable damage to property requisitioned for the Services, but the crowded conditions and the equipment of members of the forces makes it inevitable that this should be so. The real problem which arises is whether the compensation which is being paid under the Act of 1939 is sufficient; and it is the conclusion of the White Paper that the absence of compensation for loss of profits is an obvious gap. It is also suggested that, in the case of dispossessed tenants, they might be given the chance of disclaiming their leases and that, in any case, compensation officers should pay proper regard to existing net rents. These conclusions go further than the narrow problem of requisitioning. They are linked to the larger question of compensating all members of the community for losses of property or livelihood due to war conditions or war policies over which they have no control, and it is the absence of any comprehensive and uniform system of compensation which, more than most other factors, still causes individuals to kick against the pricks of wartime necessity and impede the war effort.

Consumers and Producers

Not the least important practical opening for the application of the general principles of economic freedom and collaboration laid down in the Atlantic Charter is afforded by the arrangements which have been made to store supplies of food for the relief of Europe when the Germans are driven back. It is an arrangement which has two sides—not only the store and transport of supplies but also the purchasing of surplus crops. It is precisely the sort of experiment which many people were calling for before the war, after the ironical experience of the depression years when primary produce was destroyed because there was too much of it and it could not be sold. Already there exists an embryonic department under Sir Frederick Leith-Ross and attached to the Ministry of Economic Warfare, and it is expected that, at the forthcoming conference of Allies, an inter-Allied economic organisation will be set up to discuss these post-war problems with particular reference to the needs of Europe. It is immensely important that this should be regarded, not simply as a relief project, but as a means of reviving, expanding and maintaining world production and world trade; and it will only be successful if it is done by agreement, not simply between allies, but between all the partners in the world-wide exchange of primary products for manufactures which is the foundation of international commerce.

The Shape of Things to Come

It is not only on the Russian front that the Nazis are facing an uncomfortable winter. All over the Continent there are stirrings, signs of discontent and popular dissatisfaction, and in some countries resistance is going further than the writing of "V" signs at night, "ca'canny" in the factories or discreet and studied non-co-operation. In the Balkans, it is clear that Yugoslav resistance is by no means at an end. The remnants of the Yugoslav army, which withdrew to the mountains after the collapse of resistance in April, have been able, since the Russian war began, to draw away German troops from their country, to re-equip themselves, to establish contact with the villages and to organise forays and regular raids, which are creating new problems for the depleted German policing forces and terror to the Croat quislings and Ustashi. At the other end of Europe, in Norway, the Germans are reaping the harvest of 18 months' political miscalculation. Here the graph of resistance is rising, not falling, since the early days of occupation. The possibility of maintaining the Quisling regime is generally admitted to be unlikely; and Terboven, the Reich Commissioner, gave official recognition to this fact by declaring a state of civil emergency in Norway on August 2nd. Since that time, repressive measures have been intensified daily. Bishops have been dethroned, distinguished professors driven from their universities, officials from their administrative posts. Now comes the news that the trade unions, possibly the solidest block of Norwegian opinion, have been attacked; and after a series of trials, conducted under martial law, two trade union leaders have been shot. All these signs of revolt and unrest do not, it must be underlined, yet amount to a major problem for the Nazis. The man with the machine gun has repressive powers unknown in the days of the rifle and the barricade. Moreover, it is the outstanding cases of resistance which get known abroad, not the daily, unsensational extent of co-operation, based upon the need for bread and fear of the Gestapo. Nevertheless, a tide is turning here, which, if Russian resistance can be maintained, and British air attack increased, will tell heavily in time against the German morale. The winter is coming. It will be a long winter. And there will be time for this changing tide to run high.

Peace Aims

The attitude of many vested interests to wartime controls is very simple. Either they regard it as their mission, within or outside such departments as the Ministries of Food and Supply, to prepare for their dissolution as soon as the war is over; or else they see in certain restrictions devices which they could use, to their profit, in more normal times. At the beginning of September, all builders and civil contractors who wish to carry on work after October 1st were registered under the scheme of the Ministry of Works and Buildings to control and direct the nation's wartime building resources; and a comment of the *Builder* on this registration is full of meaning: "We should like to see this scheme retained after the war in a strengthened and extended form to regulate the admission into industry of new firms according to a fit standard of experience and integrity"; and "in arriving at any criterion of competence and behaviour it would, of course, be essential to work closely with the National Federations (of Building Trades and Engineering Contractors) and the Institute of Builders." Building standards will be needed in post-war Britain, it is true. But they will surely be set and imposed by the Government on behalf of the community, and not by "the trade." Wartime controls and restrictions, moreover, are a function of wartime scarcity; and, at any rate in private hands or under private direction, they give no guidance for the plenty that should be sought in peacetime. The fact is that a new Versailles is being planned under which reparations will be paid by the ordinary consumer of goods and services. It is not only in building that this move to use wartime controls in order to establish a restrictive "closed corporation" in peacetime is evident. In retail trade, the use of the wartime registration of shops to restrict new entries has already been mooted; and there is hardly a trade association which has not an exclusive territorial ambition of this kind. Mr Greenwood and his attendant reconstructors will not have to forget that the "freer trade" and "equal access" which the Atlantic Charter spoke of both begin at home.

The Fire Service

The civil defence services were set up on a local basis because the services with which they were necessarily linked, fire, water, gas, drainage, education and the rest, were local; because it was from local volunteers that the new services sought their staff; and because there was no half-way house on the British political map between local and central administration. The war has seen great changes. More and more, though the administration of civil defence and welfare is local, its supervision is regional, with headquarters in the Regional Commissioners' offices; and the institution, a month ago, of a National Fire Service, on a regional basis, is a notable step forward in actual organisation. The 1,400 fire brigades of England and Wales are now re-formed into 33 units, with a new code of discipline, new conditions of service, new terms of remuneration, and an entirely new system of control. The great fires in last winter's raids, which taxed the ill-assorted resources of whole regions, and revealed a very heterogeneous range of sovereign fire authorities, have taught their lesson. Each commander will now have all the men and equipment throughout his area under his direction, and will be able to rush them into action at the centre of the battle—whatever their address. But fire-fighting is more than an exercise in political science. Actually, the chaos of authorities last winter was no more, to say the least, than the chaos of equipment; and the Fire Service, in practice, will only be effective insofar as its material needs for men, water and plentiful and standardised equipment are met.

Highland Prosperity

Since the Glen Affric power scheme was quashed, two further successes have been added to the opponents of selfish and injudicious development of the Highlands. The Secretary of State for Scotland has announced the creation of an advisory council on post-war planning in Scotland. This

council will appoint committees to make inquiries into particular problems, and will work in close collaboration with the other bodies, such as those within the orbits of Mr Greenwood and Lord Reith, which are examining the post-war problems of Great Britain as a whole. And, as a wind-fall triumph, comes the news that the Falls of Glomach in Ross-shire have been presented to the National Trust for Scotland through private generosity. The task which faces the advisory council is formidable. It is nothing less than an attempt to bring to the Highlands the material benefits of an industrial revolution without its nineteenth-century accompaniments of spoliation and slums. Life in the Highlands has retained the simplicity and vigour of pre-industrial England; subsistence farming supplemented by the keeping of poultry continues to provide adequate nourishment for those who remain on the land; and wood, peat and paraffin provide fuels for heat and light, which not only the romanticist may find preferable to coal and electricity. There is, however, another side to the picture. The shortage of good pasture gives rise to a permanent scarcity of milk, which even to-day is not fully supplied from neighbouring towns. Sheep farming pays so badly that a steady rural exodus, dating from the ruin of the crofters in the last century, has been accentuated in the last decade. The timber wealth of the Highlands is not economically developed through lack of individual capital, and there is some danger that the needs of the present war may lead to an appreciable measure of deforestation. Shortage of housing space goes far to restrict marriages in a god-fearing race which fears to raise large families in the cramped accommodation accepted by earlier generations. It is open to doubt whether the luxury sports of grouse shooting and deer stalking will continue in the post-war world to provide the Highlanders with a means of livelihood which, before the war, was insufficient to prevent gradual depopulation. The Highlands need the benefits of an industrial revolution, but of one so skilfully engineered that, not only the natural beauty of their countryside, but also all that they have of homely well-being is retained in the process.

THE WORLD OVERSEAS

Australian Wartime Industries

(By a Correspondent Lately in Australia)

September 2nd

FOR the first time in the history of the Commonwealth, Australian secondary industries are yielding more than primary ones. Australia is in the midst of a process which in later years may well be described as the Australian Industrial Revolution. The process started some years before the war; during the 1930's consumption of gas and electricity increased by about 50 per cent, and iron and steel production, which was started during the last war, was more than trebled during these ten years. But the present war has accelerated the rate of industrialisation to an extent unthought of.

It is authoritatively stated that Australia is "fast approaching" its munitions objectives—first, to be self-supporting for its forces at home; and, secondly, to provide ample exportable surpluses for the other countries belonging to the Eastern Group, that is, India, New Zealand, Malaya, East Africa, etc. This ambitious aim could only be achieved in a country like Australia after lengthy preparations. It was not only necessary to build new munition factories, but the production of machine tools had also to be expanded or begun. In many cases, the fruits of the industrial effort are hardly visible yet, but they are bound to be very significant once the preliminary difficulties have been overcome. The first Australian Bren gun, for example, was only finished last January, after under two years' preparation, and Bren guns are now being produced on a large scale. Similarly, a considerable number of tanks will be made in Australia in the not too distant future. The large-

scale production of a special type of the Bristol Beaufort bomber, re-designed for Australian conditions, is already in progress. Similar aircraft have been produced for some time, and Australia has been sending elementary trainer machines to India and Burma.

At the beginning of this year, the naval vessels under construction in Australian docks were stated to total some 40,000 tons. In addition, Australia is engaged on the construction of at least sixty freighters, each with a cargo capacity of 7,600 tons. Floating dock facilities are being improved, and it is hoped to construct merchant ships up to 10,000 tons in the near future.

The present trade difficulties are an additional incentive to industrialisation. Until recently, ready-made paper had been imported from Canada in large quantities, since Australian timber was not considered suitable for the manufacture of paper. But, after elaborate research, Australian paper mills came into operation, and for several months now at least one big Australian daily has been printed on Australian-made paper. Another interesting scheme, which is still in the process of preparation, is to pulverise Australian meat in order to facilitate its export. Pulverised meat would require far less shipping space and might even be sent in ships without cold-storage facilities.

Australia's natural wealth in coal, ores and some other raw materials facilitates the process of wartime industrialisation, even though certain restrictions have had to be imposed on the industrial use of aluminium, tinplate, petroleum, woodpulp, etc. The Government has also laid in vast

stocks of reserve materials, and no really grave shortages are likely to arise, even if shipping in the Pacific should be severed for a certain time. Far more serious, in an under-populated country like Australia, is the problem of how to get a sufficient supply of labour. Employment in Australian factories has risen by 19 per cent between August, 1939, and March, 1941, and the once considerable reserves of unemployed people have been practically absorbed by the industries and the fighting forces. The manufacture of consumption goods is already meeting increased difficulties owing to the shortage of skilled labour. A further expansion of industrial production is, however, imperative; in 1942, no fewer than 100,000 people are to be employed in the munition industry alone; but any further mobilisation of manpower for industry requires measures similar to those adopted by Britain and other belligerent countries. The Government has, indeed, started to enlist women for industrial work and for auxiliary duties in the fighting forces. They have obtained powers to prevent stoppages of work and are trying to impose a more rigid control of consumption by prohibiting and rationing non-essential imports.

Obstacles to Output

All these measures are meeting with a number of obstacles in a country which, spite of the deeds of the Anzacs and the obvious menace from Japan, still feels comparatively safe and far from the actual fighting. As a direct result of the war, and more especially of the industrialisation, the purchasing power of the average Australian has been increased recently. Wage rates are rather higher than before the war, and numerous people have found employment or have changed to better paid or more regular work. In some small ways, it is true, private consumption has been restricted for some time; petroleum for private use has been fairly rigidly rationed, so that the number of new car licences has been reduced by 70 per cent; there are occasional shortages of cigarettes and other consumption goods; and the size of daily newspapers has now been reduced by 55 per cent. Many civilians are reluctant, however, to make additional sacrifices, and Mr Menzies mentioned in June that valuable labour was still engaged in the building of luxury flats.

It is also more difficult in Australia than it is in Britain to unite employers and employees in a common war effort. Strikes and lock-outs have not occurred to the same extent as in the United States, but neither have they been as rare as in this country. As late as last July, Australian dockers had to be warned by their Government because they had held up a boat loading cargo for Britain. It should be added, however, that in recent months the number of industrial disputes has been on the decline; apparently the numerous warnings of leading Government and Opposition spokesmen about the seriousness of the political and military situation have had some effect on the people's attitude. On the other hand, the sense of common danger is still hardly strong enough for the Australians to unite in the common war effort without reservations.

Another obstacle to the Government's industrial war planning is the division of the Commonwealth into six States with sovereign powers in their own territories. There is now, however, just as in the last war, an obvious tendency to increase the powers of the Federal Government, at least temporarily, at the expense of the State Governments. The Commonwealth Government has, for instance, assumed arbitration powers, for the duration of the war, to deal with inter-State industrial disputes. Still more important, the States are now to vacate the field of income tax, thus enabling the Federal Government to introduce a common tax level throughout the Dominion. In spite of these and other difficulties, it is almost certain that Australia will emerge from the present war as an important industrial country.

Mr Fadden's Views

Nobody has pictured post-war industrial Australia more plainly than the country's new Prime Minister, Mr. Fadden. In various speeches delivered before taking over his new post he foretold that Australia would soon have an opportunity to grow into the main centre of world trade. After the war, his argument ran, when Europe will still be bleeding from recent fighting, scores of millions of people from the Old World, even English people, will be looking for new homes overseas. Australia should then, in his opinion, absorb large numbers of European industrial people, preferably of British stock, and thus become an industrial

nation many times larger than at present and with many opportunities. The country should cease to concentrate mainly on the production of primary products for which it would become exceedingly difficult to find suitable markets.

This argument, even if it exaggerates the opportunities of the Commonwealth, shows at least the trend of thought of many Australian people, and nobody can deny that Australia might well develop into a competitor of Britain unless some sort of new economic co-operation can be found. The traditional trade relations between a highly industrialised England and a semi-colonial Australia have been upset, and will never be re-established. The relationship between both these countries will probably be further complicated by the re-orientation of trade relations between Australia and the United States, which is sought for by both Australians and Americans as a natural sequel to the Lease and Lend Act. In all likelihood, the present Australian-American trade talks will result in an increase in the volume of their mutual trade.

It is obviously an important problem of post-war reconstruction to find ways and means of establishing a new economic co-operation between the industrial countries of the Empire. Military considerations are, naturally, of overwhelming importance at present, and the construction of a vast munitions industry in Australia would still be necessary, even if it were certain that, after the war, this industry would be used against Britain. But whether this will be the case, or whether the new Dominion industry will instead supplement the British industrial apparatus by providing the world mainly with goods which are not manufactured in Europe, and by giving new opportunities to English emigrant-workers, will largely depend upon the policy and imagination of those who are responsible for economic life in days to come.

Shanghai and Sanctions

[FROM OUR SHANGHAI CORRESPONDENT]

August 7th

SHANGHAI, as a result of the freezing of Chinese and Japanese assets by Britain and America, has lost its privileged position as one of the world's last free and international foreign exchange markets. This position was based upon the local free convertibility of American dollars, as well as free sterling, into the Chinese national currency. The Anglo-Saxon freezing of Sino-Japanese assets ended free convertibility on July 26th. For the time being, open-market exchange operations here continued within narrow limits, because British, American and Netherlands banks arrange for set-off contracts in respect of outstanding over-bought or oversold exchange positions established prior to July 26th. The American banks also buy back from their depositors American dollars against Chinese currency, while sterling accounts in local British banks are being treated as completely frozen. Finally, American and British banks allow, out of new exchange proceeds from such operations, limited amounts of foreign exchange to *bona fide* importers who can be trusted not to deal on behalf of totalitarians. But these operations are bound to be temporary only; and, within a few weeks or months, all local foreign exchange transactions by British, American and Netherlands banks will be strictly subject to licensing.

The outlines of American exchange financing of trade with Shanghai in the future have already become clear. No goods of any sort may be shipped from the United States to Shanghai or Japanese-occupied areas in China, except when covered with an export permit issued by the U.S. Administrator of Export Control. American banks will release frozen exchange assets, or will sell American currency for Chinese dollars, for payment of American goods, only after American export permits for such goods have been granted. The amount of American currency to be made available for payment of future exports to Shanghai and the Japanese-occupied areas will thus be determined by the United States Administrator of Export Control, and this will be done in close relation to the future value of shipments of goods from these parts of China to the United States. American banks here will finance exports to America only after checking with the American authorities and obtaining the agreement of their New York head offices, which will investigate Chinese export matters. The idea is to balance American trade with

Shanghai and Japanese-occupied China through the curtailment of exports from America. Were this trade allowed to remain unbalanced, the United States would be called upon to release additional foreign exchange—either out of the newly-frozen Sino-Japanese assets in payment of an American export surplus, or directly in payment of a Chinese export surplus.

The local British and Netherlands banks are not yet in possession of detailed instructions from London and Batavia as regards future trade financing. Yet British and Dutch action in this field is likely to follow the American example in subjecting all releases of foreign exchange, on account of Shanghai's and Japanese-occupied China's foreign trade, to import-export licensing in the British Empire and the Netherlands Indies, respectively. A safety valve through which to provide for exchange coverage of necessary imports into Shanghai, not lending themselves to British-American-Dutch trade and exchange regimentation, will be found in the continued operation at Shanghai of the Chinese Government banks, backed by the resources of the Chungking Chinese Currency Stabilisation Fund.

Effect on Trade With Japan

Only some 20 per cent of Shanghai's foreign trade in recent months has been transacted with the Japanese Empire, while most of the remainder of this trade was done with the British Empire, the United States and the Netherlands East Indies. These countries' freezing measures and trade licensing under freezing regulations, therefore, severely affect the bulk of Shanghai's foreign commerce. A heavy curtailment of local imports from the three countries in question is being anticipated, especially in lines in which imports were transacted primarily on behalf of Japanese interests. Of course, the Japanese also will have a word to say in Shanghai's foreign trade regimentation. They strictly control all the export commodities pouring into Shanghai from the interior, and they are in a position to regulate also all other Shanghai exports through measures taken under the Shanghai Customs authority usurped by the Nanking puppet regime of Wang Ching-wei. There are indications that the Japanese will attempt to barter Shanghai export permits, in respect of goods which the democracies might want to obtain against their export per-

mits, for supplies which Japanese interests would like to keep secure via Shanghai.

Exchange speculation in Shanghai has not been on any appreciable scale since the promulgation of the Anglo-Saxon freezing of Chinese and Japanese assets. There is no longer any possibility now of building up large purely speculative exchange positions; and those who might venture to contract exchange forward fictitiously would expose themselves to the most dangerous squeezes, because of their inability to effect or to take genuine deliveries. Local speculation, therefore, has almost entirely withdrawn from the foreign exchange field, and goes in for commodities such as rice, cotton yarn, piece-goods, sugar, and cigarettes. There is also now large-scale gambling in fictitious gold bars on mere marginal differences, with "no deliveries" expressly understood. The large amount—for local circumstances—of some Ch. \$3,000 millions worth of idle Chinese capital continues to hover about Shanghai and to engage in purely speculative activities.

The Chinese dollar's exchange value, contrary to former local expectations, failed to strengthen after the Anglo-Saxon freezing of Chinese and Japanese assets. While this freezing immediately curtailed the amount of foreign exchange provided to importers, it also cut short exports and—which amounts to much more—eliminated, at least temporarily, the most important sustaining factor in the Shanghai exchange market recently—the free repatriation of Chinese refugee capital and its free re-conversion into Chinese currency. The sharp decline, from almost 30 to less than 15 per cent, in the Shanghai dollar's premium over the Free China dollar, as expressed in Shanghai-Chungking interior remittance rates for Chinese currency, is notable; the decline is due to the local dollar's loss of its former free convertibility advantage.

The British freezing of Sino-Japanese assets, and the subsequent inclusion of Hongkong within the sterling exchange control bloc, eliminated almost all Shanghai's supply of free sterling, and made the local free sterling rate rise above U.S. \$4.00 and merge into the New York-London cross-rate. Shanghai speculation upon the sterling/U.S. dollar cross rate has in this way been suppressed too.

[The exchange arrangements made with the Shanghai banks by the Stabilisation Fund for the Free Chinese currency were described in a Financial Note in *The Economist* of last week.—EDITOR.]

The Balkans Under the Axis

Roumania as a Belligerent

(BY A CORRESPONDENT)

September 2nd

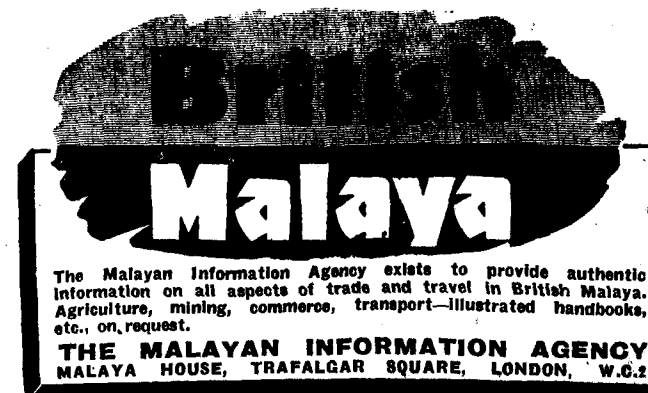
BY piecing together the scraps of information finding their way out of Nazi-controlled Europe, it is fairly easy to reconstruct the background of Roumania's entry into the war against Russia. It can now be seen that General Antonescu's visit to Munich, a fortnight before the aggression, served only to put the finishing touch to a long-prepared plan of campaign. It is also clear that the *Conducatorul* (Roumanian for *Fuehrer*) was promised more than merely the restoration of Bessarabia and Northern Bukovina in return for active participation. Ever since last summer, Roumanian eyes have been kept fixed on the western border, the lost parts of Transylvania which all Roumanians prize more highly than all the other ceded provinces. They have been repeatedly and openly encouraged in their hopes of a restoration by the General himself, who, moreover, linked up his declarations on the subject with his two previous visits to Germany.

All these hopes received a shattering blow when Hungary—the other junior partner in the Tripartite Agreement—joined in the aggression against Russia a few days later, in circumstances not yet fully clear, but in all probability directly attributable to fears or even open threats of that very restitution which had primarily brought Roumania into the war. The use Hitler for his part chooses to make of the competing claims in the triangle is further illustrated by reports that he is now playing off the two rivals against each other in pushing their troops beyond their originally assigned posts.

But General Antonescu may have had a further objective of his own in making war on Russia—the bolstering up of his regime in the face of growing discontent and opposition.

He hoped thus to open an outlet for rising passions and, at the same time, by an appeal for national unity, to rally around him some of his political opponents. This is, however, a dangerous stroke which can succeed only if it brings instantaneous and overwhelming military success. As matters stand at present, with substantial physical destruction and a heavy toll of Roumanian casualties, in place of the triumphal march counted upon, the adventure is having the very opposite of the desired effect. The combined upshot of this all-round disillusionment finds its expression in the growing unrest on the Roumanian home front, reported to be spreading even to the battlefield itself.

Bessarabia itself, now fully under German-Roumanian control, should make little immediate contribution to the German war potential. Its communication system, which is defective at the best of times, is now completely upset. The fertile plains of Bessarabia yield, in good crop years, a considerable surplus of wheat, oilseed and fruit; Bessarabia had also been, prior to its occupation by Russia last



Malaya

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summer, the main centre in Roumania for the cultivation of soya beans, under the auspices of the *I.G. Farbenindustrie*. On the other hand, owing to the vagaries of the climate, the whole region is extremely exposed, both to drought and flood, and relief action has been a frequent occurrence in recent years. As the devastation carried out by the Russians before their withdrawal was complained of in Roumanian communiqués, it is more likely than not that, instead of getting anything out of Bessarabia, its victualling will place a further drain on the depleted Roumanian supplies.

It is perhaps significant that the work of reconstruction in Bessarabia is to be carried out under the "guidance" of the German Minister Flaumer, and that the whole province is to remain for the time being an independent administrative unit, completely isolated from the rest of Roumania.

One Year of Collaboration

July 5, 1941, marked the first anniversary of the day when the newly-formed Cabinet under King Carol announced its adherence to the Axis system. In the course of the ensuing co-operation, Roumania has been subjected to an economic exploitation which differs little, if at all, from the German military occupation of the last war. Now, as then, the true measure of depletion will not become known until later, as the relevant figures are either withheld from the Roumanian public or deliberately falsified. However, there exists ample indirect evidence in other facts and figures.

One telling example was furnished not long ago by the Nazi Press itself, when it was making great play of Roumania's increased export figures and export surplus. It is only necessary to contrast that alluring picture of prosperity with the food situation in Roumania, and the idea of an export surplus assumes quite a different meaning. In the first four months of this year, Roumanian exports reached a new record of 10,000 million lei, while imports amounted to 5,500 millions. Direct comparisons with previous years would be of little value, partly because of the important territorial losses suffered in 1940, partly on account of the radically changed prices. More significant is the fact that 75 per cent of Roumanian exports go to Germany, and that the ratio of such exports to imports from Germany is 100 to 25. Moreover, the exports shown in the trade returns obviously do not include such "invisible" items as the quantities consumed by the German armies inside Roumanian territory.

Under the existing German-Roumanian agreement, the substantial balance of trade "in favour" of Roumania is to be set off against German deliveries of armaments and future German deliveries of agricultural machinery. This implies three things: virtually giving away of Roumania's agricultural and mineral products; going short of food at home; and financing the export surplus by a continuous expansion in the note issue.

Although Roumania produces ordinarily about 35 per cent more food than it consumes, it has been experiencing for some time now an acute shortage of foodstuffs, as well as a gradual disappearance of such consumption goods as soap, boots and clothing, owing to the lack of raw materials in civilian industry. Severe rationing and drastic penalties have done little to ease the situation. Black markets in foodstuffs and other articles are as common as food queues and even "bread riots."

The Value of Italy's New Territories

[BY A CORRESPONDENT]

September 5th

THE Axis Powers have greatly expedited the dismemberment and partition of Yugoslavia. New states and new zones of interest were so hurriedly established that, even now, when nothing more than agreement between the two conquerors is required, there is no real certainty or finality about the lines of demarcation. One thing only may be taken as certain—Italy has once again emerged the loser in the division of the spoils. Hungary has received the wheatlands of the Bacska and Vojvodina. Industrialised and well-cultivated Croatia, although it is nominally under

an Italian "King," is completely run by and for the Germans. Germany has taken the fertile and highly industrialised Lower Styria and North Slovenia; in addition it holds Serbia proper by virtue of occupation.

Thus Italy has been left with South Slovenia and the greater part of Dalmatia—and the protectorate over little Montenegro, whose formal elevation to the status of an independent monarchy cannot really be taken seriously. These areas have always been the poorest areas in Yugoslavia. The last census taken in the territory now occupied by the Italians shows that some 35 to 40 per cent of the male population were unable to earn their own living, in spite of the thin population and the low standard of living in those areas. Thus it follows that, from the point of view of immediate exploitation and the war effort, the areas annexed by Italy have extremely little to offer. But, even on a long-term view, they offer but little scope. A considerable part of the country is infertile. Nature herself has pursued a scorched earth policy. On the other hand, the few assets to be found are precisely those which Italy itself possesses in abundance. The northern part, now under German rule, includes some wealthier farm districts, but, in spite of the inconceivably modest standard of living of the people, Dalmatia and Slovenia as a whole have always been, and will always be, in need of additional food supplies. Thus the chief aim of Fascist economy, complete self-sufficiency in food, becomes more and more distant. The sterility of the soil would make even the most expensive attempts at betterment a failure; a very limited increase might be achieved by more effective methods of cultivation. Before applying better methods it would be necessary, besides investing capital, to arrange for the amalgamation of numerous farms, which are of the smallest type of smallholding and hardly provide a bare existence for their owners. Such agricultural reforms would lead to the formation of medium sized farms, a sharp contrast to the general land reform tendencies in South-Eastern Europe which aim at the partition of large property, and increasing social tension would follow. The only agricultural surplus product is wine, of which Italy itself has more than enough; the same may be said of various kinds of fruit. On the other hand, the large Slovenian woods with their wealth of timber are without question a valuable asset, although it goes without saying that the richest forests are in the German zone. The timber transport position is favourable for Italy's requirements, and labour is cheap.

Profit and Loss

It may even be said that labour is abundant in these scarcely industrialised areas. But this is an advantage only under the present abnormal circumstances; in normal times an increase in manpower is what Italy needs least of all, as is well illustrated by the mass emigration of its workers in the past, and by the continuous drive for overseas colonial settlement. Even during the war, nothing has been heard of a lack of manpower in Italy; on the contrary, it has sent considerable contingents of workers to Germany.

This is one of the many examples showing that the amalgamated areas are not complementary; more often than not, it is a question of pooling deficiencies or those surpluses for which even now Italy proper has inadequate markets. Another example is tourist traffic, which is an important industry both for old and new Italy. It forms one of the main sources of income in Dalmatia, and was also a valuable credit item in the Yugoslavian balance of payments. A new order in which there would be enough paying visitors—visitors bringing foreign currency—to all the places of the Adriatic Sea is very remote. An attempt might be made to push the Dalmatian tourist trade into the background, and thus get rid of unpleasant competition. But any decrease in the Dalmatian tourist traffic would lead in the end to a reduced demand for manufactured goods along the whole coastal area and to further general impoverishment there. Italian industry has hardly gained any markets worth mentioning, especially as it has already been the chief supplier of textiles and other manufactured goods to Yugoslavia; it is now actually losing the greater part of this market to Germany.

An undoubted advantage of the acquisitions is the existence of metal ores in many places. The bauxite mines, belonging to a Swiss holding company, are the most important; their ores are estimated at some hundred million tons. Their products are mainly exported to Germany, for Italy possesses its own bauxite mines. A short time ago, an aluminium works was erected in Dalmatia for processing the bauxite at home. There is also considerable cement production with huge exports to Germany. On the other

Greece Under Occupation

[BY A CORRESPONDENT]

September 1st

THE fact that the Italians have succeeded the Germans in the occupation of what is left of Greece has not substantially changed its position, except that the Italians have proved themselves softer than the Germans, whose rigorous attitude towards the population was in strong conflict with the Southern temperament. From this Italy, in turn, seems to derive fresh hope that it will be entrusted with a kind of protectorate over Greece, or at least that Greece will be ultimately fitted into "the natural zone of Italian influence." The Italians are making intense propaganda in this respect, opening schools for children and starting Italian courses for adults. Germany, preoccupied in the east, has so far carefully avoided to forecast the final outlines of its policy in this region, confining itself to the nebulous statement that it does not intend to interfere in Greek affairs. However, there is little evidence that Germany will in the end agree to the realisation of Italy's far-reaching ambitions and abandon the key position on the Aegean-Salonika. Though the occupation of Greece has been formally relinquished, Germany has in actual fact retained control of the Greek aerodromes, of the means of communication and of other key positions, while the Gestapo remains busy behind the scenes. In fact, German-Italian rivalry, which results in occasional open incidents, presents the only source of consolation to the oppressed Greek nation.

Meanwhile, General Tsolakoglu, the self-appointed head of the so-called Greek Government, has come out openly in favour of the New Order in which, he expects, the *Fuehrer*, "as an admirer of the civilisation of Ancient Greece, will grant her a due share." This subservience to the Axis has only had the effect of reviving pro-British feelings and also of strengthening the opposition of the people to the Government. The death penalty has recently had to be introduced to ensure the execution of Government orders regarding the remitting of corn, fodder and vegetables to the central office. The Italian occupation authorities have made propaganda for Communism or anarchy, as well as the wearing of badges of enemy countries, punishable by imprisonment up to twenty-four years and even by death.

Shortage of Food and Work

The economic situation is more than critical, and the very widespread shortage of foodstuffs is the greatest disaster. Greece, which before the war imported 300,000-400,000 tons of wheat (producing only 1.04 million tons in 1939), has not only to do without foreign shipments, but has also lost the rich Macedonian and Thracian wheat lands, and has in addition been deprived of all its stocks. The daily bread ration varies between 125 and 180 grammes (about 4 to 6½ oz.), which is much less than the poorer classes were wont to consume. In Salonika, Athens and Patras, the rations are reported to reach only 60 grammes (about 2 oz.), which is only about one-tenth of the normal consumption. Oil, the main fat used in Greece, has practically disappeared. Vegetables, rice, macaroni and potatoes are only obtainable in small quantities against ration cards, while prices are continually rising. Greece's small wheat harvest is expected to yield less this year than in former years, and the Government has urged the public to increase the cultivation of potatoes. The intention is to replant potatoes now, because the present summer seems propitious for a second crop.

The second problem, no less grave, is unemployment. To quote one example, the town of Volo with 18,000 workers has 12,000 unemployed. The annexation by Bulgaria of the two important provinces of Thrace and Macedonia means that Greece lost an area of 45,000 hectares out of a total of 85,000 cultivated with tobacco, which accounted for 50 per cent of total Greek exports in 1938 and 43 per cent in 1939. The merchant fleet, before the war the ninth largest fleet in the world, no longer provides sufficient employment. The same applies to the tourist trade. Apart from this, there is a lack of raw materials which Germany does not wish to, or cannot, supply to Greek industries. These problems are further accentuated by transport difficulties.

Plans drawn up by the Greek Government to solve these problems do not, in fact cannot, promise striking results. The Greek Minister of Transport has published a detailed report of a "great plan of reconstruction," which is to

hand, Italy's territorial gains add to her almost complete dependence on imports of coal and oil. There are no oil fields in Dalmatia, and it can safely be assumed that the invaders found no stocks there. Coal was scarce in Yugoslavia from the very beginning of the war. It is difficult to ascertain, at the moment, whether the important coal mines of Trifail, near Ljubljana, have come under Italian administration. While there is, in Slovenia, a comparatively good railway system, which links up well with the Italian network, Dalmatia has only a few railway lines, though road communication is fairly satisfactory.

Mare Nostrum at Last

The great question is how far has Italy achieved the aim consistently pursued since the conference of Portorosa in 1921 and then brought nearer by the Three-Power Pact with Austria and Hungary in 1933? Has Italy secured new markets for its quickly developing industries, and, above all, new trade for the Adriatic ports of Trieste and Fiume? Progress in the former respect is, as has been shown, negligible. But the prospect for sea traffic has changed fundamentally; at least, the foundation stone of such a change has been laid. This is without question the most far-reaching consequence of the territorial changes. Italy's dream has been fulfilled: the Adriatic Sea has become, insofar as the British Navy does not interfere—*mare nostrum*. This is not only of strategic but also of economic importance. The competition from Yugoslavian shipping lines and ports comes automatically to an end. The prospective "co-ordination" can hardly mean more than the sacrifice of certain Dalmatian positions. First of all, the admittedly unnatural state of affairs in the twin ports of Susak (Yugoslavia) and Fiume (Italy) will cease to be a problem. Fiume, which became partly derelict after the collapse of the Austrian Monarchy, can only be made profitable if its traffic increases at the expense of Susak. A similar fate awaits the relatively busy Dalmatian ports of Sibenik, Split and Gruz, near Dubrovnik. Yugoslavia had only a small merchant fleet, part of which was in foreign ports at the outbreak of the war, and has since been mobilised, while several ships are actually sailing under the British flag. The three existing Yugoslavian shipping lines must of necessity now act entirely under Italian directions. In all probability, they will very shortly lose their independence as shipping concentration in Italy is, as is well known, very far advanced.

Nevertheless, it is more than doubtful whether Italy's present domination of the Adriatic Sea will in fact bring about that consolidation of its shipping for which it has constantly striven for two decades. For, during this period, Trieste and Fiume have mainly suffered from the competition of Germany's North Sea ports. There was no shipper or forwarding agent on the continent who did not know of the ceaseless tariff war between Hamburg and Trieste, the North Sea and the Adriatic. The Yugoslav ports had their own markets, which secured a sound, if modest, trade. Now Italy has certainly got new ports, but it has at the same time lost almost the whole hinterland on which the prosperity of those ports depends. As Croatia and Hungary are now within the German sphere of influence, not to mention Austria, Czechoslovakia and Serbia proper, all of which are natural clients of Trieste and Fiume, all the former Yugoslav ports are threatened with a still further loss of traffic to the North Sea ports.

The political alliance between Germany and Italy has so far had little influence on the competition between their ports, and no sign of any "traffic-axis" is to be seen. The fact that Italy, in spite of the war, is carrying out extensive and expensive work on a canal to connect the Adriatic Sea with Switzerland (via Milan to Lake Maggiore) has attracted very little notice abroad. But it seems clear that this undertaking is a reply to the enormous canal constructions in progress and projected by the Germans. The waterway from the Adriatic Sea to Switzerland is already a fact. There are other plans, such as the construction of a canal from Trieste to the navigable rivers and canals of Yugoslavia, as well as the building of a motor road from Trieste via Ljubljana to Zagreb. The latter has already become a reality as far as to the former Yugoslav-Italian frontier near Postumia, and can now be advanced a good deal further. But most of Italy's waterway projects will have to be thoroughly altered; ambitions in this direction will have to be restricted—in view of the wishes of the senior partner of the Axis. Italy cannot exploit its new position, as it might have done *vis-à-vis* a number of small independent European countries; it has to rely instead on the doubtful co-operation of the one Reich.

include the building of roads, the improvement of waterways, a draining of marshes and other land improvements. Nearly 3,000 million drachmas are to be spent in the financial year 1941-42. The necessary funds will be raised, partly by increased taxation, partly by loans, but mainly by a levy on increases in values. Another plan embodies the proposal that Greece should become self-sufficient. It stresses that the necessary capital for equipment required is available, the sum of 15-20 million drachmas being regarded as sufficient to provide the country with the necessary industrial expansion.

German sources, however, emphasise that, in future, agriculture will have to be the chief, if not the only, basis of existence for the Greek people—a terrifying prospect for Greece where the peasant has so far been the poorest inhabitant. The increased use of artificial fertilisers will, according to the German programme, increase the productivity of the land, and the old-fashioned tools will have to be modernised. It is said that such measures could increase the country's productivity by 50 per cent. At the same time, it is suggested that the area under cotton should be in-

creased by 150,000 hectares, without encroaching on agricultural land, which would enable Greece to export cotton—of which Germany is in need. If it is considered that before the war Greece met only 65.9 per cent of her wheat and 85 per cent of her maize consumption from home production, it can be judged how wide is the gap which the Greece of to-day, so considerably deprived of territory and financial means, is expected to bridge in the near future. The Greeks are consoled with the prospect that the clarification of the Mediterranean problem and the inauguration of a European economic order by Germany and Italy would ameliorate their position. It is admitted by Germany that all this will mean a revolution for Greece, but "Greece must pass through this revolution if she does not want to lose contact with Europe." In the words of the *Frankfurter Zeitung*, the changes in the economy will have to be accompanied by changes in all accepted values and thoughts and a regrouping of the social scale. This is a high price, indeed, for the meagre results which will be obtained from entering, as a "colonial" producer, the organised poverty of the New Order.

Books and Publications

Shorter Notices

The Directory of Directors, 1941. Thomas Skinner & Co., Gresham House, London, E.C. 30s.

This useful guide to the personnel of the business world has been in no way abridged on account of war restrictions. A final section devoted to *addenda* brings the work up to date.

Building Societies Year Book, 1941. Franey & Co., Limited, Graham House, Tudor Street, E.C.4. 10s. 6d.

The 1941 year book contains accounts of the progress of the building society movement in 1939-40 and of the annual general meeting of the Building Societies Associa-

tion and Institute, in addition to standard information relating to individual societies.

Digest of the United Kingdom Exchange Regulations.

A revised edition of this useful booklet, compiled by the District Bank, Ltd., Foreign Department, has recently been brought out. It summarises in a very handy form all the information on the many different aspects of exchange control in Great Britain.

Loose-Leaf War Legislation. Edited by John Burke, Barrister-at-Law. Hamish Hamilton (Law Books), Ltd.

The first part of the 1941-42 volume of this extremely useful publication has now appeared. Anyone who wants the complete text of the war legislation, including the defence regulations and orders of general interest, could not do better than to subscribe to this service. The text is annotated, and any amendments to the original legislation are given in subsequent parts.

Books Received

Old Age Pensions. By Sir Arnold Wilson, M.P., and G. S. Mackay. (London) H. Milford. 238 pages. 16s. net.

Survey of International Affairs, 1938, Vol. I. By A. J. Toynbee and V. M. Boulter. (London) H. Milford. 735 pages. 28s. net.

Poverty and Progress. A Second Social Survey of York. By B. Seeborn Rowntree. (London) Longmans. 540 pages. 15s. net.

The Colour Bar in East Africa. By Norman Leys. (London) The Hogarth Press. 160 pages. 7s. 6d. net.

Monopoly. By E. A. G. Robinson. (London) Nisbet and Co. 298 pages. 7s. 6d. net.

Behind the Nazi Front. By J. McC. Raleigh. (London) Harrap. 288 pages. 10s. 6d. net.

Legal Problems in the Far Eastern Conflict. By Quincy Wright and Others. (London) Allen and Unwin. 211 pages. 10s. net.

Pacifism is Not Enough (nor Patriotism Either). Burge Memorial Lecture, 1935. By Lord Lothian. (London) H. Milford. 57 pages. 1s. net.

Germany's Economic Conquest of Czechoslovakia. By A. Basch. (Chicago) Czechoslovak National Council of America. 29 pages. No price stated.

Economic Shanghai: Hostage to Politics. By R. W. Barnett. (London) Allen and Unwin. 210 pages. 10s. net.

The Liabilities (War-Time Adjustment) Act, 1941. Annotated by A. G. Slack. (London) Butterworth. 104 pages. 7s. 6d. net.

Slack on the War Damage Act, 1941. A Special Supplement of Forms. (London) Butterworth. 24 pages. 3s. net.

Savory's Insurance Share Annual, June, 1941. (London) Thomas Skinner and Co., 330 Gresham House, E.C. 2. 114 pages. 5s. net.

Standards of Living, Wages and Prices. By H. Belshaw. (Wellington, N.Z.) New Zealand Institute of International Affairs. 48 pages. No price stated.

THE WOOL TRADE IN ENGLISH MEDIEVAL HISTORY

by the late
EILEEN POWER
7s. 6d. net

"... The general reader will get much enjoyment and interest from this volume..."—*Spectator*

MODERN BANKING

by
R. S. SAYERS
12s. 6d. net

"... This is by far the best book on the theoretical aspects of banking that has appeared for some time..."—*Banker*.

Oxford University Press

THE BUSINESS WORLD

Japan's Oil Supplies

THE bulk of the oil used by the Japanese war machine in blasting its way through the Chinese armies and in bombing the women and children of Chungking has come from democratic sources, Japan's own oil resources are strictly limited. Though the suspension of the official trade returns, together with all other important statistics, makes it impossible to give precise details of Japanese oil imports in recent years, the essential facts are clear enough. The principal suppliers of Japan have been the United States, the Netherlands Indies and Mexico, with trifling amounts from one or two other sources. By far the most important source of supply has always been the United States. Geographical factors are favourable; Californian crude oil is well suited to Japanese requirements; and American lubricants are among the best in the world. United States exports to Japan rose steadily for a number of years to a peak of about 31,200,000 barrels in 1938. With the steady hardening of American opinion against the Japanese, and the termination of the long-standing trade agreement between the two countries, oil shipments fell below 28,000,000 barrels in 1939 and to less than 23,000,000 barrels last year, as the following table shows:

U.S. EXPORTS TO JAPAN (Barrels)		
	1939	1940
Crude oil	16,086,176	11,528,686
Natural gasoline	181,210	5,062
Anti-knock compounds	(a)	110,390
High-grade motor fuel	562,230	527,451
Other motor fuel	635,492	2,624,342
Naphtha and solvents	2,534	5,702
Benzole		7,459
Kerosene	104,501	43,463
Distillate fuel oil	6,020,182	5,116,180
Residual fuel oil	3,888,754	2,132,146
Lubricating oil	513,545	819,418
Total	27,994,624	22,920,299

(a) Not separately classified in 1939.

Some confusion has been evident in the British press about the present position. On August 1st, President Roosevelt placed an embargo on exports of aviation petrol and lubricating oils—and the raw materials from which these high-quality products are derived—to destinations outside the western hemisphere, the British Empire and the unoccupied territories of countries resisting aggression. While this embargo, of course, included Japan, it was by no means so important as many observers have supposed. Its main effect was to regularise a situation which had, in fact, existed since July, 1940, when shipments of these products were made subject to licence, with the intimation that no licences would be granted for export to Japan. As the table shows, the Japanese responded to the ban on highest-quality aviation fuels by considerably increasing their takings of ordinary petrol and lubricating oils. All that is new in the latest order is the provision limiting shipments of petroleum (except to the areas named) to "the usual or pre-war quantities"; but this cannot be regarded as a serious limitation on supplies to Japan. A move by the President to place a permanent embargo on petroleum exports to Japan would probably meet with strenuous opposition from Californian shippers, over half of whose export business is with that country.

After the United States, the most important supplier of oil to Japan is the Netherlands Indies, and the Japanese have been pressing for increased shipments from this source, ever since their relations with the United States began to deteriorate. According to the official trade returns, about 550,000 tons—say, 3,500,000 barrels—of Netherlands oil were consigned to Japan and Japanese possessions last year, against 350,000 tons in 1939. But since considerable quanti-

ties of oil were also consigned to such transshipment centres as Singapore, from which a certain amount might well have been re-directed to Japan, it is possible that considerably larger quantities were involved; and the Netherlands Indies oil companies agreed last year, after very protracted negotiations, to send greatly increased supplies of crude oil and finished products to Japan during 1941—the figure finally agreed upon seems to have been in the neighbourhood of 13,000,000 barrels. This is a considerable quantity of oil—equivalent to over 56 per cent of last year's exports to Japan from the United States—and its loss would be a serious disappointment for the Japanese. It would also react unfavourably upon the Dutch colonies themselves, though Japan's share last year probably amounted to no more than 10 per cent of Netherlands Indies shipments to all destinations. If trade with Japan came to a standstill, the Netherlands Indies would also lose an important outlet for their tin and rubber. But it would surely not be impossible for Britain and America to arrange some form of compensation.

The only other supplier worth mentioning is Mexico, and the oil trade between that country and Japan cannot be regarded as a natural growth. The distance from the Mexican Gulf ports to Japan is roughly twice that from California and the passage also involves the payment of Panama Canal dues. Mexican oil, moreover, yields a rather poor quality petrol, and is not so suited to Japanese requirements as is Californian crude. The trade between the two countries dates from the expropriation of the foreign oil companies' properties in Mexico, as a result of which that country was cut off from the markets of Britain and the United States. An agreement of April, 1940, provided for the shipment of 2,000,000 barrels of crude oil and a total of about 400,000 barrels of petrol and kerosene to Japan in the following twelve months. According to the official trade returns, however, only 764,000 barrels of crude were consigned to Japan last year (against 175,000 barrels in 1939), the only other item being a trifling quantity of gas oil. Whether the agreement was subsequently renewed has not been disclosed, but it appears doubtful. A much greater readiness to follow the lead of the United States has been evident in Mexico since the advent of President Camacho. It is by no means improbable, therefore, that the Mexican Government would agree to impose a complete embargo on shipments of oil to Japan should Britain and America decide upon this course. Such a move would further strengthen the hand of the democratic Powers.

There is general agreement, except among those whose business interests are at stake, that a policy of appeasement in the Far East has long since ceased to be appropriate. On the basis of last year's figures, it is in the power of Britain, America and Mexico to deprive Japan of a flow of oil amounting in the aggregate to almost 30,000,000 barrels a year. Blockaded in this way, Japan would be compelled to rely exclusively upon her accumulated stocks and meagre home production. How much could Japan reckon on obtaining from these two sources? This question cannot be answered very precisely, because the results of Japan's self-sufficiency policy have been deliberately shrouded in mystery. But the country is poorly endowed with mineral oil, and, despite the expenditure of much capital on prospecting work, crude oil production is believed to have made little headway in recent years. The output now obtained from Japan and from the island of Sakhalin (where the Japanese have certain oil interests) may be estimated at around 4,500,000 barrels a year. Ambitious plans for the creation of an oil-from-coal industry on the German model were formulated long ago to supplement this small output of natural oil, but their execution has been held up by various difficulties, including shortage of coal. Though a few small plants are known to be in

operation, it is therefore not believed that the contribution made by coal-oil to Japan's oil supplies is at all considerable. The output of finished products from this source, together with the small quantity of home-produced alcohol available for use as motor fuel, probably does not exceed 2,500,000 barrels a year. This would give a total supply from domestic sources of about 7,000,000 barrels a year—equal to less than one-quarter of last year's imports.

It does not follow, however, that Japan will be faced with an imminent oil shortage if she is isolated from world sources. Imports in recent years have undoubtedly been well in excess of current needs, even allowing for the requirements of the forces in China; and Japan has been

able to accumulate large stocks in anticipation of just such a situation as that which has now arisen. An article in *The Economist* of September 6th gave some indication of the thoroughness with which strategic reserves have been amassed by Japan, and it is known that special attention has been paid to oil. A prominent member of the Roosevelt Administration recently suggested that Japan's oil reserves might suffice to wage a two-years' war, and this estimate may be accepted as not unreasonable. That so hardened an aggressor should have been allowed to build up a reserve of these dimensions is a painful reminder that the democracies have been far too ready to subordinate national policies to business considerations.

Unrestricted Rubber Production

THE International Rubber Regulation Committee's decision to increase the release rate for the last quarter of 1941 from the present level of 100 per cent to 120 per cent, together with the provision that any excess over the permitted exportable amount is not to be debited against next year's exports nor deficiencies to be carried forward, represents a temporary abandonment, in substance if not in form, of rubber restriction. It should manifest itself in a total depreciation of the value of export rights as well as in other ways. So long as United States stocks are below the level regarded as satisfactory by those in charge of the defence programme, and there are ships to carry the rubber, all-out production must be expected.

Since the inception of the present regulation scheme, the rate of release has never been fixed at 100 per cent for a full quarter, much less for a full year. (It stood at 100 per cent for the first two months of the scheme in June-July, 1934.) The basic quotas of the participating territories total 1,554,700 tons. The present year's exportable allowance, which comes to 105 per cent of the basic quota, for these territories equals 1,632,000 tons; the production of French Indo-China (which until recently adhered to the scheme but had no fixed basic quota) is estimated at 80,000 tons, while the exports of countries outside the scheme are likely to approximate to 45,000 tons. In estimating world supplies for the year, allowance has to be made, first for under-exports, which are likely to be in the neighbourhood of 160,000 tons by the end of the year; secondly, for the fact that rubber from French Indo-China and Thailand is not likely to be available to countries other than Japan on any scale. This would give a figure of about 1,500,000 tons available to other countries. Total world exports will, of course, set up a new record, and compare with 1,392,600 tons for 1940 and an annual average of 940,000 tons for the five full restriction years 1935-39.

The additional rubber obtainable from the increased quota can be roughly estimated. With 100 per cent release, all the producing territories have fallen behind their permitted exports during the first half of the year. By the end of June, these arrears exceeded 75,000 tons, approximately 10 per cent of permitted exports. In July, the Dutch native producers wiped off their small arrears, while most of the other producers increased theirs, although at diminished rates. It seems reasonable to assume that the additional supplies now obtainable will mainly be derived from the natives in the Dutch East Indies; 20 per cent of their quota for a quarter represents approximately 19,800 tons, though, because of the difficulty of securing the necessary labour at such short notice, the increase in their output will probably not be more than ten to twelve thousand tons. In the case of the other producers, where increased output is possible, it will be required largely to reduce arrears. Of course, even when a territory falls behind its permitted exports, many individual producers may be producing 100 per cent of their exportable allowance, and an increase in the release rate will enable these to increase their exports; under present circumstances this is not likely to account for much more than 10,000 tons in the aggregate. Thus, the net increase in output can be put at 20,000 to 22,000 tons; this can be set against a figure of 78,000 tons, which is 20 per cent of the quota for one quarter.

It may be mentioned that, with the Excess Profits Tax at 100 per cent, the restriction scheme at present acts as a stimulant to output. The great majority of the sterling companies are earning profits substantially in excess of their standard, and, if it were not for the fear of a cut in

their assessment, might be content with lower rates of output.

A full year on 100 per cent, or higher, releases has been eagerly awaited by the statisticians of the rubber industry. Even when full allowance is made for the present abnormal circumstances, recent under-exports provide evidence of the productive capacity of the various territories and classes of producers which it will be impossible to ignore in the renewal discussions of the regulation scheme. Shortage of labour and of materials, the working of the Excess Profits Tax in the case of the sterling companies, the difficulties of supervising the estates with the absence of many Europeans on military service, are abnormal factors, but they serve only as a partial explanation of under-exports. With the exception of India, and disregarding the carry forward from 1940, these were as follows for the first half of 1941:—

EXPORTS OF RUBBER UNDER THE SCHEME, JANUARY-JUNE, 1941

Territory	Permitted Exports (tons)	Actual Exports (tons)	Deficiency (tons)	Deficiency as percentage of Permitted Exports
Malaya	324,000	301,806	22,194	6.85
Dutch East Indies	322,750	293,045	29,705	9.20
Ceylon	54,500	41,451	13,049	23.94
Burma	6,875	6,151	724	10.53
British N. Borneo	10,500	9,357	1,143	10.88
Sarawak	22,000	19,255	2,745	12.48
Thailand	27,850	20,929	6,921	24.85
Total	768,475	691,994	76,481	9.95

The inclusion of the carry forward would reduce somewhat the deficiencies of Malaya and Ceylon, and increase those of Burma, Thailand and Sarawak, but only to a slight extent. Allowance has to be made for seasonal variations in production, according to which Malaya, the Dutch East Indies and Ceylon may improve their position slightly, relatively to Thailand, Sarawak and especially Burma, before the end of the year. On such evidence as is available, it would appear that exports for the rest of the year will be approximately at the rate of 100 per cent, with the exception of the Dutch native producers, who may be able to produce at a higher rate, if licences are issued to them at a fairly early date; they are likely to resort to severer tapping systems than would be considered prudent by a European estate, but the effect of this would, of course, not be felt for some time. On these assumptions, another 70,000 to 80,000 tons would be added to under-exports this year.

If the Dutch natives are successful in producing in excess of 100 per cent for any length of time, Malaya, the basic quota of which under the present regulation scheme is slightly higher than that of the Dutch East Indies (648,000 tons against 645,500 tons for 1941), may have to yield the first place to the latter when the renewal of the scheme is under discussion. The rubber industry in the Dutch East Indies is favoured at present by a certain lack of prosperity, which renders the labour situation easier than in Malaya, where tin production (the rubber industry's chief competitor in the demand for labour) is also at a high rate. This consideration would not, however, explain a substantial difference in exports.

Unless there is a serious reduction in shipping from the east to the United States, a definite improvement in America's stock position, particularly in that of the Rubber Reserve Company, can be expected with some degree of certainty. For the first half of the year the rate of accumula-

tion of these stocks has been much slower than was expected. By June 30th, the Reserve Company's stocks amounted to 116,000 tons, against the 430,000 tons covered by the three Hay agreements. Originally it was hoped that some 150,000 tons would reach the Reserve Company before the end of 1940. The reduction of exports from French Indo-China and Thailand and the remarkable increase in American absorption—it amounted to 424,500 tons for the first six months of this year and 84,000 tons for June alone, compared with an annual average for the ten years 1930-39 of 458,000 tons—were partly responsible for the disappointing rate of accumulation of these stocks. Other factors, however, also played their part.

Until quite recently, the American Reserve Company's representatives were reluctant to purchase forward rubber, and numerous instances were reliably reported of offers for forward delivery, within the agreed price range, having been refused by the company's agents. The importance of forward dealings in the eastern markets, particularly Singapore, will be appreciated when it is remembered that over 40 per cent of the world's rubber is produced by natives and at least a further 10 per cent by non-European estates. By far the largest proportion of this rubber passes through dealers who are reluctant to handle it, especially at present, unless they have adequate cover in the form of forward sales for the various grades they are required to carry. The refusal of the Reserve Company to purchase forward rubber naturally militated against their obtaining adequate supplies from this source. The shortage of shipping aggravated the position. The scarcity and irregularity of tonnage from the east to America made dealers particularly reluctant to hold stocks which were not covered by forward purchases. Normally, a scarcity of tonnage would lead to a fall in the f.o.b. price of the commodity for which no shipping space was available. Near rubber, however, was constantly in demand, and the Hay agreements put an effective "floor" to the market; there appeared, however, from time to time a substantial discount on forward rubber. In any case, the considerable reduction in the total tonnage available from the east to America, coupled with the longer haul resulting from the diversion of the vessels from the shorter Suez or Cape routes to the Pacific and the Panama Canal, would have impeded the free flow of rubber to the United States.

and the absence of forward purchases by the Reserve Company naturally rendered the situation more difficult.

With the persistent demand for near rubber (which became particularly intense whenever freight was believed to be available), the existence of several competitive demands, and a definite floor to the market, conditions in the East were propitious for occasional speculative moves and the withholding of supplies. These did not materialise on a large scale, but individual instances are known to have occurred, and the danger had always to be borne in mind—the short period elasticity of demand for rubber being notoriously low.

The recently established Central Buying Agency will be able to ensure that competing American demands will not interfere with the building up of the reserve stock, and in this it will be assisted by a projected compulsory cut in United States' consumption to 600,000 tons a year, though no indication has yet been given of the machinery which is to enforce this. It should also be in a position to co-ordinate efficiently the provision of shipping with its forward purchases, which can now be expected to be on a larger scale, and this should be one of the major advantages to be derived from the new machinery. Again, the Central Buying Agency may perhaps take the long overdue step of diverting American rubber imports from Atlantic to West Coast ports. Admittedly, rail freight charges from the Pacific coast to the big consuming centres would be heavy, but this should be a secondary consideration from the community's point of view, when it is set against the very substantial reduction in the length of the voyage from the east.

An early improvement in the American stock position should benefit both the British Treasury, by the substantial dollar proceeds accruing from rubber shipments to America, and the industry, by reducing the intensity of the search for synthetic substitutes for rubber. The biggest advantage, however, will result from the assistance these supplies will afford to the American defence programme and from the goodwill likely to be gained from ready and willing co-operation in a matter regarded as urgent by the American authorities; and, from this angle, the increase in the release beyond the industry's productive capacity may well be regarded, without deprecating its importance, primarily as a gesture to the United States.

Finance and Banking

Big Treasury Deposit Payments

The maintenance of Government expenditure at an exceptionally high level, together with the reduction in the flow of subscriptions to Government loans following the suspension of the National War Bond issue, is inevitably causing a considerable increase in the dependence of the Treasury on six months' deposits from the banks. The total paid over from this source this week amounted to £55 millions, the largest weekly amount thus collected since this new method of short-term borrowing was instituted. The nominal amount of Treasury deposits maturing during this week was £40 millions, but it is probable that actual maturities were considerably smaller than this, a considerable part of the deposits in question having been recalled prior to maturity for reinvestment of the proceeds in National War Bonds. Despite these heavy Treasury deposit payments, the banks have been keen buyers of bills during the week. The market obtained a 29 per cent allotment on its quota applications at last week's tender for Treasury bills, and has been a fair seller to the banks. Although the volume of banks' cash has been slightly reduced during the past week, it remains at a very comfortable level. The Bank return shows a reduction of £6,147,000 in bankers' deposits, but this still leaves that item at the relatively high figure of £127,628,000. The fall is largely explained by heavier payments to Government accounts. Public deposits are only £1,525,000 up on the week and are still somewhat depleted at £10,799,000; but as the return shows Government securities to have fallen by £5,130,000, it is evident that the Treasury has been using some of its available resources to repay ways and means advances at the Bank. The circulation is still moving upward, the past week providing an expansion of £336,000 to the new high level of £669,739,000.

Anglo-Soviet Clearing

The clearing machinery set up for financing Anglo-Soviet trade under the agreement of August 16th is now in full operation. The whole flow of payments between sterling area countries and the Soviet Union is now centralised in the account of the Gosbank at the Bank of England. From being moribund for over two years, this account must in the course of a few weeks have become one of the most active in the books of the Bank. The Anglo-Soviet clearing is being effected wholly on a sterling basis. The goods which are being exchanged are valued at world prices, and, if the quotation thus chosen happens to be expressed in terms of dollars, it is, for the purpose of the clearing, converted into sterling at the official rate. Thus the rouble rate of exchange does not enter into the financial machinery at all, and a somewhat delicate problem has been tactfully circumvented. As the account is to centralise all Anglo-Soviet payments, it may be assumed that it will duly take care of the Soviet Export Credit maturities which will begin to run off towards the end of this year. The clearing account will, in accordance with the terms of the agreement, be made up at regular quarterly intervals, the first such balance being struck at the end of next month. For some time to come, it may be assumed that this balance will be against the U.S.S.R. That country will remit to the Bank of England gold or U.S. dollars to an amount equal to 40 per cent of the balance thus owed at the end of each quarter; and these remittances will be credited to the clearing account in sterling at the official rate for dollars, or price for gold. The remaining 60 per cent of the balance will be transferred to the loan account opened by virtue of the £10,000,000 credit agreement. This figure of £10,000,000 is obviously of nominal importance only. Sir Kingsley Wood

announced last week that there would be no monetary limit to the extent of the aid to Soviet Russia. If, therefore, the accumulation of clearing balances causes the loan account to exceed this figure of £10,000,000, the appropriate adjustment will automatically be made. To the extent that the Export Credits of 1936 are repaid under the terms of the new agreement, they will, in fact, be repaid in gold or dollars as to 40 per cent, and as to 60 per cent, they will be converted in the new five-year inter-Governmental credit.

Syria in the Sterling Area

It was announced this week that Syria and the Lebanon have been brought into the sterling area. Before the fall of France, these territories formed part of the franc-sterling group which crystallised at the outbreak of the war. After the fall of France and the arrival of the Italian Armistice Commission, economic relations with sterling countries were abruptly terminated, and the exact definition of the exchange regime and of relations with sterling lost all practical importance. With the events leading to the Allied entry, Syria was ranked as enemy territory. As soon as Allied occupation was complete, the restrictions were lifted and the Syrian pound given a fixed exchange value of 8.83½ to the £. The currency unit, the Syrian pound, is divided into 100 piastres, and has an exchange value of 20 French francs. It will thus be seen that the fixed exchange rate corresponds to a franc-sterling rate of 176½, which is the rate applying to all Free French Empire territories. The latest decision brings the Syrian pound within the sterling fold, and thus brings the territories whose new political status has been defined this week into an area sharing a homogeneous system of exchange control and within which trade flows with considerable freedom from such controls. Sterling may now be credited to accounts in the United Kingdom of residents of Syria and the Lebanon without completion of the customary form E1. Similarly, purchases of Syrian pounds against sterling may now be effected without completion of form E. The

Ottoman Bank has been added to the list of banks authorised to deal in Syrian and Lebanese pounds. The new exchange status of these territories should rapidly lead to a break down of the financial and commercial isolation in which they have found themselves for the past twelve months.

Exchange Control in China

The new Chinese Foreign Exchange Control Committee held its first meeting in Chungking this week. The American, British and Chinese members met under the chairmanship of Mr. H. H. Kung, the Chinese Minister of Finance. Official rates of exchange have been fixed; and machinery has been set up for examining applications for purchases of exchange and for settling the innumerable problems arising from the British and American freezing orders on Chinese assets. The first week's experience of the new exchange control in the Shanghai market indicates a fairly rapid and smooth adjustment to the new conditions. The banks are abiding strictly by their undertaking to deal only at official rates, and the free market—which may now be referred to as the black market—has been starved out of existence. The gloomy predictions on the future of Shanghai trade that first greeted the freezing order and the announcement of exchange control are not being realised. Speculative activity has inevitably disappeared; but there is, as yet, nothing to suggest that the operation of the new exchange control will hamper genuine commercial activity in the Settlement. On the other hand, there is some evidence that Hong Kong may suffer seriously in its essentially entrepôt trade, unless the new exchange régime is worked with rather greater elasticity than has hitherto been in evidence. The colony is an extremely small and isolated outpost of the sterling area, and the greater part of its trade is with non-sterling area territories. Time and experience should suggest adjustments in the existing control machinery which will allow the Hong Kong control to dovetail its system into that of the Chinese Currency Stabilisation Board.

Investment

Rise and Reaction

In the past few days, the investor has had a rather unexpected opportunity of exercising the caution advocated recently in *The Economist*. Towards the end of last week there developed a general rush to buy very low-priced investments of all sorts, which appeared to be based on a belief that favourable developments of substantial importance were in sight. While it lasted, it was comparable in intensity only to the throwing overboard, in the spring of last year, of all sorts of stocks, most of which have now recovered a very large part of their losses. The quality of the buying in this new field was markedly different from that which had resulted in a sustained rise over a period of months, and it was not surprising that the first whiff of ill news caused a sudden reverse. What was less generally expected was that the falls should have been very widespread, and it seems probable that the frankly speculative section of the buying had covered a wide field, not excluding even the Funds. The volume of speculative business cannot have been large, owing to the short period between purchase and settlement, and the fact that borrowing for such purposes is frowned upon by the banks. Some measure of the importance of the up and down swing can be obtained from the fact that the index of *The Financial News* for industrial equities rose by some 1½ per cent and lost half the improvement over the week. Even in cases where rises were least capable of logical justification prices are still up on the week. It is to be hoped that the speculator has had a lesson, but there are already signs that the upward movement may shortly be resumed. If it is, the pace should be more moderate. There are many uncertainties ahead, in both military and industrial fields. Although surprises in the latter are likely to be minor ones, current prices, in many cases, already contain a considerable allowance for an accession of military aid which will be long in reaching its maximum.

Export Policy and the Market

However accurate the official statement that the effect of Lease-Lend upon exports was only slightly to accelerate an inevitable process, it is probable that the publicity given to this trend will have considerable influence in determining choice of investments. Broadly speaking, the criteria determining whether an export shall take place will be whether or no it serves to increase the war effort, either immediately or in the near future, and not at all whether it will contribute to prosperity after the war. This means, again in very general terms, that exports will only be tolerated when there is a surplus of raw material, labour and plant, some or all of which cannot usefully be converted to the war effort. The raw material will normally have to be indigenous, although there may be instances where small imports giving a large return may be brought in. This further process of converting British industry to a full wartime basis is to go hand in hand with efforts to integrate it with American industry so as to achieve the maximum effort. This may mean new exports from this country, but they will be exports of war material, which may or may not lead to the establishment of valuable post-war connections. The need for protecting the industry of each country from untoward after-effects is discussed on page 344. There can be little doubt that British industry will be in a less favourable position, after the war, than if the export drive could have been maintained, but it is doubtful whether the added disadvantage will be very great. It will, however, immediately result in reduced earnings in some sections of industry not working for the war effort. These are largely the industries which were to be telescoped under the "Lyttelton" plan, whose full execution is still awaited. The most important group affected is that of the textile trades—wool should almost certainly be excluded. These have just had a considerable part of their output made subject to control by a Board of Trade Order fixing both maximum

Company Notes

Staveley Earnings

The full accounts of Staveley Iron and Coal for the year to June 30, 1941, show that the setback to total profits and to the distributable surplus has been moderate. Total income, including dividends, stands at £997,304 against £1,030,280, while equity earnings are down from £316,191 to £261,516, representing a tax free rate of 7.7 against 9.3 per cent, that is 15.40 against 16.17, less tax. This setback is due largely to the company's liability of £45,587 for war damage insurance, while total tax provision is somewhat reduced from £455,990 to £451,494. With a cut in the tax free rate from 8 per cent to 6½ per cent and a reduction in the allocation to general reserve from £100,000 to £50,000, the carry forward is only moderately lower at £133,879 against £142,411. The following table indicates three years' trend of profits:

	Years to June 30,		
	1939	1940	1941
Profit including divs.....	806,089	1,030,280	997,304
Taxation, current.....	100,405	364,663	418,581
Taxation, retrospective.....	...	91,327	32,913
War damage contribution ...	...	...	45,587
Depreciation*	254,048	245,056	226,287
Directors' fees and tax	10,345	13,043	12,419
Ordinary stock:—			
Earned	441,291	316,191	261,516
Paid	338,536	270,828	220,048
Earned %†	13.0	9.3	7.7
Paid %†	10	8	6½
Reserve	100,000	100,000	50,000
Carry forward	197,049	142,411	133,879

* Including £20,000 to depreciation of workmen's houses in 1939 and £10,000 in 1940.

† Tax free.

The modest setback is probably due to the unwise policy of allowing withdrawals of labour from coal mines and to rising costs. With this exception, performance seems to have been satisfactory. The balance sheet shows a rise in creditors from £577,023 to £866,745, which accounts for higher cash holdings of £404,465 against £179,938, while the total of money at call and in Government securities is nearly £100,000 higher at £287,686. Debtors are up more moderately from £950,100 to £1,005,255 and stocks are reduced from £754,543 to £731,538. While there can be little prospect of maintaining tax free payments at the current level in the face of further rises in the standard rate of income tax, the accounts suggest that Staveley is in a sound financial position both from the capital and from the profit-earning standpoint. The £1 ordinary stock, at 45s. 6d., ex dividend, yields £2 17s. 1d. per cent, tax free.

Sheepbridge Results

The Sheepbridge accounts to June 30, 1941, show a marked stability, profits after tax amounting to £225,049, against £271,016, from which £15,000, against £45,000, is deducted for retrospective taxation. Remaining expenses show little change, depreciation being some £1,300 lower at £33,919, but the company has been obliged to provide £20,000 for war damage contribution. The tax-free dividend, which amounts to 9 per cent on ordinary capital, raised by an issue for cash from £1,171,157 to £1,304,996, compares with 10 per cent, tax free, in the previous year on the old capital and 8½ per cent, tax free, on the new. The latest dividend is somewhat narrowly covered by earnings of 9.75 per cent, tax free, and since the allocation to reserve of £20,000 in 1939-40 is replaced by an appropriation of

MAXIMUM WAR PRODUCTION

Beginning next Monday, September 22nd, *THE FINANCIAL NEWS* will publish a series of special articles on the organisation of all Britain's resources, human and material, for a maximum war effort. Questions of labour, propaganda, incentive, localisation, etc., will be discussed. Special articles will deal with man-power, optimum wage levels, welfare and the finance of production. The views of industrialists, labour leaders and others will be fully set out.

Copies of *THE FINANCIAL NEWS*, price 2d., can be obtained on order from all newsagents.

prices and profit margins to the manufacturer, wholesaler and retailer. They have already suffered substantial restriction in the home market by clothes rationing and limitation of supplies. It seems probable that the policies of rationing and of price and margin fixing will be carried farther in an effort to limit expenditure, halt inflation and further by financial means the maximisation of the war effort. It seems reasonable, therefore, to look for a further minor reduction in money turnover and profit in a substantial section of the "Lyttelton" industries, and in the distributors serving them, together with a rather more marked falling off in that sub-section which designed a considerable, and growing, proportion of their product for overseas. The prospect is an unpleasing one, and it will call for more imagination than was used between 1919 and 1939 if export trade is to be regained and increased. Possibly an added realisation of this was a factor in the week's market reaction.

Commonwealth Internal Loan

The news that the Commonwealth is to make an issue of £100 millions in that country shows that the scale of the Australian war effort is assuming new dimensions. It is true that, of the total, £A70 millions is for conversion of maturing loans, but even the balance is a large sum, and the total operation is the largest yet undertaken. The new borrowing is at 2½ per cent for short bonds and 3½ per cent for a loan with an average life of some twelve years. The Commonwealth has no maturities of comparable amount in the next few years at home, but loans to a total of some £A530 millions fall in over the next two decades. There also exist in this country some £25 millions of 4 per cent stock of the Commonwealth and States which are already convertible. Prices scarcely warrant action as yet; and Treasury sanction, and possibly support, would be required, as in the case of the operation of the early summer. But this is a possibility which should be borne in mind.

Facilitating Dealings

Each of three developments of the past few days contributes in some measure to the improvement of market facilities. In the first place, the authorities, in the person of Post Office representatives, have concluded an arrangement with members of the London and Associated stock exchanges with regard to telecommunications which, if it imposes a severe cut, is still better than was hoped for by those best qualified to judge. Granted a solution of the problems of collaboration, the exchanges are left with a network which should suffice at least for a reasonably good market in the Funds, and some other business. The will to co-operate undoubtedly exists. Sacrifices of business have already been made; sacrifices of privacy as to business connections will be called for; but it is generally felt that a satisfactory scheme can be evolved. The arrangement is, of course, subject to termination without notice, as all such matters must be in time of war. The public in the provinces has at least the satisfaction of knowing that their interests, which coincide in large measure with those of the Treasury, have not been forgotten. The second development is of a more positive kind. Ignoring technicalities, it amounts to the halving of the rates of commission which must be charged on business in 2½ per cent National War Bonds, 1945-47 and 1946-48, when the amount involved in any single bargain is not less than £50,000. This is a special contribution, not entirely altruistic, on the part of brokers to the freeing of the market in these two securities, on which rests the ability of the Chancellor to make a further offer on terms definitely more favourable to the taxpayer. The reduction is subject to ratification next Monday. The third event concerns co-operation in the Imperial field. During the course of the war, permission has already been given to members of the London exchange to charge reduced commissions to members of certain Canadian institutions. This permission has now been made general by extending it to members of all Dominion, Indian and Colonial exchanges—23 in number—or associations of brokers recognised by the London committee, but in the form of permitting an equivalent return of commission. If neither of these steps confers any direct benefit on the ordinary investor in this country, it is not the less true that he is in some measure affected. Both tend to make it easier to deal in some or all securities, and any improvement in the market not only reduces the cost of dealing for those directly affected by the change, but tends to enhance the value of all securities brought within the ambit of the new regulation.

£20,000 to reserve for renewals this year, the carry forward is down from £125,459 to £115,181.

	Year to June 30		
	1939	1940	1941
Profits after tax	286,199	271,016	225,049
Depreciation	33,045	35,224	33,919
Fees	4,069	4,461	4,890
Additional taxation	—	45,000	15,000
War Damage*	15,000	—	20,000
Debt service	9,680	9,164	9,004
Preference dividend	20,921	16,736	15,063
Ordinary shares:—			
Earned	203,484	160,431	127,173
Paid	146,395	128,270	117,450
Earned %†	17.4	12.5	9.75
Paid %†	12½	10	9
Reserve	50,000	20,000	20,000
Carry forward	113,299	125,459	115,181

* In 1939, £15,000 to A.R.P. reserve.

† Tax free.

‡ On capital increased from £1,171,157 to £1,304,996.

But for the fact that the war damage contributions had to be found this year, the gross rate of earnings on the increased capital would have been increased on the year. As it is, the comparable figures are 19.5, against 21.74 per cent. As it was highly improbable that the rate of earnings on the new capital would be as high as that on the old, this performance must be considered highly satisfactory. The balance-sheet shows little change. The rise in stock and work in progress from £355,031 to £476,670, and in creditors, including taxation and amounts outstanding on railway wagons, from £624,655 to £782,102, no doubt indicate that industrial capacity was fully used last year. Cash holdings are some £9,000 higher at £259,440, and debtors nearly £45,000 higher at £549,787. Provided that the company can secure an adequate labour supply, earnings should be approximately maintained in the current year. The £1 ordinary shares, at 44s. 6d. ex dividend, yield £4 os. 11d. per cent, tax free.

Lever Brothers' Dividend

Rather over four months ago, the directors of Lever Brothers and Unilever, Ltd., announced profits, subject to audit, of £6,600,000 after tax, but stated that, although this would suffice to repeat the 10 per cent dividend paid in respect of 1939, they must withhold any distribution until the results of the Dutch company could be determined. In the absence of any definite news, the board have now decided to make a distribution and a payment has been announced, but at the rate of 5 instead of 10 per cent. This decision has been made despite the fact that audited profits are as high as £6,987,130, against £6,742,053 for 1939. These profits are before tax on dividends and appear to amount to some 35 per cent on the ordinary capital compared with 22.3 per cent for the year before. The balance remaining, after meeting preference and preferred ordinary dividends of the British company, amounts to some £2,650,000, which would apparently suffice to cover a distribution of 8.8 per cent on the ordinary capital of both British and Dutch companies. In the absence of any information as to dividends of the Dutch concern, it must, however, be assumed that no payment has been made, and, in consequence, the directors here have found it necessary to keep in hand sufficient to meet both the preference dividends and a payment on the ordinary capital of the N.V. company equivalent to the 5 per cent now declared on that of *Limited*. Basing calculations on figures of capital which are, perhaps, not quite up to date, this appears to mean that there remains only a modest balance for free reserves. Further details of the position must wait on the publication of the full accounts at the beginning of next month. Meanwhile, the price of the £1 units of ordinary stock fell 9d. on the news to 26s. 3d., at which the yield is £4 3s. 10d. per cent.

Blackburn Aircraft Progress

The Blackburn Aircraft report for the year to March 31st last shows that rising taxation has not prevented the greater part of last year's rise in profits, after depreciation, from £191,844 to £214,469 from being placed at the disposal of shareholders. Tax liability rose from £85,000 to £110,000, despite which equity earnings were approximately

stable at £69,484 against £69,843, representing a rise in the earned rate from 14.1 to 16.1 per cent. As in previous years, capital redemption received £23,000 and general reserve £25,000, bringing the total of this fund to £125,000. After maintaining the ordinary dividend at 10 per cent, less tax at 8s. 6d. on the 4 per cent interim and at 10s. on the 6 per cent final payment, the carry forward is up from £10,178 to £11,371. The balance sheet reflects the continued expansion which this company has enjoyed since its incorporation in 1936. A jump in creditors from £328,199 to £1,044,577 is accompanied by a rise in stocks and work in progress, less receipts on account, from £990,987 to £1,474,124 and in debtors from £759,456 to £1,289,580. The total of stocks and work in progress amounts to nearly £6,000,000, against which receipts stand at £4,492,016. Cash holdings have risen from the unduly low level of £9,971 in 1939/40 to £21,079. The latest results must be distinctly encouraging to shareholders, who feared that the burden of EPT would cut sharply into their return from the company's expanding business. The 10s. ordinary shares, at 8s. 6d. ex dividend, yield £11 15s. 3d. per cent.

Initial Services' Setback

The Initial Services' report for the year to June 30th last shows a further interruption to the steady improvement in profits which continued during the decade prior to 1938-39. Last year's total income at £262,526 against £319,503 is, in fact, the lowest since £246,227 was earned in 1935-36. Since tax provision and tax on dividends amount to £149,376 against £127,826, and the company is also obliged to contribute £7,500 to war damage insurance, it is inevitable that equity earnings are steeply reduced from £151,208 to £76,447. As in the previous year, almost the entire surplus is distributed to ordinary shareholders, who receive 16½ against 25 per cent. The margin of cover, at 16.8 per cent, is so narrow that no allocation is made to before that. The carry forward is in consequence slightly increased from £9,498 to £10,044. The most important movements shown in the balance sheet are the moderate nature of the rise in sundry creditors from £21,040 to only £23,265, compared with a rise of more than £12,000 in debtors to £75,298. Stock is up from £131,988 to £178,567, while the total of cash and holding of British Government securities has declined from £448,820 to £322,071. There is every reason to expect that the company, which supplies various types of service direct to the ultimate consumer, must be seriously affected by the further reduction in London's commercial population as well as by rising costs. Its ability to make use of the post-war revival should be in no way prejudiced by the present inevitable setback to earning capacity. The 5s. ordinary shares at 13s. 9d. offer a yield of £6 3s. 5d. per cent.

Another Cunard Repayment

Following on the announcement, some two months ago, by Cunard Steam Ship of redemption of £3,683,615 of 5 per cent debenture stock in February next, there comes the news that the operating company, Cunard White Star, is to repay its debt to the Government of £7,950,000. This sum represents advances made by the Treasury to finance the completion of the *Queen Mary* and the building of the *Queen Elizabeth*. The arrangement as to interest payments was dependent upon the earning of profits, and only very moderate payments appear to have been made. It does not seem that the position of stockholders in the holding company will be immediately affected by the operation. The company has reserves for depreciation set aside, and these, together with other resources and compensation for ships sunk, suffice to make the payment. It is not clear from the accounts at the end of 1939 what these resources were, but at that time the written down value of the fleet exceeded £15½ millions. The object of the board in making the repayment is to place liquid resources at the disposal of the Treasury, and this is clearly a better alternative than a purchase of gilt-edged stocks. It is, of course, impossible to build ships suitable for the trans-Atlantic passenger service during the war, or to use them efficiently if they were built. The repayment will at least have the advantage of simplifying the position which will exist when the time comes for replacement of losses. The news was taken as favourable by the market, and the price of Cunard Steam Ship ordinary shares of £1 was advanced 6d. to 7s. 6d.

THE STOCK EXCHANGES

London

Note: All dealings are for cash.

DERIVING further encouragement from President Roosevelt's speech, the markets closed strongly before the weekend. News from the eastern front, however, together with considerable profit-taking led to quieter conditions at the opening of the week. Absence of buyers rather than any pressure to sell resulted in a decline in prices in most sections, especially on Tuesday. Kafir and Argentine railway issues were the chief losers, but well spread losses were registered in other sections, to which the rubber market remained an exception.

The improved turnover and strength of the gilt-edged market before the weekend was not maintained when the market reopened for the current week. Losses of ½ were suffered by 2½ per cent Consols, 3½ per cent Conversion and War Loan, and 2½ per cent National War Bonds 1945-47 on Monday, when Local Loans fell ½. The next day, losses were more general, 3½ Conversion and 2½ per cent Consols both losing ½, while Local Loans and 3½ per cent War Loan fell by ½. India stocks were also offered. In midweek, losses of ½ to ¾ were again common. In the foreign bond market, Brazilian issues found support before the weekend, and slight losses on Monday were partly recovered the following day. Chilean bonds remained firm after a small advance on the previous Friday, but Peruvian issues suffered from some profit-taking on Monday, when the 6 per cent Corporation debenture issue fell 1½ points. A general rise in Japanese issues took place on Monday, the 4 per cent issue of 1899 and 5½ per cent of 1930 both gaining two points. Later, prices reacted, the 4 per cent bonds, 1899, and 1910, each losing ½ on Wednesday.

The easier trend in the home rail market before the weekend continued into the early part of the current week. Junior stocks suffered a general decline on Monday and the following day GWR ordinary lost ½, LMS ordinary ½, while Southern preferred and deferred declined 1 and ½ point respectively. By Wednesday, a partial recovery raised LMS and GWR ordinary by ½ and ½, respectively. London Transport "C" stock jumped 2½ points on the previous Friday, and rose a further point on the decision of the rating enquiry on Tuesday. Senior issues were steady with price changes not exceeding ½ point. The main feature in the foreign rail market was the continued rise in Argentine issues before the weekend. Some profit-taking marked the opening on Monday when declines up to a point were general, BAGS ordinary losing 1½ points. Later this market became distinctly difficult. Elsewhere, Canadian Pacific issues advanced strongly before the weekend, but the ordinary issue reacted in the early part of the week.

Activity in the industrial market in the latter part of last week was not maintained, an easier tendency on Monday being followed by further general declines. Thus, after numerous gains before the weekend, brewery issues reacted sharply on Tuesday, Guinness losing 1s. and Benskins, 6d. Similarly, heavy industrial issues suffered numerous small losses on Tuesday following earlier gains, Babcock & Wilcox, John Brown, Stewarts & Lloyds deferred, Vickers and Sheep-bridge all falling back slightly. Motor and aircraft issues turned irregular in the earlier part of the week, but shipping issues were firm, Cunard recovering 6d. on Thursday on news of the debt repay-

ment. Textiles turned irregular, after earlier firmness, Courtaulds losing 6d on Tuesday. Among tobacco issues, Imps dropped ½, and BAT ½ on Monday, but the latter issue recovered ½ the next day when prices remained firm. The general trend was reflected in miscellaneous issues and Dunlop, International Nickel, Turner & Newall, ICI and Lever and Unilever, among others, were all lower in the early part of the week. Midweek movements were irregular in all sections, but with a firmer undertone.

After a marked boom in the kaffir market before the weekend, lack of support and some profit-taking led to a sharp decline in prices during the earlier part of the week. Blyvoors reversed the previous Friday's gain of 3s 3d in the first two days of the current week, while W. Wit Areas fell ½ and Western Holdings 2s over the same period. Losses of ½ were general, but Sub Nigel improved ½ on Tuesday and later improvement was resumed. Rubber and tin issues were markedly strong both before and after the weekend with the lessening of Far Eastern tension. Activity in the oil market continued at a low level, but despite some irregularity in prices on Monday, when Shell gained ½ and Lobitos ½, price changes were small.

"FINANCIAL NEWS" INDICES

	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	
			30 Ord. shares*	20 Fixed Int.†
Sept. 11..	3,824	11,173	79.2	130.8
" 12..	3,821	11,070	79.7	130.9
" 15..	4,693	12,242	79.6	130.9
" 16..	3,729	11,130	79.4	130.9
" 17..	3,027	11,081	79.3	130.8

* July 1, 1935 100. † 1928 100. 30 Ordinary shares, 1941 highest, 79.7 (Sept. 12); lowest 66.8 (Apr. 24). 20 Fixed Int., 1941 highest 130.9 (Sept. 12); lowest 126.1 (Jan. 2). ‡ Excluding "Stop Press" bargains.

New York

WHILE before the week-end President Roosevelt's speech was regarded as clarifying the atmosphere, caution regarding both internal and international developments remain the dominant sentiment on Wall Street. Trading before the week-end and in the current week was slow, and price changes in all sections were narrow and trendless. Steel and chemical issues were mildly supported on Monday, but the next day chemical issues reacted, Du Pont losing 1 point. In midweek, a moderate improvement took place following the passage of the tax bill removing long-dated uncertainty regarding taxation liability. Shipping and aircraft issues attracted moderate support.

The Iron Age estimates steel mill activity at 96 per cent of capacity against 97.5 per cent in the previous week.

New York Prices

STANDARD STATISTICS INDICES (1926 = 100)

WEEKLY AVERAGES		1941			
		Low Apr. 30	High Jan. 15	Aug. 27, 1941	Sept. 10, 1941
347 Industrials	83.6	96.0	93.4	93.9	93.0
32 Rails	425.4	428.5	28.1	28.0	27.0
40 Utilities	267.0	78.7	69.8	70.0	69.5
419 Stocks	71.9	882.1	78.9	79.3	78.4
Av. yield*	6.80%	6.11%	6.39%	6.38%	6.46%

(a) Jan. 30. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 28.

Total share dealings: Sept. 11, 690,000; Sept. 12, 520,000; Sept. 13, 230,000; Sept. 15, 460,000; Sept. 16, 610,000; Sept. 17, 890,000.

* Two-hour session.

DAILY AVERAGE 50 COMMON STOCKS

Sept. 4	Sept. 5	Sept. 6	Sept. 8	Sept. 9	Sept. 10
101.5	101.2	101.3	101.4	101.2	101.4

1941 High: 105.80, January 10. Low: 90.70 April 30.

	Close Sept. Sept.		Close Sept. Sept.
1. Railroads.	9, 16, 1941	9, 16, 1941	9, 16, 1941
Balt. & Ohio	41	Chrysler	56½
Gt. Nthn. Pf.	25½	Curt. Wr. "A"	27½
Illinois Cent.	9	Eastman Kdk.	141½
N.Y. Cent.	12½	Gen. Elec.	32
Northern Pac.	7	Gen. Motors	39
Pennsylvania	22½	Inland Steel	79½
Southern	16½	Int. Harv.	53½
2. Utilities, etc.	155½	Int. Nickel	29
Amer. Tel.	155½	Liggett Myers	87½
Amer. Wkks.	41	Nat. Dairy	15
Pac. Light	36½	Nat. Distillers	24
Pub. Sv. N.J.	21½	Nat. Steel	54½
Sth. Cal. Ed.	23½	Proct. Gamble	61½
United Gas	7½	Sears Roebuck	73½
3. Commercial and Industrial.		Shell Union	14
Amer. Metal	20½	Socny Vac.	9½
Am. Roll. Ml.	14½	Std. Oil N. J.	42½
Am. Smelting	42½	20th Cen. Fox	88½
Anaconda	28½	U.S. Steel	56½
Briggs	19½	West' hose. El.	88½
Celanese of A.	25½	Woolworth	29½
		Yngstn. Sheet	37½

Capital Issues

Week ending September 20, 1941	Nominal Capital	Conversions	New Money
To the Public	1,404,400	1,472,700	£
By Permission to Deal	102,500	—	103,500

Particulars of Government issues appear on page 368.

Year†	Including Conversions	Excluding Conversions
1941 (New Basis)	1,143,184,024	1,089,576,742
1940 (New Basis)	1,122,861,644	769,906,511
1941 (Old Basis)	1,138,862,485	1,087,985,641
1940 (Old Basis)	1,107,416,140	754,661,007

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
41 (New Basis)	1,086,225,896	3,280,846	70,000
40 (New Basis)	768,921,839	984,672	Nil
41 (Old Basis)	1,085,085,641	2,900,000	Nil
40 (Old Basis)	754,518,551	142,456	Nil

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
41 (New Basis)	1,085,244,297	477,460	3,854,985
40 (New Basis)	754,311,196	1,458,755	14,166,580
41 (Old Basis)	1,084,935,641	150,000	2,900,000
40 (Old Basis)	753,374,375	77,500	1,209,132

* Includes Government Issues to Sept. 9th only.
† "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

Pearson and Dorman Long, Limited.—Pearson and Dorman Long 5 per cent Debenture Stock 1936 (guaranteed by the Treasury under the Trade Facilities Acts) will be redeemed on March 15, 1942; an offer of conversion on a par basis into a new 3 per cent Guaranteed Debenture Stock 1947-56 is being made.

PRIVATE PLACING

Bournemouth Gas and Water Company.—Issue of £100,000 3½ per cent debenture stock acquired by Messrs Grieson Grant and Co. at 99 per cent net. Redeemable at par August 31, 1954. The additional finance is required for general purposes.

BY PERMISSION TO DEAL

Kendall and Gent.—Issue of 140,000 5s. ordinary shares 5s. available in the market at 8s. free of stamp and fee. Additional finance required for extensions.

Industry and Trade

Bricks

The brick-making industry appears to have suffered an appreciable contraction in capacity since the outbreak of war. Before the war, there were some 907 brick manufacturers working 1,184 yards in this country. The corresponding figures for July, 1941, are 634 and 825. It has been estimated, moreover, that on the basis of production in the first five months of this year, the total output in 1941 would reach only 4,500 million units against some 8,250 millions (inclusive of facing bricks) in 1937. Now the brick-making industry faces the possibility of losing about 30 per cent of its male operatives. And, since the current rate of output seems barely adequate for meeting essential needs, the Minister of Works and Buildings has appointed a committee under the chairmanship of Mr Oliver Simmonds, M.B., which is to advise him on the steps to be taken to maintain output at the highest possible level with the resources at the industry's disposal. It is to be hoped that the committee will face the problem boldly and that the Ministry will not hesitate in applying the necessary measures.

Steel from Railings

The Iron and Steel Control hopes to make up for the drastic curtailment of imports from the United States by a salvage drive, by the use of scrap from bombed buildings, and by the removal of railings. It aims at half a million tons of scrap from the last source alone, but it is impossible not to wonder whether enough imagination has been brought to bear on the project. The machinery, on paper, sounds simple. A recent Order in Council has relieved tenants from any obligations to landlords to maintain railings. Instructions will be issued to local authorities to survey and schedule for removal fences and gates which can be spared. Those fences which are necessary to safety or which have artistic or historic merit may be retained. The actual removal work will be done by the Ministry of Works and Buildings, which will act for the Ministry of Supply and will present the Iron and Steel Control with material ready for the furnaces. Receipts will be given for the material removed, and compensation will be paid in due course, claims in dispute being settled by a small expert tribunal. The Iron and Steel Control expects a rush of old railings, and has already circularised consumers asking how much they can use or stock each week. The intention is to clear districts in order, according to the need for material. This apparently simple procedure bristles with difficulties. Many local authorities have recorded opposition to any proposal to remove railings *en masse*. When a stretch of railings has been found that has no claims for retention, the actual owner of the metal must be notified, for the tenant is not always the owner of the ironwork round his house. The owner may be on overseas service. When he is at length found, he may wish to lodge an appeal, for the railings may have some hidden safety purpose or be of great sentimental value to him, if not to the public. But he may be found and he may agree without trouble. There is then apparently nothing more to do but to take down the railings and fix terms of compensation. The actual payment of compensation may be postponed until after the war, but some more or less accurate description has to be noted of the metal about to be destroyed, if an equitable assessment is to be made. To avoid argument at the compensation tribunal, it would be necessary to make a complete sketch of the railing, noting location, stonework, type of metal, size and design of the fence, state of repair and all fancy ornamental work. If the Ministry of Works and Buildings, supported by the Iron and Steel Control, decides to risk this, it still has to get the weight of railings contributed by each individual owner. This means that each small length, as it is taken down, has to be carted off to some public machine and the weight duly recorded and checked, one copy of the chit being lodged with the householder. If the scheme is not to become a tragicomic example of Government ineptness, it will have to be substantially revised.

Miners' Guaranteed Wage

In the application of the Essential Work Order to the coal-mining industry, one of the preliminary difficulties

which the Government had to face was that of making adequate provision to meet the cost of the guaranteed week. Normally much time is lost in the operation of collieries through causes beyond the control of the industry, while their incidence on individual districts is far from equal. In 1938, for example, 37½ coal-winding days, or 12.6 per cent of the total possible man-hours, were lost through lack of trade, accidents and other causes (excluding holidays and disputes); but, while the average number of days worked in the industry as a whole was 4.86, Scotland had a working week of 5.54 days, South Wales of 5.12 days, Northumberland and Durham of 5 days, Yorkshire of just under 4½ days, Nottinghamshire of 4½ days, and South Derbyshire of only just over 3½ days. Again, some districts, and individual collieries within districts, are more favourably situated than others, and are often making good profits when their neighbours are either finding it difficult to make both ends meet or suffering losses. These complications were increased by what the President of the Board of Trade described as "the changes and chances of war." For the purposes of the Order, they were surmounted by making the cost of the guaranteed week the common liability of the industry, and by discharging it through the medium of a national levy, subject to a maximum amount of 6d. per ton on the coal sold. It was intended that the price of coal should be raised to cover the cost of the guaranteed wage, but the Mines Department has been withholding its authority for price increases, whether for war-wage advances or other reasons, except when the need for them is proved. In conformity with this procedure, South Wales, Somerset and Bristol are the only district where prices have recently been raised to meet the increased cost of production. As in the other coalfields the joint ascertainment have been more favourable, the local executive boards have refrained from applying for authority to raise prices. In these circumstances it has been found necessary to impose a levy of only 1½d. per week.

Civilian Clothing

The Board of Trade, after consultation with the Central Price Regulation Committee, has fixed the prices and margins for certain kinds of garments which may be made from cloth supplied under the special quotas. These price announcements are made now in order to enable the manufacturers to make their plans, but it is emphasised that production of these garments is only just beginning and that they will not be available for some time. The first two schedules, one for men's and boys' outer garments and one for hosiery, are to be followed shortly by others. They cover trousers, shorts, suits, overcoats, raincoats, men's and women's cotton and woollen underwear, socks and all manner of infants' and children's clothing. The prices specified are overriding maximum prices, excluding purchase tax, which may be charged to the retailer by a manufacturer or wholesaler. In any case, he may not charge a price which will yield him more than 4 per cent net profit on his cost of production and sale in the case of outer garments, or 7½ per cent in the case of hosiery. The maximum margin for distributors is 20 per cent on the cost price for wholesalers, and for retailers 33½ per cent on costs, including purchase tax where payable. The schedule of retail prices, not yet published, is to be based on the application of these percentages, with certain necessary adjustments, to the maximum price fixed for the manufacturer. Why retailers should be allowed to make a profit on the purchase tax is not explained. Some objection to the machinery of the tax has been raised in the past on the grounds that the retailer is, in effect, making a free loan to the Government of the amount of the tax during the period goods remain in his stock. The remedy for this, however, scarcely seems to lie in a further levy on the purchaser, still less in a levy of the usurious rate of 33½ per cent on an almost perfectly safe advance. The inclusion of infants' and children's knitted wear in this special quota is to be followed by the withdrawal, on October 31st, of the provisional arrangement by which they can be supplied outside the quota. The scheme as a whole is a sound contribution to the price stabilisation programme, but it is important that the goods should begin to come on the market before the really cold weather sets in.

Cheating the Clothes Ration

Offenders against the rule that loose coupons may not be used for clothing purchases over the counter are to be prosecuted. The Board of Trade holds the view that traffic in loose coupons undermines the whole basis of rationing and must be rigorously suppressed. In so far as the coupons are genuine, it is difficult to see that traffic in them causes unfair distribution, since nobody is obliged to part with coupons if they prefer to take up their ration. Such traffic reduces the extra economy which follows any rationing system when some people do not take up their ration, but that is the only harm it can do. If, as is alleged, there is a growing traffic in forged coupons, it is questionable whether this can be prevented while loose coupons can be used for postal transactions. Almost any purchase can be completed by post, even if the article has to be chosen and fitted by the customer in person. It is done in *bona fide* cases where the purchaser has omitted to bring his ration book with him, and it can be done deliberately by any purchaser who wishes to use loose coupons. The Board of Trade appears satisfied that there are adequate safeguards in the cases of purchases by post, but these seem very frail. The customer who signed them on the back may have a name in common with other customers of the same shop, and by the time they have reached the Board of Trade and been found to be forgeries, it may not be possible to trace him. If the use of loose coupons is giving rise to counterfeiting, some other system of making post purchases will have to be devised. Already retailers are being encouraged, where they have to return loose coupons to customers, to substitute the strip tickets which are issued in certain special cases. An extension of this system might help to solve the problem. This, however, does not remove the possibility of the use of forged coupons by traders themselves, in order to procure more than their legitimate share of goods from wholesalers. The coupons they have to hand in are just those loose coupons which, in the hands of private individuals, are regarded as such a temptation to counterfeiting. If it is true that there are professional forgers at work, they would find business with retailers far more worth while and less open to detection than traffic with private individuals. If forgery is really taking place on a large scale, some more watertight system will have to be devised.

Ships from America

There have been five preliminary stages in the expansion of shipbuilding in America. The first was the speeding-up, just before the war and during its first year, of the domestic production programme of 500 ships over a ten-year period. By the end of last year, this programme, which was begun in 1936, was about six months ahead of schedule. Besides providing a number of highly efficient, fast cargo liners—some of which have already been transferred to Britain—it has taken a vital part in the rebirth of an industry that prior to 1937 was practically stagnant. The second stage was the placing of contracts by the British Government in December, 1940, for 60 standardised cargo vessels to be built in two new shipyards financed by Britain. The third stage was marked by President Roosevelt's announcement in January of this year that 200 "emergency" ships for American service were to be laid down in new shipyards. The fourth was the ordering of an additional 212 ships for transfer to Britain under the Lease-Lend Act, involving the construction of further building facilities. The fifth stage came in August when a further 566 merchant ships were added to existing commitments, which already involved a total of over 700 vessels of different types. It is one thing to order ships, but quite another to put them into service. What matters is the rate of expansion of shipyard facilities and the pace of production. On both points the latest reports are encouraging. Before the original Maritime Commission programme was launched in 1936, there were only ten active yards in America building ships of ocean-going size, with a total of 46 building berths. By January of this year, before the emergency programmes were begun, there were 18 yards with 70 berths, some of them taken up with naval construction. In the middle of last June, the director of the emergency programmes stated that "very shortly" there will be in full production of merchant ships 29 yards with 186 slipways. The new programme announced since then involves the construction of a further 23 slipways, making a total of over 200 building berths. The ships to be built under the various programmes can be divided into two main types—the standard Maritime Commission types designed before the war in connection with the long-range programme; and the emergency, EC-2 or "ugly duckling,"

ships, the design of which is based on that chosen by the British Purchasing Commission for the 60 ships ordered last December. The former comprise various designs of fast cargo liners of 5,000 to 8,000 gross tons with speeds of 15 knots and over, as well as large and fast tankers of 16,700 tons deadweight and 18 knots speed. The emergency ships are all of simplified design with a deadweight of 10,000 tons and a speed of about 11 knots. The last four stages in American shipbuilding entail the construction of 223 ships of the cargo liner type, including tankers, and 790 of the EC-2 type, all scheduled for completion by the end of 1943. A further 160 ships of the long-range programme are expected to be completed by the same time. An official of the Maritime Commission stated last June that the scheduled building time for EC-2 ships, from keel-laying to delivery, was expected to be reduced from 7 to 4½-5 months. This compares with a record of seven months and 24 days in the case of the Hog Island venture of the last war. In 1939, 28 seagoing ships of 241,052 gross tons were delivered from American shipyards; in 1940, 53 ships of 444,703 tons; and in the first six months of 1941, 40 of 326,789 tons. It is estimated by the American Bureau of Shipping that deliveries in the second half of 1941 will bring the year's total to 1,000,000 gross tons, an increase of 150,000 tons on the estimates at the beginning of the year. In 1942 the emergency programmes will reach full production. The latest estimates for this and the following year, converted into gross tons, are: 1942, 3,690,000 tons; 1943, 3,640,000 tons. As the figure for 1943 is based on present authorised contracts, it may be assumed that if the 1942 schedule is carried out, a still higher output will actually be possible in the following year.

American Copper Problems

Until the outbreak of the war, America's consumption of copper exceeded the limit of 1,000,000 short tons only once, in 1929. Last year, the 1929 record of about 1,015,000 tons was equalled, but, if supplies were available at reasonable prices, this year's intake might reach 1,800,000 tons or even more. According to official estimates, however, America's supplies will be limited this year to 1,600,000-1,650,000 tons, which exceeds supplies available to the whole world in the best year of the last war by about one-third; 1,000,000-1,050,000 tons are expected from domestic mines, while the remaining 600,000 tons cover the whole exportable surplus of Latin America which has been acquired by the United States Metal Reserve Corporation. Unessential consumption, therefore, has to be limited. Early this year, the American Government held that the introduction of a copper pool for urgent defence requirements, into which producers had to supply part of their monthly output, would suffice to meet all essential needs. During the summer, however, it became obvious that stricter measures were needed, and a priorities scheme for copper distribution, by which all purchasing contracts are subject to the approval of the Priorities Division of the Office of Production Management, was introduced on August 6th. The effects of this scheme have already been reflected in deliveries to consumers, which totalled 117,262 short tons in August, against no fewer than 143,089 tons in July. As civilian needs still accounted for well over half of total consumption in the first half of this year, the priorities scheme should secure supplies for all essential purposes. But steps have also been taken to expand supplies. Domestic production has been stagnant for some time, the country's smelter output in August, 1941, being, in fact, the lowest since October, 1940. Whether America's output can be expanded much beyond its present level of about 1,020,000 short tons per year is doubtful, but the low domestic copper price of 12 cents per lb. has been hampering production in some of the high-cost mines. In order to secure the maximum domestic output, the Government is now prepared to subsidise high-cost producers; a number of producers in the State of Michigan will receive a direct subsidy of one cent per lb. of copper produced. The introduction of the subsidy as an alternative to the increase in the maximum price of 12 cents per lb. is an important move, in that it will keep American defence expenditure for copper at a low level compared with the last war, when copper prices advanced at one time beyond 36 cents per lb. and were on the average from 1914 to 1918 about twice as high as at present. Abroad, the American Government has induced Latin American producers to push their output to the limit.

For Commodity and Industry News see page 367.

COMPANY MEETINGS

FURNESS, WITHY AND COMPANY,
LIMITED

THE JUBILEE YEAR

HALF A CENTURY OF WONDERFUL EXPANSION

LORD ESSENDON'S REVIEW

The fiftieth ordinary general meeting of Furness, Withy and Company, Limited, was held, on the 16th instant, at the registered office of the company, Furness House, Leadenhall Street, London, E.C.

The Right Hon. Lord Essendon, J.P. (the chairman), presided. The secretary read the notice convening the meeting and Mr R. H. Stafford, of Messrs W. T. Walton and Son, read the auditors' report.

The report of the directors and the statement of accounts for the year ended April 30, 1941, were taken as read.

The following statement by the Chairman, circulated with the report and accounts, was also taken as read:—

This statement is being circulated with the annual accounts for the year ended April 30, 1941, for the purpose of effecting economy by eliminating the issue at a later date of a report of the annual meeting embodying the chairman's speech; in addition to which, it will be an advantage to those stockholders who may find it difficult to attend the annual meeting at which the proceedings will be purely formal.

Doubtless our stockholders will be satisfied with the position as disclosed in the accompanying accounts.

BALANCE-SHEET ITEMS

Comparing the assets in the balance-sheet with those of the previous year, there is very little which calls for comment. Our shipping property now stands at £1,780,235, as compared with £2,158,221 in the previous year. The investments in subsidiary shipping companies are unaltered, whilst the general investments and the investments in subsidiary companies other than shipping stand at £3,106,298, as compared with the previous figure of £3,484,590. Sundry debtors show an increase of £624,446, which includes war risks insurance claims to be collected. Bank balances, deposit accounts, Treasury Bills, etc., stand, this year, at £889,090, an increase of approximately £500,000.

The only other item of interest on the assets side of the balance-sheet is the footnote to the effect that there is an amount of £100,000 standing to the credit of the company under the terms of the Government tonnage replacement account agreement.

The items on the capital and liabilities side of the balance-sheet show little variation, the chief alteration being an increase in the fleet replacement account from £100,000 to £222,013. I cannot emphasize too strongly the necessity for this fund, which is necessary not only for replacement of vessels lost by enemy action, but for replacement of the fleet as a whole.

DIVIDEND INCREASED TO 6 PER CENT.

In regard to the profit and loss account, the net profit, after making provision for taxation, amounts to £665,072, an increase of £46,421 over the previous year's profit figure of £618,651. I might here state that, compared with the previous year, our steamship profits are down by reason of the vessels having been under requisition during almost the entire period. Our dividends show a smaller return owing to increased taxation, the increase in our profits being due to revenue from other sections of our business.

After providing £350,000 for depreciation and a transfer of £100,000 to the fleet replacement account, the directors recommend a dividend on the Ordinary stock of 6 per cent., less income-tax, as compared with a distribution of 5 per cent., less tax, in the previous year, leaving a balance to be carried forward of £186,213.

A RECORD OF SUCCESSFUL PROGRESS

You will observe from the report of the directors that this is the 50th annual general meeting of the company, it having been registered on September 16, 1891—hence the selection by the direc-

tors of September 16th for the date of our annual meeting this year.

Incorporated with a share capital of £700,000 50 years ago, this figure has now been increased to £7,500,000. This is indicative of the wonderful expansion in the business of the company during that period, its success in the early years being undoubtedly due to the business ability, foresight and strenuous work of its founder, the first Baron Furness.

It is unfortunate that this jubilee should happen to fall during a war period, when economy precludes its celebration; if only by the issue of a brochure illustrating its history and growth during the past 50 years. I have been with the company during the whole of its lifetime, and, incidentally, I was also associated with the earlier business of Christopher Furness and Co., for eight years previously. One other director, Mr Robert E. Burnett, shares with me the honour of having been with the company since its incorporation.

NEED FOR MAINTAINING A STRONG MERCANTILE MARINE

I do not propose to follow my usual custom of making a review of the shipping situation. Liner companies are necessarily apprehensive about the recovery, when the war is over, of the trades which they have had temporarily to relinquish—but under war conditions this, and all other anxieties and grievances, are of secondary consideration. The duty of all shipowners is to work their vessels for Government account to the best possible advantage, by turning them round as quickly as possible and thus increasing the number of voyages that can be performed.

As an industry we rely on the very definite assurances given by the Government, in the White Paper dealing with the war-time financial arrangements between themselves and British shipowners, in which they recognise "the necessity of maintaining the British Mercantile Marine in adequate strength and in a position of full competitive efficiency."

COURAGE OF THE MERCHANT SEAMEN

In closing, I should like to express deep admiration for the courage and tenacity with which our merchant seamen pursue their calling, without thought of hardships and dangers from a ruthless enemy. They share many of the dangers of the fighting services, and if, on the one hand, they are spared some of the risks of the fighting forces, they are, on the other hand, not so well equipped for defending themselves against the enemy.

I am delighted to inform you that decorations have been awarded to 10 of the company's seagoing staff, and two have also received commendation.

This year has also been one of strenuous work for our staffs ashore, and I should like to add a word of praise for the efficient way in which they have carried out their duties.

The Chairman then moved the adoption of the directors' report and balance-sheet and also the declaration of the dividend in the following terms:—"That a dividend of 6 per cent., less income-tax, on the Ordinary stock in respect to the financial year ended April 30, 1941, be paid on the 20th instant to the stockholders registered on the books on the 5th instant, and that the warrants be posted on the 19th instant."

MR MURRANT'S MISSION TO EGYPT

In the ordinary way, he said, this resolution would have been seconded by the deputy chairman, Mr E. H. Murrant, but Mr Murrant had been sent out on a special mission to Egypt by the Ministry of War Transport, and he was afraid they would have to do without him for some little time to come. He was sure stockholders would join with him in wishing Mr Murrant success on his mission and ultimately a safe return. (Hear, hear.)

The motion was seconded by Mr. Sydney J. Forster and carried unanimously.

The appointments of Mr William Everall and Mr William MacGillivray as directors of the company were confirmed, and the retiring directors, Mr R. E. Burnett, Mr H. Smurthwaite, and Mr J. W. Nicoll, were re-elected.

The auditors (Messrs W. T. Walton and Son) were reappointed. The Chairman, in putting the motion to the meeting, said he had to announce with very great regret the death of Mr R. T. Warwick,

EASTWOODS, LIMITED

PROGRESS OF PARENT COMPANY

The twenty-first annual general meeting of the company was held, on the 19th instant, in London, Mr Horace Boot, M.Inst.C.E., M.I.Mech.E., M.I.E.E., chairman and managing director, presiding.

The following are extracts from the statement by the chairman, which had been circulated with the report and accounts.

Works, properties, plant, machinery, barges and transport vehicles are valued at £185,663 after full provision for depreciation. Stocks at the outbreak of war have to a large extent been disposed of and production is restricted at hand-made brickyards where insufficient labour was available to justify continuance of such small units.

There has been large expansion in general trade in the tile and roofing departments, where important contracts for the Government are in hand.

The financial position continues strong, and we have available in cash and Government securities no less than £185,407, ready to meet the immediate requirements of the business.

The directors recommend transfer of £5,000 to taxation account and a final dividend on ordinary shares at 5 per cent., making 8 per cent. for the year, leaving £21,792 carried forward, against £17,995 brought in.

Many non-recurrent items such as expenditure on A.R.P. equipment, obscuration of kiln glare, War Damage Insurance and losses not covered by compulsory schemes have been provided for in the accounts. All this expenditure has been carefully watched with an eye to the future, and offset by economies resulting from judicious management and reorganisation of our general scheme of control.

In a complex group of businesses such as ours it has been necessary to secure representation on all federations and trade associations dealing with important questions of quotas, production and supply and man-power, wages and working conditions, the standardisation of various products and operation of the Essential Work Order.

SIMO RUBBER COMPANY, LIMITED

The sixth annual general meeting of the Simo Rubber Company, Limited, was held, on the 16th instant, in London.

Mr W. Gardner Tarbet (the chairman) said that the results for the year must be considered disappointing from the shareholders' point of view. Although the crop produced in 1940 was fully 530,000 lb. more than in 1939, the profit was nearly £1,400 less despite the fact that in 1940 proceeds from the sale of their rubber exceeded expenditure on the estates by £49,284 or £21,000 more than the corresponding figure for 1939. The explanation of the unsatisfactory result was to be found in the provision made for taxation in Java. The £27,542 reserved on the 1940 accounts was not the only amount which the Java Government took from them in taxation, as apart from their liability for income tax and War Profits Tax in that country there were also export duties aggregating in 1940 about 1d. per lb., which provided approximately a further £8,700, so that the actual amount of their contribution to the Java exchequer amounted to fully £36,000.

So far as shareholders were concerned, the dividend which they were receiving this year—10 per cent., less tax—had not been affected by the heavy scale of taxation in the Netherlands East Indies as, had taxation in that country been lower, the amount saved in that way would have been required to meet excess profits liabilities in this country. Reports from the estate continued to be very satisfactory, the gardens being well upkept and constantly improved. An extensive programme of manuring had been sanctioned for the current year, covering to the full the recommendations which had been made.

The report was unanimously adopted.

COMMODITY AND INDUSTRY NEWS

A MEETING of the International Tea Committee was held in London on Tuesday last to discuss the new draft agreement for tin control. Satisfactory progress was made at the meeting and the delegates agreed to refer recommendations on certain points to their respective Governments. Standard tin, cash, was £256 10s.-£256 15s. a ton on Wednesday, compared with £257-£257 5s. a week earlier. Three months was £259 10s.-£259 15s. a ton against £259 15s.-£260.

Cutlery Industry Concentration.—The cutlery industry was unable to make voluntary arrangements for concentration. Consequently, the Board of Trade itself undertook the task, and it has now almost completed the nomination of firms for nucleus status. Some 50 firms in all will be nominated; already some provisional nucleus certificates have been issued to certain Sheffield firms for a period of three months. During this time, arrangements can be made between nucleus firms and non-nucleus firms for the transfer of production to the former. If nucleus firms fail to acquire production in this way, their certificates will be withdrawn. Non-nucleus firms transferring their production to nucleus firms will have the advantage of preserving their identity as partners in the nucleus arrangements.

Tinplate Trade Concentration.—While the committee on concentration of production in the tinplate industry has not yet reported, consultation with the Regional Controller of Factory and Storage Premises has resulted in the authorisation of the release of 26 works, which are to be used mainly for storage.

Pepper Difficulties.—Some members of the London Spice and Rice Dealers' Association are finding it impossible to

buy pepper owing to lack of sellers at the low maximum prices. They have sent a petition to the Minister asking him to order that they may obtain supplies. The Ministry of Food is taking a census of pepper stocks in the country. It is believed that the Ministry has bought about 20,000 cwt. of pepper for early shipment to this country.

Stone, Slag and Lime Control.—The Minister of War Transport has made an Order for the control of practically all igneous, metamorphic and sedimentary rocks, lime (except chalk lime) and slag (except basic slag). The Order applies to producers, distributors and users of the materials who receive notification that they are subject to the Order. Such persons will operate only under licence of the Minister.

Cotton Spinners' Problems.—Trading in yarn and piece-goods has been at a low ebb, but the principal problem of the market concerns yarns. Spinners are fully engaged up to the end of October, and cannot sell beyond that date, until the Controller frees them from his "request." They have also applied for an increase in fixed yarn margins to meet the mounting overhead costs; it is not unlikely that the Controller may find it necessary to increase raw cotton prices, which have been the same since the beginning of April. The recent sharp advance in New York rates is difficult to ignore. Until these points are decided and spinners can operate on freer lines, little progress can be expected in meeting an extensive overseas demand in cloth for export. Among orders waiting to be placed are dyed

(Continued on page 371)

WORLD SHIPMENTS OF WHEAT
AND FLOUR

From (000 quarters)	Week Ended		From Aug. 1 to	
	Aug. 30, 1941	Sept. 6, 1941	Sept. 7, 1940	Sept. 6, 1941
N. America	526	547	1,947	2,685
Argentina, Uruguay	152	175	1,436	1,076
Australia	...	...	...	...
Russia	...	...	...	...
Danube and District	...	...	115	...
Other countries	...	...	...	...

* Unobtainable.

Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND
MAIZE MEAL

From (000 quarters)	Week Ended		From Apr. 1 to	
	Aug. 30, 1941	Sept. 6, 1941	Sept. 7, 1940	Sept. 6, 1941
Argentina	55	62	5,048	276
Atlantic America	52	95	1,225	512
Danube region	...	...	678	...
S. and E. Africa	...	...	807	...
Indo-China, etc.	...	...	91	...

* Not received.

† Incomplete.

Source: The Corn Trade News.

"THE ECONOMIST" SENSITIVE
PRICE INDEX
(1935=100)

	Sept. 11, 1941	Sept. 12, 1941	Sept. 15, 1941	Sept. 16, 1941	Sept. 17, 1941
Crops	113.2	113.2	113.1	112.9	112.9
Raw materials	170.6	170.6	170.7	170.7	170.6
Complete Index	138.9	138.9	138.9	138.8	138.8
	Mar. 31, 1937*	Aug. 31, 1939	Sept. 17, 1940	Aug. 18, 1941	Sept. 10, 1941
Crops	147.9	92.2	105.6	113.5	112.9
Raw materials	207.3	122.9	164.5	170.6	170.7
Complete Index	175.1	106.4	131.8	138.2	138.8

* Highest level reached during 1932-37 recovery.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended September 13, 1941, total ordinary revenue was £30,775,000, against ordinary expenditure of £86,416,000 and issues to sinking funds of £130,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £1,356,667,000 against £1,039,470,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	Receipts into the Exchequer (£ thousands)				
		April to Sept. 14, 1940	April 1 to Sept. 13, 1941	Week ended Sept. 13, 1941	Week ended Sept. 13, 1940	Week ended Sept. 13, 1941
ORDINARY REVENUE						
Income Tax	756,000	88,429	162,651	1,880	4,700	4,700
Sur-tax	80,000	11,100	11,414	450	425	425
Estate, etc.	82,000	39,570	42,534	1,360	2,082	2,082
Duties	14,000	6,400	5,201	260	570	570
Stamps	210,000	10,090	8,251	740	4,720	4,720
N.D.C.	210,000	23,120	87,251	740	4,720	4,720
E.P.T.	1,000	210	171	...	...	...
Other Ind. Rev.	1,000	210	171	...	...	...
Total Ind. Rev.	1143000	178,919	317,487	4,690	12,503	12,503
Customs	310,700	132,811	159,136	5,071	8,799	8,799
Excise	266,660	69,902	140,000	903	1,395	1,395
Total Customs & Excise	577,360	202,713	299,136	5,974	10,174	10,174
Motor Duties	39,000	9,493	9,073	118	...	...
P.O. (Net Receipts)	3,300	10,550	7,700	800	650	650
Crown Lands	1,100	540	530	...	...	...
Receipts from Sundry Loans	2,600	645	1,974	...	76	76
Miscell. Receipts	20,000	12,363	33,332	251	7,372	7,372
Total Ord. Rev.	1786360	415,223	669,232	11,833	30,775	30,775
SELF-BALANCING P.O. & Brdcastg.	99,346	33,950	40,900	900	1,150	1,150
Total	1885706	449,173	710,132	12,733	31,925	31,925

Expenditure	Estimate, 1941-42	Issues out of the Exchequer to meet payments (£ thousands)				
		April to Sept. 14, 1940	April 1 to Sept. 13, 1941	Week ended Sept. 13, 1941	Week ended Sept. 13, 1940	Week ended Sept. 13, 1941
ORDINARY EXPENDITURE						
Int. and Man. of Nat. Debt	255,000	112,385	129,269	506	1,416	1,416
Payments to N. Ireland	9,200	3,319	3,253	...	...	...
Other Cons. Fnd. Serv.	7,800	3,331	3,189	...	...	...
Total	272,000	119,035	135,711	506	1,416	1,416
Supply Services	3934957	1330590	1884932	59,500	85,000	85,000
Total Ord. Exp.	4206957	1449625	2020643	60,006	86,416	86,416
SELF-BALANCING P.O. & Brdcastg.	99,346	33,950	40,900	900	1,150	1,150
Total	4306303	1483575	2061543	60,906	87,566	87,566

After increasing Exchequer balances by £461,485 to £2,888,608, the other operations for the week (no longer shown separately) raised the gross National Debt by £53,555,893 to about £12,728 millions.

NET ISSUES (£ thousands)	
P.O. and Telegraph	200
Overseas Trade Guarantees	45
Total	245

NET RECEIPTS (£ thousands)	
Under War Damage Act	2,898
Under Land Settlement (Facilities) Acts	23
Total	2,921

AGGREGATE ISSUES AND RECEIPTS

Aggregate issues and receipts from April 1, 1941, to September 13, 1941, are:	
(£ thousands)	
Ordinary Exp.	2,020,643
Inc. in balances	262
Ord. Revenue	669,232
Gross bor.	1,333,554
Sinking fds.	5,256
Net borrowing	1,328,298
Miscell. Receipts (net)	23,375
Total	2,020,905

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of Eng. Land	
1940					
Sept. 14, 1941	836.0				836.0
June 7, 1941	915.0				915.0
" 14, 1941	925.0				925.0
" 21, 1941	935.0				935.0
July 5, 1941	955.0				955.0
" 12, 1941	960.0				960.0
" 19, 1941	965.0				965.0
Aug. 2, 1941	960.0	1491.7	174.3	12.0	3153.5
" 9, 1941	960.0				960.0
" 16, 1941	960.0				960.0
" 23, 1941	960.0				960.0
Sept. 6, 1941	970.0	1525.3	213.9	1.0	3223.2
" 13, 1941	970.0				970.0

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment	Per Cent Allotted at Min. Rate
	Offered	Applied	Allotted		
1940					
Sept. 13, 1941	65.0	124.7	65.0	8.0	35
May 30, 1941	75.0	145.1	75.0	2.0	47
June 6, 1941	75.0	156.1	75.0	0.22	34
" 13, 1941	75.0	166.5	75.0	19.11	26
" 20, 1941	75.0	158.5	75.0	20.15	31
" 27, 1941	75.0	163.1	75.0	19.11	27
July 4, 1941	75.0	153.0	75.0	20.69	38
" 11, 1941	75.0	155.7	75.0	20.64	36
" 18, 1941	75.0	146.8	75.0	20.33	34
" 25, 1941	75.0	163.6	75.0	19.11	24
Aug. 1, 1941	75.0	165.2	75.0	20.14	34
" 8, 1941	75.0	159.1	75.0	20.16	30
" 15, 1941	75.0	151.8	75.0	20.31	34
" 22, 1941	75.0	133.2	75.0	20.95	57
" 29, 1941	75.0	152.3	75.0	20.31	38
Sept. 5, 1941	75.0	148.6	75.0	20.34	41
" 12, 1941	75.0	165.8	75.0	20.73	29

On September 12th applications at 99 1/4, 11 1/2 per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted at to about 29 per cent. of the amount applied for, and applications at higher prices in full. £75 millions of Treasury bills are being offered on September 19th. For the week ending September 20th the banks will be asked for Treasury deposits to a maximum amount of £55 millions.

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

Week ended	N.S.C.		3% Defence Bonds		New 3% Savings Bonds	
	Subscribed	Issued	Subscribed	Issued	Subscribed	Issued
Aug. 5, 1941	3,017	2,510	7,171	6,740	9,944	9,944
" 12, 1941	3,239	2,348	36,255	33,358	3,358	3,358
" 19, 1941	3,813	2,860	59,874	54,468	3,468	3,468
" 26, 1941	3,201	2,805	94	3,343	3,343	3,343
Sept. 2, 1941	3,473	3,206	23	5,683	5,683	5,683
" 9, 1941	3,689	2,212	1	8,910	8,910	8,910
Totals to date	355,494	335,914	493,611	307,956	...	...

* 94 weeks. † 37 weeks. ‡ Including series "A," £24,643,440.

Interest free loans received by the Treasury up to Sept. 16th amounted to a total value of £36,609,184. Up to August 30th, principal of Savings Certificates to the amount of £43,772,000 have been repaid.

BANK OF ENGLAND RETURNS

SEPTEMBER 17, 1941

ISSUE DEPARTMENT

Notes Issued		Govt. Debt	
In Circulation	In Bank, Department	Other Govt. Securities	Other Securities
669,739,289	60,502,286	716,408,136	2,063,370
		513,394	
		730,000,000	
		241,575	
		730,241,575	

BANKING DEPARTMENT

Props. Capital		Govt. Secs.	
Rest.	Public Depts.	Other Secs.	Discounts
14,553,000	3,486,093	120,222,838	5,141,375
10,799,230	10,799,230	20,596,892	25,738,267
		60,502,286	1,526,569
		207,989,960	207,989,960

THE WEEK'S CHANGES (£ thousands)

Both Departments		Sept. 17, 1941		Last Week		Last Year	
COMBINED LIABILITIES							
Note circulation	669,739	335	63,729	...	...	...	...
Deposits: Public	10,799	1,504	1,164	...	...	...	...
Bankers	127,629	5,147	1,486	...	...	...	...
Others	51,522	1,486	642	...	...	...	...
Total outside liabilities	89,989	7,74	61,844	...	...	...	...
Capital and res.	18,040	16	61	...	...	...	...
COMBINED ASSETS							
Govt. debt and securities	847,646	5,080	62,619	...	...	...	...
Discounts and advances	5,141	171	1,414	...	...	...	...
Other securities	22,666	331	3,381	...	...	...	...
Silver coin in issue dept.	513	6	439	...	...	...	...
Coin and gold bullion	1,768	18	632	...	...	...	...
RESERVES							
Res. of notes and coin in banking department	62,029	318	36,904	...	...	...	...
" Proportion (reserve to outside liabilities in banking dept.)	32.6%	1.9%	19.6%	...	...	...	...

COMPARATIVE ANALYSIS (£ millions)

	1940		1941	
	Sept. 18	Sept. 3	Sept. 10	Sept. 17
Issue Dept.				
Notes in circulation	606.0	667.3	659.4	669.7
Notes in banking department	24.2	63.0	60.8	60.5
Government debt and securities	627.2	727.5	727.4	727.4
Other securities	2.8	2.0	2.1	2.1
Silver coin	0.1	0.5	0.5	0.5
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	10.9	14.5	9.3	10.8
Bankers	128.8	122.7	133.8	127.6
Others	52.2	53.0	53.0	51.5
Total	191.9	190.2	196.1	189.9
Banking Dept. Secs.				
Government	157.8	115.9	125.4	120.2
Discount, etc.	3.7	7.1	5.3	5.1
Other	23.3	20.6	21.0	20.6
Total	184.8	143.6	151.7	145.9
Banking depart. res.	25.1	64.6	62.3	62.0
" Proportion "	13.0	33.9	31.7	32.6

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £680 millions to £730 millions on August 30, 1941.

OVERSEAS BANK RETURNS

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	July			
	23, 1941	30, 1941	July 14, 1941	July 14, 1941
ASSETS				
Gold and English ster.	17.71	17.71	17.71	17.71
Other coin, bullion, etc.	6.31	6.63	6.61	6.49
Call money, London	55.95	54.00	40.81	42.52
Secrts. and Treas. bills	45.32	49.22	50.15	51.03
Discounts and advances	21.22	21.23	21.18	22.09
LIABILITIES				
Notes issued	67.37	67.86	67.86	68.36
Deposits, etc.	118.22	120.88	108.16	109.49

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

	July			
	15, 1940	30, 1941	July 7, 1941	July 14, 1941
ASSETS				
Gold and stg. exch.	15.94	22.77	22.46	22.41
Advances to State	24.96	18.77	19.03	18.96
Investments	2.54	3.77	3.77	3.77
LIABILITIES				
Bank Notes	19.01	21.84	21.67	21.61
Demand liab. : State	22.55	7.95	8.04	9.46
Bankers and others	14.73	14.73	14.69	13.34
Reserves to sight liab.	51.1%	50.6%	50.4%	50.4%

SOUTH AFRICAN RESERVE BANK Million £s

	Aug. 9, 1940	July 1941	Aug. 1941	Aug. 8, 1941
ASSETS				
Gold coin and bullion	36 77	61 53	52 49	52 50
Bills discounted	1 44	0 75	0 97	0 98
Invest. and other assets	33 92	40 74	42 53	41 96
LIABILITIES				
Notes in circulation	22 46	24 75	27 17	25 49
Deposits : Government	1 70	3 08	4 79	3 84
Bankers'	40 61	53 54	54 64	57 03
Others	7 58	7 46	4 87	5 18
Reserve Ratio	50 6%	58 1%	57 7%	57 8%

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Deprecia- tion, etc.	Net Profit after Debts 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.													
Dalmeida-Talisker Distilleries	June 30	7,063	...	7,063	18,668	2,609	5,348	10	...	894	16,732	15,732	20
Dublin Distillers Co.	June 30	44,678	...	45,712	26,947	...	12,588	(c) 2½	19,000	23,124	13,964	9,803	Nil
Coal, Iron and Steel													
Barrow Barmley Main Collieries	June 30	77,152	25,000	33,710	33,947	18,613	4,162	2½	...	10,935	43,789	5,531	2½
Lochelly Iron and Coal	May 31	121,857	...	28,832	50,540	5,158	18,474	10	5,000	200	124,265	36,929	10
Sheepbridge Coal & Iron	June 30	225,049	33,919	137,236	247,695	15,063	117,450	9½	...	4,723	271,016	177,166	10½
Staveley Coal & Iron	June 30	997,304	226,288	244,429	353,927	...	220,048	6½	...	24,381	1,030,281	407,518	8½
Financial, Land, &c.													
City of London Brewery & Inv. Trust	June 30	200,309	...	104,482	186,129	106,448	...	...	...	1,966	234,991	144,947	5
Store Properties	Mar. 25	13,401	...	Dr. 424	98	...	1,973	2	...	2,397	15,056	5,119	5
Gas													
Alliance & Dublin	June 30*	80,875	...	64,126	67,459	...	44,185	5	16,071	3,870	146,797	56,567	7
Rubber													
Straits Plantations	Mar. 31	11,349	...	8,679	34,447	...	13,168	2½	Dr. 5,000	511	27,040	13,297	2½
Sungei-Timah (Perak)	Mar. 31	14,157	600	5,907	9,044	...	4,626	6	1,000	281	10,168	5,900	6
Travancore	Dec. 31	21,578	...	9,723	20,163	...	4,795	12	3,000	1,928	12,806	6,283	8
Shops and Stores													
Norvic Shoe Co.	June 30	127,603	...	87,413	111,432	48,000	16,000	20	...	23,413	97,982	60,471	12
Textiles													
Calico Printers' Association	June 30	353,575	...	220,565	311,758	150,805	...	...	50,000	19,760	384,756	251,970	Nil
Fulton (William) & Sons	June 30	35,073	8,350	9,536	12,476	6,450	2,150	5	...	936	26,125	5,883	Nil
Other Companies													
Allied Bakeries	June 30	486,813	15,631	99,480	179,766	34,433	74,452	10	25,000	34,405	484,458	212,800	15
Cranphorn Ltd.	May 31	72,851	2,945	3,172	9,371	1,120	831	6	942	279	71,599	2,862	5
Eastwoods Ltd.	Mar. 31	75,844	...	38,296	56,292	10,500	24,000	8	...	3,796	51,559	27,393	5
Initial Services	June 30	262,526	8,965	146,396	155,894	32,000	113,850	16½	...	546	319,303	236,337	25
United Gas Industries	Mar. 31	99,531	...	80,448	93,178	22,105	43,244	11½ & 25	15,000	99	80,444	64,302	9 & N
Yorkshire Dyeware, etc.	Mar. 31	36,681	9,039	20,768	28,213	12,969	8,000	10	8,000	201	42,952	28,764	12½
Totals (£000's)													
Week to Sept. 20, 1941	No. of Cos.	3,365	331	1,396	2,007	453	735	...	129	79	3,506	1,776	...
Jan. 1 to Sept. 20, 1941	1,402	291,429	23,448	135,611	210,177	29,607	88,200	...	13,162	1,641	282,197	155,602	...

* For Half-year.

† Free of Income Tax.

(c) Also 10% on "A" shares.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked* indicating interim dividends

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														
Bank of Scotland	10pa*	...	...	Oct. 15	10pa*	...	...	...	...	Ketton Cement	...	...	...	...
Canadian of Commerce	2*	8	...	...	...	...	...	...	...	Lancs. United Transport	...	15	...	Oct. 27
Chartered Bank of India	5*	...	...	Oct. 1	5*	...	...	...	...	Lever Bros. & Unilever	...	...	...	10
Dominion Bank	2½	10	...	...	...	...	...	...	...	London Scottish Inv. Trust	11*	...	...	Sept. 30
Yokohama Specie	10	...	...	...	...	...	...	...	...	Maidstone Motor	5*	...	...	50
MIXING														
Ayer Hitam Tin	10*	...	...	Oct. 8	7½*	...	...	...	...	Neepsend Steel, etc.	35*	50	...	Oct. 4
Chenderiang Tin	5*	10	...	...	15	...	...	...	...	Ocean Coal & Wilsons	...	3½	...	5 (c)
Kamra Tin Dredging	...	2½	...	...	...	...	...	...	...	Perfecta Motor	...	17½	...	Oct. 1
Kinta Tin Mines	2½	30	...	Oct. 10	20	...	...	...	...	Projectile & Engineering	7½*	...	...	7½
do. (on acc. of 1941)	7½*	...	...	Oct. 10	5*	...	...	...	...	Reynolds (A.)	5*	...	...	5
Puket Tin Dredging	...	2½	...	Oct. 11	5	...	...	...	...	Rich (E.) & Co.	5*	1½	...	1½
Rawang Tin Fields	7½*	...	...	...	5*	...	...	...	...	River Plate Trust "A"	5*	...	...	5*
Sungei Besi Mines	10½*	...	...	Oct. 6	12½	...	...	...	...	Do. "B"	1*	...	...	1*
Tanjong Tin Dredging	5*	...	...	Oct. 10	5*	...	...	...	...	Sheffield Steel Products	...	5	...	4
Tekong Tin Dredging	5*	...	...	Sept. 30	5*	...	...	...	...	Singleton & Cole	7½*	...	...	7½
TEA AND RUBBER														
Amalgamated Bruas Rbr.	6½	9	...	...	...	...	...	...	...	Southdown Motor Services	5*	...	...	5*
Assam Co.	4½	6	...	...	...	...	...	...	...	Spratts Patent (America)	5*	...	...	5*
Kempas Rubber	10½	30	...	...	20	...	...	...	...	Triplex Safety Glass	...	10	...	5
Parambe Rubber	2½*	...	...	...	2½*	...	...	...	...	U.S. & S. American Trust	2½*	...	...	2½
Timbang-Deli Rubber	...	5	...	...	4	...	...	...	...	Vaughan Bros.	12½*	22½	...	22½
Travancore Rubber	...	12	...	...	8	...	...	...	...	Waite & Son	...	2	...	2
Travancore Tea	4*	...	...	Oct. 1	4*	...	...	...	...	Wardle & Davenport	...	10	...	2½
United Planters Co.	...	4	...	...	...	...	...	...	...	Webster (Samuel)	7½*	...	...	4*
Woodend Rubber, etc.	2½*	...	...	...	2½*	...	...	...	...	West Riding Automobile	4*	...	...	4*
INDUSTRIALS														
Aboukir Co.	...	12½	...	...	Nil	...	...	...	...	Wombwell Foundry	...	12½	...	10
Alliance Trust Co.	11*	...	...	Oct. 15	11*	...	...	...	...	Yorkshire Dyeing, etc.	7½*	12	...	12
Allied Bakeries	5*	10	...	...	15	...	...	...	...					
Allsopp Brewery Invests.	27½	42½	...	...	45	...	...	...	...					
Associated Coal, etc.	4*	9	...	Sept. 30	...	...	...	...	...					
Attock Oil	5*	10	...	Oct. 31	...	...	...	...	...					
Automatic Telephone	5*	...	...	...	3*	...	...	...	...					
Beardmore (William)	3*	...	...	...	3*	...	...	...	...					
Betts & Co.	1½*	...	...	Sept. 29	1½*	...	...	...	...					
Birmingham Trust	3*	...	...	Oct. 1	3*	...	...	...	...					
British Insulated Cables	5*	...	...	Sept. 30	5*	...	...	...	...					
British Rola	8½*	12½	...	...	Nil	...	...	...	...					
Caroni	4*	10ps	...	...	4*	...	...	...	...					
Clayton Dewandre	5*	...	...	Oct. 15	5*	...	...	...	...					
Coltness Iron	...	...	...	...	...	...	...	...	...					
Continental & Indus. Trust	...	1½	...	...	3	...	...	...	...					
Cosser (A. C.)	10½	15	...	...	15	...	...	...	...					
Craven Bros.	4*	...	...	...	4*	...	...	...	...					
Dublin Distillers	...	2½	...	...	Nil	...	...	...	...					
Electric Supply Corp.	3½*	...	...	...	3½*	...	...	...	...					
Fodens, Ltd.	...	8	...	...	7½	...	...	...	...					
Freehold Assets	3*	...	...	...	3*	...	...	...	...					
Hall Telephone	5*	...	...	Oct. 13	Nil*	...	...	...	...					
Hepworth (J.)	...	5	...	...	5	...	...	...	...					
Johnson (Richd.), Clapham	11½*	15	...	...	15	...	...	...	...					

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QUARTERLY TRADE SUPP.

Ordeal by Waiting

THE so-called lulls in the western war are perilous traps. They are regarded as respites. In fact, they are marks of Hitler's success in striking down his foes one by one at his own time. There is a striking story told by a fighter pilot who flew home from broken France in June last year. Across the Channel, he saw battered, smoking ruins and helpless lines of refugees. A few minutes later, he looked down on peaceful cricket matches and summer motorists; and he was sad and angry. A Polish woman who broadcast in London the other day spoke strongly of the same contrast; her people knew what victory for Hitler means, and the English did not. It is a contrast that must be heavy in the hearts of Europe's refugees in England; it was the burden of Mr Frank Owen's Sunday postscript on the ordeal of Leningrad; and it is the source of a rising call for daring and adventure by British arms.

This country may be still too weak to take up the attack by sea and land that, in the air, the RAF have made their daily round. There is no sense in self-flagellation for a helplessness which is, fortunately, accompanied by immunity from war's chief savageries. Night raids, it is true, have laid a host of buildings in ruins; the total of civilians slain is rising towards half a hundred thousand; many more have been heroes or sufferers; and the Luftwaffe will come back. But, on the nation as a whole, the scars are superficial; and life has gone on for most of Britain's millions without the heavier tests of privation or sacrifice. There is little to compare with the sorrows—or the inspiration—that came in 1914-18 from the lists of casualties that, happily, this time have so far been spared. It is the pride of the Minister of Food that the British are the best-fed people in Europe; and it is possible, as an article on page 375

points out, for the question of pecuniary ways of rousing the people to greater effort to be solemnly discussed.

Yet it is only the sense of urgency, and not the urgency itself, that is lacking. More people than not now realise that the war in Russia is not a diversion but the core of the conflict itself. But a "V-style" attitude is still widespread. The astrologers still bandy tales of the enemy's hopeless plight for the delight of millions; and sober City men, as well as old women, fix dates before next Christmas or Easter for the end of the war.

After the fall of France, the Prime Minister promised the nation "blood, toil, tears and sweat." The need for desperate efforts to replace lost supplies and speed-up new output was clear. It is no less now, with the fate of Russia still in the balance; and Mr Churchill might well renew the vow. Not until 1943, on present programmes, will the Anglo-American output of war supplies equal the enemy's. Mr Mackenzie King has said, quite plainly, that neither the British Commonwealth nor the United States, acting alone, can destroy Germany's military effort. Nor can Russia—even with the utmost but still slender aid that can yet be given by the democracies.

It is not a choice between stupid complacency and unfounded pessimism. It is a question of bringing the surest and quickest end to the misery and the evil that darken Europe, cloud Russia and menace Britain and the world outside. It is a question for Americans and Britons alike. In it there is all the incentive that every free man can ask for his effort and every leader for his authority. This is not clap-trap or sentiment. Patriotism, duty and the call to service are, admittedly, not enough. But they must come before, and lie behind, the needed adjustments in material rewards and the conditions of service. The citizen's will, as well as his reward, must

match the need. At the least, the war effort must have gusto and, at the most, a soul and a spirit.

There are no lulls in total war. No man can do more, it is true, than he is required to do. But at least it can be remembered by every man and every woman that the

state of emergency and of siege remains; that there is no short cut or easy way out—for any people—from the ordeal; and that there is no future for freedom anywhere without the defeat of Hitler. They do not serve who only stand and wait, in any country or continent.

Turkey in the Balance

THE strategic situation in the Black Sea area has been radically modified in Germany's favour in the course of the last nine months. In the autumn of 1940 and the winter of 1940-41, the western Black Sea ports—Constantza, Varna and Burgas—came under German control. In the following spring, the whole of the Aegean Sea and the Greek islands, including—in the final phase—the island of Crete, passed to the Nazis. To-day, Nazi control is reaching out along the northern shores of the Black Sea. Odessa is encircled, the Crimea has been cut off, and the German advance guard is pressing on to Rostov.

If the immediate objective of the Nazi armies is the oil of the Caucasus, Von Runstedt's armies must swing to the south, parallel with the eastern shores of the Black Sea, once the barrier of the Don has been overshot. Such an advance would open the German forces to the hazards of a relatively unprotected flank and, while lengthening their lines of communications, it would bring them face to face with a singularly obstinate military obstacle in the shape of the Caucasus. If the organisation of the Iranian supply route can be achieved by the Allies, as ruthlessly and efficiently as if it had been under German direction, then the chances of obstruction open to a Russian army



operating in the Caucasian passes, and fed from the rear by British and American supplies and British reinforcements, would be sufficient to make the hardest strategical pause.

The German plan, if it is really directed towards an immediate frontal attack upon the Caucasus, must take into account both the vulnerability of the German western flank and the desirability of cutting the Russian defenders of the Caucasus off from any source of outside supply. Both these considerations involve the status and future of the only remaining shore of the Black Sea, the southern Anatolian shore. The fate of Turkey is vitally bound up with the problem of securing undisputed German mastery on the sea flank of the Caucasus and cutting off Iran from the Russian front. It is unlikely that Germany can muster, by the Danube route and by the control of Balkan shipping, a force strong enough to annihilate the Russian Black Sea fleet, especially as Sevastopol, Novorossisk, Tuapse and Batum, not to speak of beleaguered Odessa, are still under the control of the Russians.

It would be a different story if the Straits could be opened to heavy units of the Italian Navy. Here the Turks, according to the Montreux Convention, have complete discretionary powers. Belligerent warships—and

only a mere fictitious legalism can pretend that Bulgaria, the aggressor against Yugoslavia and Greece, is not at war—have no right to use the Straits, unless they are fulfilling obligations under the League Covenant or under treaties of mutual assistance registered at Geneva. Not even Goebbels has suggested that Hitler's spawn of Italian henchmen and Balkan quislings are fulfilling any obligations to anybody. Moreover, if at war or "in danger of war"—a status which every nation of the world is entitled to claim since the advent of Hitler—Turkey enjoys complete discretion in the matter of opening or closing the Straits.

Again, Turkey is now the only route to the Caucasus which is not under direct Allied control. Iraq, Syria and Iran, all prepared through years of careful penetration and propaganda to be outposts of German control below the Caucasian rampart, have been taken over by the Allies. The Turkish route, with its through—though faulty—railway communications, its common land frontier, its Black Sea ports and its motor road from Trabzon into Iran, is the last possibility open to the German General Staff.

It is thus hardly surprising that the pressure on Turkey, both diplomatic and military, has been steadily increasing in the last months. The German Ambassador, Von Papen, has shuttled to and fro between Ankara and Hitler's headquarters; the counsellors and the military attaché have been called and recalled for consultations; a "cordial and fraternal" message has reached President İnönü from the Führer every other month; and two trade delegations, the second headed by the redoubtable Clodius, have visited Turkey since June.

On the military front, there has been the unobtrusive mobilisation of Bulgaria, Turkey's traditional enemy; the gathering of a number of mechanised German divisions on the Turco-Bulgarian frontier; the arrival of E-boats at the German controlled Danube and Black Sea ports; and the steady reinforcement of the Aegean garrisons in both the German and Italian controlled islands. These moves, coupled with the extraordinarily favourable strategic situation the Germans achieved as a result of their Balkan campaigns, have placed Turkey in a military predicament which the Germans are doing everything—by threat and hint and rumour and propaganda—to exploit.

In face of this concentration of military and diplomatic pressure, the Turks have undoubtedly given ground. Their position to-day is one of strict neutrality, which the Nazis are trying to whittle away still further into a lenient neutrality on Swedish lines—a "neutrality" which, for example, would not boggle at the transit of German troops or warships. That the Turks' present attitude is a modification of their full and courageous alliance with Britain they themselves would not deny. But they are entitled to point out—and do point out—that their alliance was based upon a dual understanding with Britain and France, and that their guarantee of assistance presupposed the supplies and equipment which the Allies undertook to send. In the event, France collapsed and the equipment did not arrive. This caused the initial hesitation. It was reinforced by the uncertainty of Yugoslav policy under Tsvetkovitch and by the inadequacy of British aid to Greece. It was strengthened still further by the entry of Russia into the war on Britain's side and the fears—totally unfounded but skilfully fostered by Germany—lest Britain and Russia should come to

some arrangement over the Straits at Turkey's expense.

These hesitations have reduced Turkey to the last choice of all, to fight or to submit, if and when she is invaded. Her safeguards against the necessity of making the choice are poor indeed—a treaty of friendship signed in June with Germany, in itself almost a guarantee of aggression; a unilateral offer of assistance by Russia and Britain made in August; and, last of all, the possibility that Von Papen is opposed to the policy of direct assault and may, on the visit he has just concluded to Hitler's

headquarters, have secured the acceptance of his point of view over against the out-and-out militarists. Certain strategic considerations bear out Von Papen's policy of "Swedenisation"—the difficulty of the Anatolian terrain, the unspeakable Turkish roads, the faulty railway communications, the advent of winter, and the determination of Turkey to fight. In the last analysis, it is this more than all the rest that gives a fair chance of continued neutrality to the Turks. They can escape war best if they are willing to wage it.

For Services Rendered

A CAMPAIGN is in progress to loosen the financial controls on wartime industry. Discussions have failed to pin down precisely the causes of insufficiencies in production. It is voiced by business men who wish to lend more weight to the war effort, by earnest civil servants who have wrestled with the problem of production at close quarters, and by economists who have studied it apart. It has now taken a positive shape in proposals to put the profit back into war. There was obviously room for consideration whether some revision of technical, as distinct from financial, controls and some modification of the technical autarky of separate firms might not make possible the rationalisation that is still needed for more output. But applied psychology has replaced planning as a nostrum; and the demand of the *Financial News*, in its special feature programme this week, that the incentives of profits and earnings should be restored to industry, sums up the conclusions that disillusionment and experience have apparently together reached.

This is both a *volte face* and a confession of failure. The determination to restrain the rewards of war work is rooted deeply in the public conscience. Profiteering and inflation have been treated as the allies of the enemy. The contrast between those who are conscripted, or volunteer, to risk their lives and those who stay behind with high profits, high salaries or high wages has been regarded as painful and to be minimised. The belief that duty and danger should themselves be spurs dies hard. Now, the call of the higher criticism is for "realism." It is pretended that the fighting forces are well off, because they are fed, clothed and housed, and do not have to fend for themselves. It is emphasised that the whole aim is to win the war and the only immediate object in industry to step up output. It is argued, after twenty-five months of trial, that output cannot be stepped up sufficiently without increasing the material inducements offered to producers. There has been no major block or breakdown in production, which is in fact reaching new record levels. But the extra that is needed of speed, efficiency and toil is lacking; and the argument of the realists, in their plea for the largest possible output in the shortest possible time, is that the inequity of profiteering or the danger of inflation is preferable to the risk of defeat.

Boosting the War Effort

The case is, then, that industry will not deliver the goods at the present price. Business men, it is contended, feel that they and their shareholders are offered no extra reward for extra output; they can earn the profits allowed too easily. Faced with calls for more effort, trouble and inconvenience, they tend to say that it cannot be done; and the civil servant who makes the calls has neither the time nor the knowledge to do it himself. Similarly, it is declared, workpeople know that many of the essential war jobs, and all wartime technical training, are worse paid than the jobs they are doing. Before the war, iron and steel, engineering, coal mining, agriculture and ship-building, the vital war trades, were depressed and badly paid. They remain unattractive. The suggestion is that business men could be stimulated

into greater activity by a reduction in the Excess Profits Tax (which makes them disinclined to risk more for no more profit), and workmen into more rapid movement by the establishment of higher wage levels in the war industries.

The fact that this scheme, which in one form or another has been making frequent appearances in the last few weeks, seems at first glance to run counter to the moral and economic tenets by which it has been attempted to devise the war economy so far is not sufficient reason for its rejection. Morals and economics must, if necessary, give way to victory. Profiteering, moreover, is too frequently a catchphrase which overlooks the fact that it is profitability that maintains private production in being, even in wartime. It is only "unreasonable" or monopoly profits that are an evil to be rooted out. But the case against higher incomes in wartime itself rests upon expediency as well as equity. The spending of extra incomes upon a dwindling stock of goods and services must mean rising prices and rising costs in an ascending spiral. The de-controllers admit this. They point out that it is the spending, and not the receipt, of higher incomes that brings about inflation; and they advocate that the relaxation of financial controls should be accompanied by a tightening up of the physical control of consumption. The proposals of the *Financial News*—that EPT should be lowered to 60 or 70 per cent (with the payment of dividends restricted again), that depreciation allowances should be increased and that contracts should be given out at fixed prices, without post-costing—are attached to a plan for the comprehensive rationing of consumers' goods and the rationalisation of their manufacture and distribution. The critics admit that workers with higher wages can only be better off, in conditions of wartime scarcity, if other people are correspondingly worse off; and they propose that the rationing of consumption should be designed deliberately to give more to active war workers and less to the rest of the community. The drift of the proposals is that, while the scramble for goods must still be prevented, a scramble for money should be fostered in order to stimulate the war effort.

The contention that some adjustment of rewards is necessary to fit peacetime ways into a war economy must obviously be accepted. But these arguments do not really herald any new discoveries in the technique of wartime organisation. They rather register the fact that the competing interests concerned in the working of the war economy have been unable to agree upon a way of co-operating fully in raising output to a maximum. The situation with regard to wages, for instance, is that after two years of negotiation, the Government, the Trades Union Congress and the employers have failed to reach agreement. Even now, the TUC is not prepared to accept any central planning of wages policy; and the need for an adjustment in rewards between essential and less vital industries has no place in their contention that collective bargaining by individual unions should be left free to operate as in more normal times. The real need is to increase the pay of the lower grades of men and women war workers, for it is into these grades that recruits from other work are required to pass. But the unions stand for all-round increases without distinction—most

for the most powerful unions. On the employers' side, EPT has been effectively applied; and the necessity of proving to the workers that they are being asked to toil for the nation and not for private profit remains unaltered. But the undercurrent of opinion among business men has consistently been of opposition to EPT at a high rate.

False Pretences?

The fact is, then, that a Daniel has come to judgment, not with any new invention, but simply with ways and means of arbitrating between parties in the state who have not been able to arrive at a formula among themselves. And the "damages" which it is proposed to offer to resolve the dispute are themselves not a little illusory. It is proposed to give to firms some 30 or 40 per cent of the profits they earn above their standard for tax. But it is not proposed—cannot be proposed—to permit them to spend this money, except on purposes approved for the war effort by the Government. Similarly, it is proposed to pay workers higher wages. But it is not proposed to allow them to spend these, except where it is possible, by means of differential rationing, to give them a little more cheese or an extra cut off the joint; and the room for differential rationing in wartime, when there is barely enough to go round in any case, is certainly not wide enough to permit any appreciable part of increased wages to be converted into goods.

In other words, the proposal is to pay for an increased war effort by the distribution of IOUs. To the cynically minded, it may seem a strange realism which offers baits that will be undesirable and dangerous if they are translated into real terms—whether it is now, during the war, or after—and meaningless if they are not. It is the desire to preserve and increase the relative share of the workers in the national pool of wealth that dictates the attitude of the Trade Unions; and it is the same incentive of self-preservation that is at work in the board-rooms. It is the post-war future they have in mind. The trouble is that a pledge markedly to increase everybody's intake from the national pool, however attractive it may be politically, cannot possibly be redeemed until peacetime industry has been remobilised and in full blast for a considerable period. It can only be the cause, meanwhile, of potential inflation. The multiplication of incomes does not lead to the multiplication of goods; and to say "yes" to all the claims for a bigger stake is not really a solution of the problem of distributing limited supplies.

On the other hand, it should not be ignored that the inflationists have a very great deal of sound common-sense on their side. Too often, during the war and before, finance has been allowed to impede economic progress. It is unquestionable that no means should be ruled out which might increase the energy and efficiency of war production and raise the output of tanks, aeroplanes, munitions, food and ships; and it is natural that, even in wartime, private industry should be concerned with its self-protection and the contingencies of the future. It is the fact of this inevitable concern for sectional safety that has inspired suggestions for the pooling of entire industries, with holding companies to preserve the suspended rights of ownership and control, so that technique could go forward to the fullest utilisation of resources without reference to the sovereignty of separate firms. In general, the pity is that the urgency of war has not in itself been a greater spur to many of the men and women who are now waiting to work, or to work harder, for a consideration. It is certain that, if the will to win does not exist, the war will not be won. But any general indictment would be unfair. It is the duty of a war government to provide against the avoidable hardships which come from the exigencies or the hazards of war; to compensate the unfortunate entrepreneurs, traders, business men and work people for the losses which are not of their own, but the war's, making; and to bear the risks which in peacetime are borne by those who stand or fall by their balance sheets, but in wartime are incurred on

account of the war or of the Government's war policy. Where it is a well-founded fear for a man's livelihood or his firm's that causes him to hold back from war work or to obstruct war policies, it is the plainest wisdom to remove the occasion or the cause of that fear. It is much more logical to say that only war industries shall make a profit out of the war than it was to argue, earlier, that war industries, above all, must not make a war profit; and it is much more reasonable, and expedient, to say that essential workers shall have extra pay than to set a ceiling to their wages by Order and allow non-essential workers to charge what the traffic will bear. The principle that no man should lose by aiding the war effort or gain by declining to do so is unassailable. While there is a free market for service, its prices or rewards must be rigged to leave, in fact, no choice but to elect war work; and all expenditure which results in increased war output is money well spent—whatever its secondary effects.

The End and the Means

But what is wanted is shrewd reform, not revolution or counter-revolution. To unbridle either profits or wages, at this stage, might release a rush of sectional recrimination that would wreck the war effort—and to no purpose. If rewards and prizes are to be handed out, they must be given for services rendered, not to win a goodwill which, if it is not there already, cannot be bought by bribes. Greater efficiency in management cannot be achieved simply by the disbursement at large of profits which cannot, or ought not to, be spent to people who have little or nothing to do with management. It can only be secured by giving rewards to efficient managers; and the last chapter in efficient wartime production can probably not be written without a measure of further rationalisation which the present independence of separate firms makes impracticable. If it is funds for experimental initiative or extensions of plant that are wanted, there is no guarantee that a firm with its profits doubled will have any more incentive to experiment or extend, with its own future chiefly in mind, than it had before. At any rate, it would seem wise, not only to continue to rely on the existing controls over materials to prevent profits from being used in irrelevant or dangerous ways, but also to release extra profits only for specific and obviously useful expenditures. Nor is it in any way evident that a general levelling-up of wages would establish stimuli where they are most wanted. These arguments too often ignore that there has been no stop on wages hitherto. There has been a continuous rise. The real requirement, for the sake of incentives, is perhaps the introduction of special prizes for high output and, as the *Financial News* recognises, an increase in the wage rates offered by certain forms of desirable activity, such as training, women's war work and some grades of heavy labour—with, correspondingly, a check to pay increases in every kind of non-essential work, from clerking and distribution to professional employment and the holding of directorships.

More output is the aim. If the lowering of EPT in particular cases, when production targets have been reached or passed, can directly achieve this, by nourishing experiment, expansion and initiative, it might be admitted as legitimate and even necessary—just as it is obviously desirable to increase the practical inducements for managers in key work to give the greatest efficiency and for workpeople to enter war employment. But the unshakable fact remains—and the practical psychologists surely cannot deny this—that deliberately to increase profits, simply because standard profits can at present be earned easily and without the extra effort that war needs require, would be to risk a storm of recrimination, which honest men could hardly repudiate. The pressing need for adjustments in wage discrepancies has been repeated in *The Economist* during many months; and the need to raise the working and living conditions of war workers, by the closest, speediest and most comprehensive attention to welfare, canteens, travelling facilities and accommodation, is no less great. It is both expedient

and just, first, that every member of a nation in arms should be brought, by all-in stops on spending and all-round rationing, to a common level of siege consumption; and secondly, that what differences can be permitted in the use of goods and services should be determined by services rendered to the war effort, and not by income grades or social status.

The Role of Finance

These points, which all bear upon the real as distinct from the monetary rewards of effort, are unassailable virtues in the new campaign. Its plain shortcoming, despite the claim to remove financial considerations from the equation, is that the box-office lure of the programme is precisely the magic of finance—the meretricious attraction of swollen pay packets and inflated profit accounts. It is suggested that, for the duration of a war which is more likely to last for years than months, the seeds of a vast and unbridled inflation should be methodically sown, that the costs of both war and post-war industry should be deliberately blown out and that, at the same time and with equal tirelessness, anti-inflation controls should be multiplied apace to neutralise the dangers thus created. It is a weird exercise in well-intentioned ingenuity that would simultaneously pump in social poisons and their antidotes at an ever-increasing rate; and it is perhaps an odd chapter in English history that reveals the pundits, with the enemy at the gates of Leningrad, if not of London, finding this essentially "plutocratic" way to victory, whereby the nation will hold itself to ransom to save itself.

It is true that inflation helped to win the last war. It is true that it probably cannot be avoided during or after this war. And it is true that inflation is far preferable to frustration of the war effort. Finance is a servant and not a master. The point is whether this open-handed courting of grave inflationary dangers, by the broadcast distribution of favours to spur on laggards, will in fact deliver the goods. It is argued that employers and workers are withholding their best be-

cause they are not being paid enough. But this is only a half-truth. The reason why they want more money is not because of the original sin of "economic man." If they are employers or managers, it is because they have, by the nature of their livelihood, to put the present or the future interests of their own firm first; and, if they are workers, it is equally the present and the future of their livelihoods that guide their decisions.

The first step toward implanting an unreserved incentive in managers and workers in their work for the war effort is to make them, in effect, the agents of the community at war, and to remove the peacetime influences which—in the shape of financial autarky and the fear of over-expansion or loss of goodwill—must impede their war work. It is more state control, not less, that is probably wanted, if the war effort is not to be resolved into a confusion of competing claims; effective central planning and allocation in the technical field, if the regional decentralisation, which the *Financial News* rightly says is necessary, is to work; and a single centralised wages policy, if the programme of wage adjustment is to mean anything.

The proper use of finance is to secure by compensation the irrelevant peacetime interests of separate firms, which cannot be recognised in the day-to-day decisions on war production and should be frozen for the duration; and to guarantee the welfare and the well-being, now and after the war, of the workers who have been wrested from their normal livelihood. It is not to titillate peacetime incentives, which cannot solve and considerably complicate wartime problems, but to remove them from the path, that should be the aim. Then the straightforward task of giving managers and workers the incentive, not of higher average pay, but of efficiency premia for higher output, could be put in hand. No personal or technical means need then be lacking for the full organisation of war production; and the rewards that are due for services rendered could go to citizens serving their country—and not to men and women bewildered by a conflict of public, private and personal loyalties.

Far Eastern Ally

THERE is news of fresh fighting in China. After a lull of many months, the Japanese are attacking in Hunan and their objective appears to be the town of Changsha. Nevertheless, the scale of the new campaign, in which some five or six Japanese divisions are engaged, should not mask the fact that the "China incident" from the Japanese point of view is tending towards a stalemate. The Japanese are in control of the principal towns and main lines of communication in the five northern provinces and in the coastal regions as far south as the Yangtse river. Inland, their control reaches up the Yangtse as far as Ichang, and they command the right bank of the Yellow River as far as Kiangchow. In the south, they have a firm hold on Canton and Amoy, but they have recently abandoned Swatow, while their irruption into Kwangsi, where Nanning was for a short space occupied, came to an end late last year. For the rest—some fourteen provinces—China is solidly controlled by the National Government of General Chiang Kai-shek. It seems as though the Japanese have now occupied as much of China as their resources permit. Their inability to advance further into south and west China springs from the tough resistance of the Chinese on the marches; from the activities of the guerillas, who operate almost unchecked in the hinterland of Japanese occupied territory, with the result that only the lines of communication and the cities are securely held; and from the diversion of resources for which Japan's ambitions in the South Seas are largely responsible. The million men in China do not exhaust Japan's military material; but the evacuation of Nanning in December

1940, and the transference of the troops to Hainan and Indo-China, illustrated the extent to which the extension of Japanese control southwards was tapping Japan's reserves of man-power. In the brief months between the Russo-Japanese Non-Aggression Pact and the German invasion of Russia, the Chinese feared a reduction of the garrisons in Manchukuo and the despatch of these seasoned fighters to the Ichang front for a drive on Chungking. These anxieties were allayed by the German attack. Since June, the Japanese have been, if anything, transferring more troops to the Manchurian frontier.

Japan's action in China, with this military stalemate, is concentrated on wearing down the resistance of Chungking by economic and political attrition. The closing of the Burma road by Britain in the summer of 1940 raised high hopes at Tokyo, and Free China passed through the most critical months of its resistance. Since the reopening of the road, it has been under heavy fire from Japanese bombers, now stationed in Indo-China. Another Japanese expedient is to intensify the blockade of the Chinese coast by constant raiding, although to close the whole coast from Haiphong to Shanghai would be like stopping every hole in a hosepipe whose rubber has rotted. Goods slip in to every creek and inlet, and move by circuitous routes, often through nominally occupied territory, to the west. To counteract this, the Japanese made a number of sudden descents on the coast during the spring of this year, at Mirs and Bias Bay above Hongkong—to close the route through Shingchow and Waichow—and, a month later, the coast of Kwangtung from Pakhoi to Towshan was occupied.

The Japanese were able to seize thousands of dollars' worth of goods destined for Chungking—Pakhoi proved a particularly costly loss. Once again, however, the Japanese have apparently insufficient resources to maintain a total blockade, and Kwangtung has been virtually re-evacuated.

The Japanese have had some hopes of using political attrition to break the resistance of Chungking. The Nanking Government of Wang Ching-wei was formally recognised in November last. Axis recognition followed some six months later. The Japanese still feel that if some kind of order can be established in Central China, and some degree of respectability conferred upon Wang, then Chungking's resistance will peter out. There is no peace party proper at Chungking; but there are a certain number of men who are in exile from their homes on the coast, and whose reactions tend to fluctuate with the fluctuations of Free China's fortunes. But Wang remains as isolated as ever.

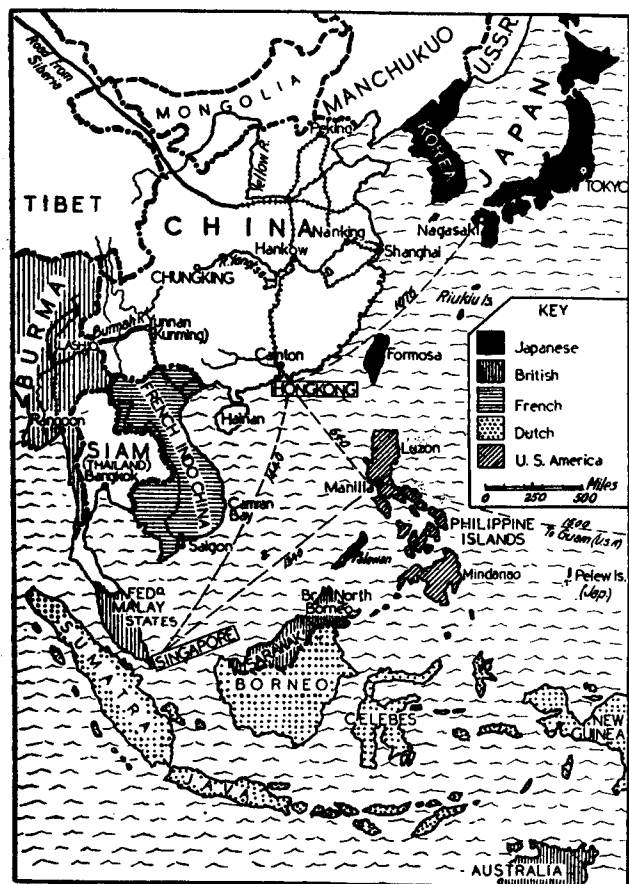
Chungking has rejected all peace feelers with contempt, in the knowledge that the position is more favourable

except by the Communists, who only form about 2 per cent of General Chiang's followers, and whose importance has probably been exaggerated by outside observers. Their stronghold is still Shansi, and they have a permanent itch to transform the outer fringe of China into another Outer Mongolia, under indirect Soviet control. Their relations with the Generalissimo tend to resemble an armed truce; but, as a disruptive element, they would be dangerous only if General Chiang's position were seriously weakened by defeat or internal collapse. Otherwise there is more unity and co-operation between the provinces, and more authority vested in the Central Government, than at any previous time in Chinese history. And the authority spreads far beyond the absolute limits of occupation. Officials come and go across the shadowy frontier; guerillas re-equip behind the lines; there is a constant exchange of goods and widespread smuggling between occupied and Free China.

Economic reconstruction has gone on rapidly since the transference of the Government to Chungking. Some industry travelled with the Government, bringing its equipment by barge and river-boat or dragging it by hand over the mountains. The classic example is the Chung Fu Joint Mining Administration, which transferred 120 thousand tons of equipment to the south-west. The Government has encouraged new industries through private enterprise, and has entered the field itself, controlling ferries, food stores, certain heavy industries, munitions, motor-fuel and transport. Free China's most original contribution—the China Industrial Co-operatives, a movement launched in 1938 by the energy and inspiration of a New Zealander, Mr Rewi Alley—covers over 1,500 co-operatives to-day, and every kind of manufacture. These co-operatives are organised in three zones: a guerilla zone where little but the immediate military needs of the guerillas are catered for and nearly all the equipment is portable; a light industrial zone on the fringe of the Japanese advance; and an inner zone where certain heavier industries have been launched.

Observers report in Szechwan something resembling boom conditions. The end of the old war-lord—*tuchun*—predatory rule has in itself increased prosperity. The transfer of industry has done more. Nevertheless, it is the economic front that causes the Chinese Government the greatest anxiety. Industry may be booming; but the strain on the resources of the south west is immense. Prices are spiralling up; the food shortage is acute; and, although food-hoarders and speculators have been executed in Szechwan, food control in some districts is reported to be impossible. A further anxiety exists lest the Japanese should extend their blockade to the whole of the "South Seas." The eight million Chinese scattered through Indo-China, Malaya, Burma, the Dutch East Indies, and the Philippines, have supplied something like \$800 million towards Free China's equipment, and bear the brunt of relief and Red Cross work.

In the last resort, however, Free China's fate depends, not on the encroachments of Japan, nor even on its own exertions, but upon the outcome of the world struggle of which the Sino-Japanese war is only a part. China has had to suffer more than any other state from the appeasement of others. Chungking has been bombed by planes using American petrol; the cities of China have fallen to soldiers wearing British wool and carrying weapons forged by British machines. Year by year, China has watched the struggle draw nearer to the appeasers and watched the frantic efforts of Britain, the United States and Russia to avoid it by further appeasement. To-day, the fronts are all but declared, with China, the United States, Britain and Russia ranged against the Axis Powers—almost but not quite. There is still a loop-hole for appeasement in that Japan still hesitates on the brink of Thailand, and the United States still holds back on the brink of war. Although China has fought the universal war against aggression longer than any other Power, she is condemned to remain a somewhat neglected ally unless or until Japan decides on war with Britain and the United States. And there is obviously a desire on both the Japanese and the Anglo-Saxon side to avoid this last breach.



to-day than it has been at any time since the war began. The change is, of course, mainly due to changes in the international field. But, even at home, under extreme difficulties, progress and consolidation are apparent. About a million men have now received training as regular soldiers, and as many more are under training. It is impossible to estimate the number of irregulars in the field. It must be in the neighbourhood of two millions. These men can now be fully supplied with ammunition and small arms of Chinese manufacture; and a rising proportion of their machine-guns and light artillery is made in China. For heavy artillery, tanks, and aeroplanes, Free China is entirely dependent upon outside supplies and looks particularly to the United States.

That Free China, thrust out of the rich coastal and river plans into the mountainous west, is able more or less to support about half the population of China, to absorb well over 60 million refugees from occupied China and, over and above, to equip an army is due to certain very definite improvements in the organisation of government, industry and agriculture. The authority of the Supreme National Defence Council is unchallenged,

NOTES OF THE WEEK

Allies in Conference

The first inter-allied Conference was held at St. James's Palace on June 12th. Since then, two major events have transformed the background of Allied co-operation. The Russians have joined the list of Hitler's foes and victims; and the Prime Minister and President Roosevelt have enunciated the Atlantic Charter. At their second meeting, on Wednesday this week, the Allies universally endorsed the Charter, and agreed to the establishment of machinery to meet Europe's problems in the period immediately after the armistice. As a first step, a bureau, under the chairmanship of Sir Frederick Leith-Ross, is to be set up, which will act as a clearing house for Allied information on post-war needs and possibilities. To the principles of the Charter and these short-term plans for European reconstruction, M. Maisky committed the Soviet Government, with only one reservation—that the bureau should assume an international character as soon as possible. Other features of the Conference were a several and joint claim by Poland and Czechoslovakia that the problem of retribution should be fairly considered, and a significant reminder by Dr Van Kleeffens that Clause 4 of the Atlantic Charter might be rendered nugatory if the phrase "with due respect to their existing obligations" were narrowly interpreted.

The Advance Continues

Things have gone badly for the Russians in the south. The pincer movement, southwards from Gomel and Chernigov, and northwards from Kremenchug, secured its objective, the encirclement of Kiev. The Russians abandoned the city, and although no reliable estimates exist of the numbers of Budyonny's armies to have been trapped and captured—the German estimate of 50 divisions is fantastic—the Russian armies in the south have undoubtedly been severely shaken, and the degree of disorganisation inflicted on them probably accounts for the speed with which Von Rundstedt's divisions have taken advantage of their control of the Lower Dnieper to advance to the sea of Azov, cutting off the Crimea, and threatening the Donetz industrial area from the rear. It is here that the next offensive in the campaign will almost certainly be launched. If the Russians retreat to the Don-Volga line, then Kharkov and the Donetz basin, and with them 60 per cent of Russia's industrial capacity, will be lost. The shape of a new encircling movement is already discernible in the southern thrust towards Mariupol and Taganrog, and the northern thrust through Poltava. The Germans have manoeuvred Budyonny into the dilemma of either defending the Donetz area and risking encirclement or withdrawing his shaken armies intact, and abandoning the whole vital area. In the north, Timoshenko's and Voroshilov's armies are faring better. It appears that practically the whole of the Smolensk salient has been hammered flat, and the fate of the town itself is in question. On whether Timoshenko can develop this local effort into a full-scale counter-offensive against Von Rundstedt's Chernigov-Kharkov flank, the fate of Budyonny's armies very probably depends. Round Leningrad, the Germans have made little progress, and one factor is held in common by all three fronts—the fantastic losses sustained by both belligerents.

The Neutrality Act at Last

The sinking of the *Pink Star*, following so soon on the President's "shoot first" order, has helped to underline the division of opinion between isolationists and interventionists—which is doubtless what the Nazis intended it to do. There is no evidence of a massive German attack upon American shipping. On the contrary, the Nazis appear to be going out of their way to choose doubtful borderline cases—the *Pink Star* was under Panamanian registry and had no American citizens on board—so that the issues in the consequent dispute in America and in Congress can be confused. It is, in a word, a policy of pinpricks designed to embarrass the Administration and exasperate public

opinion. The isolationists appear to have fallen into the Nazi's trap and are putting the German case with even more cogency than the Germans themselves. The interventionists on their side are calling for more definite measures. The President admits that the arming of merchant vessels is under consideration and is obviously feeling his way towards new action. The Secretary of the Navy, Colonel Knox, used the occasion of the launching of the 35,000 ton battleship *Massachusetts* to come out openly in favour of the repeal of the Neutrality Act. This method of putting up a subordinate to make a crucial speech is the President's favourite way of testing the support of public opinion for any measure he has in mind. It is too early yet to assess the reaction to Colonel Knox's plea, but it is an illuminating pointer to the direction in which the President's mind is working.

Rogues and Vagabonds

To the normal, law-abiding citizen, the black market is in all probability no more than a name. Yet, the news that in the near future the Director of Public Prosecutions is to take action against a considerable number of persons charged with dealing on the black bourse shows clearly that this underworld organisation has assumed considerable proportions. The charges are the result of extensive investigations undertaken jointly by the Enforcement Department of the Ministry of Food and Scotland Yard. What they reveal has only yet been hinted at, though it is denied that the country's invasion reserve has been tampered with, or that food has been stolen from the Ministry while in transit. The news demonstrates very clearly that orderly food distribution under war conditions cannot be ensured

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merely by appeals to the public to resist temptation. In the black market, the only remaining *pseudo* free market in the country, potential demand is the factor which makes the game worth the candle, despite the superior bargaining position held by the seller when actual transactions are in progress. Nor is there much probability that the offence, which combines the unpleasant characteristics of profiteering and sabotage, can be stamped out by the imposition of fines, however high. To raise the fine is merely to raise the stakes, and the ultimate incidence is certain to fall upon the misguided clients of the black market, who, though they deserve no sympathy, should not be allowed to buy off the black dealer himself. The only remedy is police investigation, coupled with imprisonment. This conclusion carries no implication that Britain need imitate the police methods of the Fascist States. There is a precedent in the prosecution of all illicit traffic, whether in drugs, drink or white slaves, to which the League of Nations itself has pointed the way. But exhortation is not enough, nor is the attempt to see that the transactions do not pay in money terms, for the dealers in question are a slick lot capable of turning most bargains to their advantage.

All-out Production

The public has lately become, not only increasingly conscious of the need for all-out production, but also of some of the obstacles in the way of its achievement. This is all to the good. The investigations of the *Financial News* into difficulties and remedies are discussed in a leading article on page 375. The Labour Research Department has convened a conference on production at which several hundred trade union delegates were present; in the view of many of the delegates, bad management was impeding production. The Engineering Industries Association has published a pamphlet setting out how production should be organised; its chairman, Mr E. C. Gordon England, alleged that war production in engineering industries, "measured by square foot of factory space or pound weight of product per man hour," had actually declined—which is not surprising when it is considered that in wartime every available resource has, willy nilly, to be pressed into service by dilution and improvisation. Beyond a point, average productivity over the extended range of industry must go down as total output is expanded. The Association suggests that the function of the Supply Ministries should be to buy, and that the responsibility for organising production should be the manufacturers, who should be given the full authority needed to carry out the task. Since the net addition to the country's labour force that can still be expected is comparatively small, the emphasis of responsible criticism is rightly placed on expanding output by increased efficiency. While it would be quite wrong to suggest that there has been no improvement in efficiency in the past year, the scope for a further expansion in the output per man hour is probably considerable. In war, as in peace, it is always possible to improve upon the existing organisation and technique of production. And, in this sense, output at a given moment must always be below the possible, even provided that raw materials are available. The rate of progress can be speeded up, not by a wave of the hand or the creation of some new machinery, but by the whole hearted and continuous application of brain and brawn to the single purpose of winning the war.

Freedom of the Press

The concern of the Institute of Journalists, at their meeting in London last week, for press liberties found curiously confused expression. The usual vendetta of press interests against broadcasting was taken up, and the proposal made that the listening millions should be deprived forthwith of the early morning news bulletin—simply to freshen the morning newspapers. It is a loss that the BBC has no rival on the air, and if some means of two or more competing utility corporations could be contrived, it would be a gain—in peacetime. But, war or peace, there is no rhyme or reason in this demand for journalists to silence the news readers; and, in war conditions, it is doubtful whether a single extra copy of the morning papers could profitably be sold, if the ban succeeded. This is restrictionism of an all too familiar kind. In matters that are more properly the concern of the press, also, the Institute took a somewhat rigidly professional view. It is excellent that journalists

should ask for a Minister of Information with "authority of decision" and for release from the "paralysing control" of the Service departments. But it is mere axe-grinding to suggest that the Ministry should be staffed by "expert journalists." Journalists there should, of course, be in the Ministry—and are—to interpret the problems of news distribution and to assist in the process of its presentation. But a wholesale transfer of journalists to the Ministry would not noticeably improve its aptitude. For one thing, it would not be the best who would go—they would stay at their jobs—but the second rate; and the suitability and average ability of journalists is, to say the least, not obviously above that of the assorted callings from which the long succession of MOI administrators have come. It is, of course, right that organised journalists should resist every attempt to curtail their freedom; and the Institute's attacks on the secret sessions of local authorities and on alleged attempts, by by-paths, to curb press opinion were unexceptionable. But any appearance of a "closed shop" attitude must lessen the weight of loftier professions. In general, there has been little or no direct oppression of views since the war started. The banned *Daily Worker* is back again as the *British Worker*—apparently in contravention of Regulation 2D, which lays down that the ban shall have effect with respect to any newspaper under any other name if it is in any way a continuation of, or a substitute for, the banned newspaper. Mr Morrison is "watching developments"; but common sense will probably allow the reincarnation time to prove itself. It is the choking of news that journalists have the most occasion—and duty—to resist; and they should not lead themselves into wasteful digressions. It is their liberty—and not their liberties in any feudal sense—that they have to watch.

Terrorism in France

The wave of arrests and executions which followed the *attentat* on Laval shows no sign of abating. On the contrary, the savagery of the German reprisals has reached a new pitch, and, particularly in the Paris area, the firing squad is in action daily. The unrest is not confined to Paris. In unoccupied France, too, the special courts and special police measures instituted recently by Marshal Pétain are now in operation, and from the Pas de Calais to Marseilles, France is convulsed by the sabotaging activities of the patriots and the crushing counter-action of the German and, to an only slightly lesser extent, of the Vichy authorities. The saboteurs are invariably executed as "Communists." However, just as Laval's assailant proved on examination to be a de Gaulle, it is highly probable that a great part of the sabotage is committed by men whose political objectives are concentrated on the liberation of France. If the Communists, as a more highly organised and integrated body, are able to exploit this ferment of outraged patriotism, the authorities at Vichy have only themselves to blame. By collaborating with the invader, they have finally and utterly discredited any ideas or principles for which they profess to stand; and, since these ideas are supposedly Christian, authoritarian and traditional, the natural reaction against Germany is now tending to take—inevitably—an anti-Christian, anti-traditional and revolutionary line. Any statesman of reasonable intelligence could have foreseen this development; but fear, cupidity and blind prejudice, not reason and goodwill, have been the mainsprings of action at Vichy. Now, between the radical revolt and the reactionary repression, the voice of a France wedded to neither extreme is lost. Some may even question whether it has not been permanently silenced.

The Free French National Committee

It is against the background of universal but uncanalised revolt in France that General de Gaulle's decision to call into being a *de facto* government in the form of a Free French National Committee, seconded by a National Advisory Council, must be seen. This step is in part a logical development of the structure of the Free French movement. When General de Gaulle raised the standard of continued resistance, his task was primarily and avowedly military—to rally as many Frenchmen as possible to the flag of Free France. His status as Commander-in-Chief of the Free French Forces and the assistance of his General Staff roughly met the needs of organisation in the first days of the Movement. With the decision of French

Equatorial Africa to join General de Gaulle, new problems—but still primarily of defence—were created, and to meet them the General established his Defence Council of the French Empire, a body which will continue to fulfil its—military—functions within the new structure of government. A new phase was clearly reached when, after the collapse of Vichy's resistance in Syria, the future status and present administration of Syria and Lebanon had to be negotiated by General Catroux in the name of Free France. It was obvious that an increasing number of the tasks and problems facing the Free French Movement would be political, and would thus require a different set of organisations and a different type of official to deal with them. This is the necessity from inside the Movement itself that has created the need for the new Committee. The external necessity is, of course, the state of revolt in France and the need to make it vocal, otherwise than through the false and distorted pronouncements of Vichy and Berlin. Here the relations between the new Committee, the Movement and the unorganised forces of resistance inside France are still in a very fluid state. The General has referred to the functions of the new Committee in terms of "trusteeship." For the time being, it probably cannot be more closely defined. Nevertheless, the existence of the Committee does create a new situation which the British Government is no doubt considering with care. The problem of recognition is complicated by the attitude of both the United States and Canada, who have formal diplomatic contacts with Vichy. Nevertheless, the present position is anomalous, and everything should be done to remove any anomalies which tell in the favour of the Vichy regime—a regime which is not scrupling to make war on its own people.

National Health

The Government has congratulated the country on the state of its health. Last week Sir Wilson Jameson, Chief Medical Officer of the Ministry of Health, stated that most infectious diseases, including cerebro-spinal fever, were on the decline, and that, although whooping cough was still prevalent, the number of cases had dropped from 4,000 to 3,000 a week. In fact, at the end of the second year of the war "we have every reason to be thankful for the health of the country." Fortunately, Sir Wilson added that every conceivable care should still be exercised, because national health reports since the war began have been so universally good that there is a danger lest local authorities—and the general public—should become complacent, and relax their precautions. In spite of the present good state of the country's health, there is both a short-term and a long-term danger. There is the possibility of a widespread epidemic which would do more harm to the war effort than air-raids, and there is the probability that the pre-war gradual improvement in the health of the people, especially of the poorer classes, will be checked, even if the trend is not reversed. The country is still living to some extent, in matters of health, on its pre-war reserves, which will dwindle; Sir Wilson stated that there had been a rise in deaths from pulmonary tuberculosis, and other official statistics show an upward trend in new cases of tuberculosis since the beginning of 1940. The fact that there has been no big epidemic so far, in spite of the shelter conditions of last winter, does not mean that there will be no epidemics in the future; and there are strong reasons for doing now everything that can be done to increase the resistance of war workers—real war workers—to disease. This implies improved welfare conditions, and especially the best diet that war conditions can allow, taking into consideration both the views of food experts and the workers' own preferences. Similarly, the long-term danger can best be warded off by paying special attention to the diets of children. They already receive priority with regard to milk and blackcurrant juice, and will be given it for oranges; the principle might be extended to eggs and fish. And since, unfortunately, there is no guarantee in many cases that the children do, in fact, get the special foods to which they are entitled, school canteens should be encouraged—if possible, made obligatory—and the possibility of special canteens for child factory workers considered. Discriminatory food distribution is administratively difficult. But, for these two classes—war workers and children—discrimination may be a step, in the one case towards winning the war, and in the other towards winning the peace.

Mr Fadden on the Brink

Sir Earle Page has left for London, taking with him one of the Government's meagre votes and leaving it entirely dependent for a majority on the support of the two Independent members. How precarious is his position has been revealed this week. The use of what may be called a "Swinton Fund" for security purposes had been revealed, and the Labour Opposition challenged the right of the Government to extend it to anti-Communist propaganda as has been done since February, 1940. Fortunately, both Independent members voted for the Government, which therefore secured a majority of one. But the real test will come with the Budget statement, which is imminent, and there is every sign that Labour intends to fight proposals for heavier taxation on lower incomes tooth and nail. Superficially, Mr Fadden's Budget problem is made easier by the fact that war expenditure in 1940-41 was below the estimates, so that the gap is less than was expected and the need for increased taxation is less apparent. Actually, however, war expenditure was below the estimates because the output of munitions aimed at was not achieved; and output was below the estimates because, partly at least, civil production has been allowed to expand alongside war production; and civil production has expanded because taxation, in spite of the big increases of the last Budget, is still not heavy enough to damp down the demand for consumption goods. This is another aspect of the vicious spiral. At a recent meeting between the War Council and representatives of the Commonwealth Bank, however, the Labour members of the Council argued that bank credit should be used as an alternative to high taxation, borrowing from the public or the curtailment of civil consumption. They refused to accept the Bank's contention that the use of bank credit must be supplemented by checks on spending by the public, and if the new Budget proposes—as it must do if war production is to be expanded—heavy tax increases, it can be sure of a stormy reception.

Quiet in Iran

Iran has broken off diplomatic relations with the Axis Powers and, for the time being, the process of initiating the new regime is going smoothly. Almost all the Axis agents have now gone to internment, although one or two appear to have escaped to Turkey, and the Mufti is still in hiding. But it has not been necessary for the Allied troops to enter Teheran, and the abdication was not accompanied by any disorder. For the time being, the ex-Shah is living at Isfahan and is expected to go to India. His journey should be expedited by every possible means. The new Shah, Mohammed Riza, has undertaken to respect the constitution; and the new government, which is to be formed by the old Prime Minister, is expected to make radical reforms in the administration of Iran. A basis for a great expansion of public works and services exists in the £10 millions held abroad by the ex-Shah and the extensive industrial and mining interests directly controlled by him—all of which he is reported to have made over to the state. However, the only form of public works the Allies should encourage at the moment is a lightning expansion of the transport system on a really ambitious scale. If the task is difficult, that is only an additional reason for attacking it at once. One of the lessons of experience in Greece and Crete was the alarming difference between the British and German use of the time factor. The Caucasian front may be the key to Allied resistance. The plans for feeding it must be laid now.

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Transport by Canal

Fortunately, Britain's transport system is both capacious and flexible. But, under the strain of war conditions, it is imperative that the various means of transport should be operated as a unit, while each of the separate facilities are used efficiently. In particular, it has long been recognised that better use should be made of canals. Mr Frank Pick has recently carried out an investigation into the canal system and, as a result, the Ministry of War Transport has decided upon drastic action. A Central Canal Committee, which will meet under the chairmanship of Colonel J. J. Llewellyn, Parliamentary Secretary to the Ministry of War Transport, to advise him on questions of policy affecting inland waterways, and to co-ordinate the work of the six regional canal committees, has been appointed. The regional committees, including, apart from canal members, representatives of other forms of transport and of Government departments, have been strengthened. Their main functions are to organise the effective operation of the canals and the efficient working of craft; to survey traffic possibilities and to make sure that traffic conveniently water-borne is allocated to the canals in so far as this is practicable; to minimise empty running, and to ensure that carriers keep their craft manned and in good repair, arranging, if necessary for the pooling of barges and investigating unreasonable delays; to ensure adequate maintenance and dredging of waterways, and to arrange for the loan of equipment and staff for this purpose. While the additional traffic that the canals can carry must not be exaggerated—and shortsight in the past has left them lacking in equipment and man-power—efficiently operated, they can contribute considerably to the alleviation of the transport problem in certain districts, especially in the carriage of heavy and bulky materials, such as coal.

Reservation and Religion

Mr Bevin's refusal to regard the Oxford Group as a religious body for the purposes of the Schedule of Reserved Occupations has aroused a considerable amount of protest, and the matter is to be raised again in Parliament. Only men in holy orders and regular ministers of any religious denomination are exempt by law from liability for military service; but, according to an answer given by Mr Bevin in the House, lay evangelists, who have been engaged whole-time since before September, 1939, by a recognised religious body, in religious work analogous to that of a regular minister of a religious denomination, are reserved by the Schedule of Reserved Occupations. He does not, however, regard the Oxford Group as coming within that category in spite of the opinion to the contrary expressed, it is stated, by leaders of the Church of England, the Church of Scotland and the Free Churches. This is claimed to be an unfair discrimination; but the point at issue is surely not whether the Group is, or is not, a religious body, but whether the work that its members are doing is of greater importance to the war effort than serving with the armed forces or in industry. The work that the eleven "key men" in question are doing may certainly be of importance to the Oxford Group; it may, more questionably, be important to the future of religion in the country. But it can hardly be regarded as essential work, even on the present very wide interpretation of that phrase. There is nothing in the Group's religious work that could not be covered by the recognised religions; nor is there anything in its somewhat peculiar methods of evangelising that its followers could not pursue within the armed forces as well as without. If the Group's supporters plead unfair discrimination, the solution is to rescutinise the work done by the lay evangelicals who are reserved, with a view to releasing them for military service. Grounds for exemption and deferment must be narrowed, not extended, and the final arbiter on what is essential work must be the Minister of Labour and National Service, not the Archbishops.

Error and Apology

On page 344 of *The Economist* last week, the aid allotted to countries resisting aggression by the United States under Lease and Lend was grossly underestimated—underestimated fourfold in fact. The value of actual programmes under the original Lease and Lend appropriation last March was given as nearly £400 millions, instead of

nearly £1,600 millions, and the total original appropriation as £440 millions instead of £1,750 millions. The way in which this unpardonable error occurred is obvious. It is an example of the misrule of four. Four is the factor used to convert pounds into dollars by multiplication or dollars into pounds by division; and for some inexplicable reason these Lease and Lend totals, already translated into pounds, were treated as dollars to be reduced into sterling. These two figures were not an integral part of any argument in the article in which they appeared; but their wide inaccuracy none the less calls for this explanation and an apology. The facts of Lease and Lend are simple and impressive. The original appropriation in March totalled \$7,000 millions or £1,750 millions; and the new appropriation asked for last week was \$6,000 millions or £1,500 millions—making a total allocation (which must, of course, be distinguished from orders and, still more, from deliveries) of \$13,000 millions or £3,250 millions.

Shorter Notes

The arrival of King George of Greece and his Government in this country has coincided with reports of the new Greek armies in the Middle East, which are equipped to carry on the struggle side by side with their Allies. Both the King and his soldiers are trebly welcome—for their gallant resistance, for their resolution to fight on, and for their confidence in a final Allied victory. For the time being, they bring this country more than it gives, in either help or thanks. The help can be made good, the gratitude, never.

Thanks to the efforts of Mr Brendan Bracken and the co-operation of Cable and Wireless, a considerable improvement in spreading the news within the British Empire should take place from October 1st. On that date the company will reduce its rate for Press telegrams, exchanged between Empire countries, with the temporary exception of Eire and Burma, from 2½d to 1d a word.

The Fire Prevention Executive, which was established last January under the chairmanship of Mr W. S. Morrison to direct and stimulate action by the various authorities concerned in fire prevention measures, is being dissolved. Now that fire prevention has been codified, the Executive has largely become superfluous, but what functions it still has will be discharged by the new regional and national advisory councils.

The Capetown Institute of Medical Research claims to have isolated a causative organism of influenza and hopes that the vaccine which it is preparing will be wholly successful. Too many similar claims have been made in the past for any premature rejoicing, but the Institute certainly seems fairly confident, and if it is right, an outstanding victory will have been won. The research has been undertaken at the request of the South African Defence Department "in view of the possibility of a repetition of the scourge which swept the world in 1918" and which, it may be added, killed ten million people, three million more than were killed in the war itself.

The following table gives the number of civilian casualties in air raids since September, 1940:—

	Killed	Injured and 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
June	399	461	860
July	501*	447	948*
August	169*	136	305*
Totals to date....	40,747	51,581	92,328

* Including missing and believed killed.

Of those killed in August, 56 were men, 72 were women, 28 were children under 16 and 13 were unclassified, compared with 199, 186, 75 and 41 respectively in July.

THE WORLD OVERSEAS

Soviet Peasantry

(By a Correspondent)

September 12th

THE conflict between the collectivist state and the "individualist" peasantry has marked the whole history of the Soviet Republics. It has not only ruled their domestic affairs; it has also frequently determined their position in the sphere of international politics. Dramatic turns, such as the promulgation of the NEP or compulsory collectivisation, were the climacterics of the development. But in a latent or semi-latent form the struggle has never ceased, and the importance of the relations between state and peasantry in the present war can hardly be overstated. The supply of provisions to the fighting forces and industrial centres, the morale of the army, the prospects of guerilla warfare—these are the issues involved.

To speak at present of the economic individualism of the Soviet peasant, of an unqualified individualism, would be a mistake. In fact, the framework of the Kolkhoz system has gained considerably in stability during the decade that has elapsed since its forcible imposition upon Soviet agriculture. The bulk of the peasantry has somehow put up with the new forms of organisation, and it is open to question whether a wholesale return to small ownership of land is technically or economically still practicable, even should political circumstances favour it. The individualist tendency in agriculture has taken on a new shape. It is now directed, not against the very existence of the Kolkhoz (as was the case in the early 'thirties), but at gaining the largest possible scope for private interests and private benefit within the bounds of the Kolkhoz system. In this form, however, the individualist tendency has gathered sufficient strength and momentum to strain at times the whole collectivist structure. The policy of the Government has been to steer a zig-zag course between meeting and curbing the peasants' demands, and, during the last year, war considerations have played a predominant part.

The most striking feature of the movement has been the reappearance of small privately cultivated holdings within the bounds of the collective farms. At first these holdings were regarded as "kitchen gardens" for the domestic use of the peasants. But it soon turned out that the peasants devoted much labour to these private strips of land, and by intensive cultivation they increased their produce so much that they could sell it profitably on the markets. The result was that they tilted their small allotments with ever greater industry and neglected their duties to the Kolkhoz. While the small kitchen gardens producing marketable goods flourished, the large collective fields were left without sufficient care. On the top of this, there developed a general rush to add to the size of the private holdings at the expense of the collective land. The same thing happened with collective cattle, which were shared out, in relatively big quantities, among the Kolkhoz members.

The Government felt itself compelled to stop this menacing tendency, and during 1939 a series of measures was taken "against the seizure of collective property." The maximum size of private allotments was fixed at two hectares; any land in excess of this had to be returned to the Kolkhoz. Similarly, a maximum of cows, horses, etc., allowed for private possession was fixed. Another series of decrees, issued in the second half of 1939 and at the beginning of 1940, aimed at strengthening labour discipline in collective farms. Obligatory minimum periods of individual labour to be done on Kolkhoz fields were set; and severe repressive measures were imposed, such as the ejection of "sluggards and idlers" from the Kolkhoz, which, of course, entailed the forfeiture of their private allotments too. Simultaneously, the burden of taxation—that is, the amount of grain, meat, and so on to be delivered to the state by collective farms—was increased, partly in order to meet the requirements of the then envisaged grain exports to

Germany, but mainly with a view to building up war stocks of foodstuffs.

On the whole, the first year of the Second World War was a period of rather strained relations between the state and the peasantry. Whatever these measures may have achieved in the way of saving the Kolkhoz system from disintegration and of stiffening labour discipline, they were certainly not conducive to the satisfaction of the peasantry. The whole policy ignored the personal interests of the peasants, and relying almost exclusively on administrative measures, it failed to give the Kolkhoz member any economic incentive to increase his productivity of labour; the peasant was, in fact, linked to the Kolkhoz by decrees rather than by his own economic gain.

The period immediately after the collapse of France marked here, as in many other spheres of Soviet policy, a new turn. Confronted with the increased German danger, the Government embarked upon a sort of "appeasement" policy towards the peasantry. During the second half of 1940 and the first of 1941, important reforms in agricultural taxation and wages—the two main channels through which the Government is able to shape conditions in the countryside—were carried into effect.

The Need for Incentives

Agricultural taxes are paid in kind by deliveries of grain; meat, dairy produce, etc., to the state. Prior to the reform, the rates of deliveries were fixed in relation to the total output of a Kolkhoz. The rates were excessively high; actually only about 40 per cent of the output fell to the farmers. Local authorities had the right to alter the rates at will. Frequently a prey to their arbitrariness, the peasant was unable to work on the basis of any sound calculation; every now and then he found that the bigger the crops of his Kolkhoz, the bigger grew, not only absolutely but also relatively, the state's share in it. Hence, the lack of interest in Kolkhoz affairs, the fall in the productivity of labour and the rush to the intensive cultivation of private allotments. The reform puts the whole system of taxation on a new basis; under it, the rate of deliveries to the state is fixed, not in proportion to the total output, but in relation to the acreage of the farm. A maximum tax per hectare has been established, and the powers of local authorities to alter the rates have been cancelled. Once the state's share in the crops (per hectare) is known beforehand and remains stationary, the peasant should find it profitable to apply to each hectare more of his labour than before; the surplus produce is sure to remain his.

Another rather awkward point of the reform is that every farm has to make deliveries of a variety of goods; grain farms have to deliver not only grain, but also dairy produce, and vice versa. This is probably aimed at encouraging mixed farming, which should make smaller areas self-supporting in foodstuffs and thus relieve transport for war purposes. Whether this is easy to attain in view of the policy of specialised farming, which was pursued for many years, is difficult to say; in the meantime, a strange, wasteful barter has ensued between farms of different types which try to procure goods they lack in order to deliver them to the state. Whatever the shortcomings of the reform, it clearly tends to underpin the structure of the Kolkhoz by holding out economic inducements to the peasant and by allowing more scope for his private interests.

The new wage scheme pursues the same end. Previously, wages to Kolkhoz members were calculated per work day, no matter what the intensity or quality of the work performed. The new scheme has fixed a minimum output for every working "brigade"; for this part of the labour wages are still paid per work day, but any surplus output above the minimum is now paid by a proportionate share of the

brigade in the surplus (for instance, they receive the value of a quarter of the surplus grain, one-fifth of the potatoes and one-half of the sugar beet in money). To what extent this reform has been actuated by political motives is shown by the fact that so far it has been enforced in the Ukraine only, which has been regarded as a weak spot; its extension to the other parts of the USSR is still pending.

The Soviet press reports encouraging results of the reforms. It is, however, arguable whether these steps will suffice to ease all the tension that has accumulated in Soviet agriculture since the collectivisation. The outbreak of the Soviet-German war has temporarily relegated all these matters to the background. The harvesting, bringing in, transport and, where necessary, the destruction of the crops—these have been the main Soviet preoccupations so far. Should Soviet Russia succeed, however, in turning the campaign into a long war, then all these problems will re-emerge and press for a solution far deeper and more comprehensive than the measures already taken.

All major wars waged by Russia in the last century have resulted in fundamental changes in its agricultural structure. The Crimean war was followed by the great reform of 1861 which abolished serfdom. A wave of agrarian disturbances accompanied the Russo-Japanese war and the revolution of 1905; the ensuing Stolypin reform put an end to the existence of the age-old Russian land communities. The Bolshevik party was carried to power on the crest of an agrarian revolution. In these wars of the past, Russia suffered from the feudal backwardness of its agricultural conditions. Modern Russia has been labouring under the strain of a precipitate advance towards collectivism. German propaganda believes to have found here the weak spot in the Soviet home front, and does its utmost to exploit it in the political warfare which is being waged in the east with a ruthlessness and violence not inferior to that of the fighting itself. So far there has been no evidence of any serious break-through in the morale of the Soviet peasantry. But it seems to be sufficiently clear that a well-timed and sincere reconciliation between state and peasantry may, in the course of this war, become for Russia a matter of national self-preservation.

Checking Inflation in America

[FROM OUR NEW YORK CORRESPONDENT]

August 28th

On several occasions this correspondence has drawn attention to the following sequence: (1) that more persons were being employed in industry and at higher wages; (2) that this had led to an increased demand for consumption goods requiring both material and labour usable in armament production; (3) that these increased incomes and increased demands were enlarged by an expansion of "instalment buying"; and (4) that this intensified demand (plus other factors) was pushing up the price structure of consumption goods generally.

Three separate steps have been taken to limit this demand: (1) a campaign to sell Defence Bonds in small denominations; (2) proposals to increase tax rates on moderate and even on relatively low incomes; and (3) action by the Federal Reserve Board to restrict instalment selling.

The Defence Bonds went on sale on May 1st, and it is as yet impossible to appraise their influence on consumer purchasing. The Defence Bonds themselves grew out of the Savings Bonds introduced in 1935, which have been a popular form of investment, especially among persons in what might be called the middle-income brackets. The increase in income-tax rates is not yet effective, and the tax bill applicable next year on 1941 incomes has not yet been enacted. However, it is certain that the rates will be increased, and probable that the exemption limit will be lowered. The measures under discussion, however, still bear relatively lightly on the numerous groups whose incomes have been most increased, and very heavily on the middle incomes. That it will reduce consumer demand in 1941 is certain; but it is not clear that the proposed rates would greatly reduce the demand for the type of goods directly or indirectly competitive with the armament demand. For example, a college education for children is a kind of consumer goods;

but it is not directly competitive with armament demand. A family in the middle-income brackets confronted with the alternative of reducing its scale of living or abandoning a projected college course for its offspring may elect the latter. However, the new effect on demand will not be felt until 1942, except to the limited extent to which tax-payers make anticipatory economies.

The Federal Reserve Board has stiffened the terms of instalment credit, or, more precisely, it has assumed a direct control of instalment credit. The maximum maturity on such credit is 18 months—which in the 20's would have seemed long. The amount to be borrowed ranges from 66½ per cent of such items as motor cars and motor boats, to 80 per cent for mechanical refrigerators, washing machines, radios, etc., and to 85 per cent for furnaces and 90 per cent for furniture and pianos. These terms can hardly be described as severe. However, their announcement was coupled with a formal statement by Mr Eccles, President of the Board of Governors of the Reserve System, which seems to have been designed to inspire lenders to regard the proposals as maxima rather than minima or optima. "Our people cannot spend their increased incomes and go into debt for more and more things to-day without precipitating a price inflation. . . . Instead of an ever-expanding volume of consumer credit, we need to bring about a substantial reduction in the total outstanding." He urged that the current higher incomes be used to reduce debts "or get out of debt."

The rates established are not deterrent rates; the counsel of Mr Eccles may have some influence in the form of moral suasion; but the Board still has power to stiffen the regulations "as experience with its administration develops, or as economic conditions require a further dampening of buying power."

The petrol situation has now provoked a lively controversy, which has shed little light on either the prospective supply or the measures of controlling the demand. So far, in the immediate vicinity of New York, there seems to be no limitation. On the other hand, 300 miles from New York, one encounters local limitations of odd sorts—5 gallons to a customer, or even less. There is, however, an expectation that in September this situation will tighten up materially; and it is apparently in anticipation of this tightening (and its presumptive consequence) that the Price Administration has fixed a maximum retail price of petrol in 40 eastern cities.

The President has vetoed the Bill "freezing" the Government stocks of wheat or cotton, and it is expected that the veto will be sustained. However, while the prices of wheat and cotton are relatively high, they are still below parity, with parity rising. These stocks cannot be sold as long as the market price is below "parity."

The general index of production was 157 in both June and July; in July, with seasonal adjustment, it was 162. That is, production was substantially unchanged, the usual seasonal let-down being absent this year.

BUSINESS INDICES			
1935-9=100 for industrial production and freight car loadings			
1923-5=100 for all other series			
Without seasonal adjustment			
	July, 1940	June, 1941	July, 1941*
Industrial production (total)	118	157	157
Manufactures (total)	118	162	161
Durable	127	192	189
Non-durable	111	138	139
Minerals	121	131	132
Construction contracts (total)	93	135	134
Residential	78	111	108
All others	105	155	155
Factory employment (total)	103.2	127.8	
Durable goods	98.4	135.1	
Non-durable goods	107.8	120.9	
Factory payrolls (total)	98.2	152.1	
Durable goods	97.4	173.8	
Non-durable goods	99.1	127.8	
Freight car loadings	110	136	138
Department store sales	64	97	80
Department store stock	61	73	

* Preliminary.

There is almost no change from June; the one marked decline (in department store sales) is purely seasonal, and here the decline was substantially less than the seasonal allowance.

Perhaps the most striking figure in the list is that of factory pay-rolls—in June over 50 per cent above June, 1940. About half of this represented increased employment; the other half, higher rates for overtime.

Caucasian Separatism

[BY A CORRESPONDENT]

September 19th

THERE can be no doubt that the strategic and political repercussions of the joint Anglo-Soviet move into Iran are now being felt in the Caucasian Separatist Bureau in Berlin. This organisation seems to have escaped general attention except for the pertinent reference made in the Soviet Note to Iran of August 25th, in which it was stated that German agents had organised "armed bands in certain frontier districts of Iran, sending them to Baku and other important Soviet centres with the object of sabotage on Soviet territory." The presence of Russian and British forces will prove a severe dislocation to local separatist plans throughout the Middle East. It remains to be seen whether Hitler will be provoked to abandon the Caucasians with the impatience with which he treated the sister movement of Skoropadsky's Ukrainians. The Caucasian separatists have, however, by no means outlived their usefulness, and a recrudescence of their propaganda and militant activities may be expected at the crucial moment of a German attack on the Caucasus.

No balanced account of Caucasian separatism is possible, unless it is viewed against an accumulation of centuries of conquests, border disputes and intermingling of races. The fate of the Caucasian nations, no less than that of the irredentist movements, was largely determined by the geographical position of the Caucasus, which made it for centuries the shortest route from Asia into Europe. The great number of migratory tribes caught up in the 650 mile range of peaks, the variegated language and customs and the consequent confusion and racial disunity created conditions of easy conquest for Greeks, Romans, Tartars, Arabs, Persians, Kazars and Turks.

The advance of Russian Imperialism, which began in Peter the Great's time, culminated in 1784 with the suzerainty of Russia over Christian Georgia, for religious affinities were sufficiently strong to make the Georgians seek Catherine the Great's protection against Mohammedan Persia and Turkey. The last remaining areas inhabited by Caucasian races passed to Russia after the war with Turkey in 1878. The republic set up by the Caucasian separatists in the early part of Soviet rule was savagely suppressed. Their internal propaganda suffered a severe relapse when it became evident that the Soviet Government showed no inclination to follow the example of "russification" and repression set by the Czars. Instead, it treated the highly individualistic, liberty-loving Caucasians with considerable care and so prevented dissatisfaction on anything like a revolutionary scale. Collectivisation, for example, was less rapid in the Caucasus than in the Ukraine. Nationalism found itself diverted into cultural channels. Encouragement in the use of native tongues, and the consequent stimulus to literature, drama and education, as well as the division of the Caucasus, not only into republics, but into autonomous areas and districts, helped to create a real sense of communal responsibility and self-government. What dissatisfaction existed over the allocation of petroleum revenues to other industrial concerns outside the Caucasus tended to disappear when the benefits accruing from the increasing development of these industries became felt. The last two decades have changed the country to such a degree that the Caucasian separatists themselves, should they triumph, would find it difficult to break the country up into a host of cantonal sovereignties without seriously disrupting economic life.

The eclipse of Caucasian separatism would have come in the natural course of events were it not for the fact that a number of Germans—the last German Ambassador in Moscow, Graf von Schulenberg, among them—had realised that Caucasian separatism could serve far better as the spearhead of German expansion than the Berlin-Baghdad railway. The contacts the notorious Major Quisling made during his travels in the Caucasus with Dr. Fridtjof Nansen in 1920 were of great service when the foundations of German war plans were being laid after Hitler's accession. The Ukrainian and Caucasian separatists were attached to various bureaux, the latter under the direction of the Middle East expert, Dr. Gronau. The Caucasians brought with them a more widespread organisation than the Ukrainians. Their dispersal after the Revolution into Egypt, Iraq, Iran and Turkey and their considerable sympathisers in those countries, as well as their bilingualism, were considerable assets for Germany.

Between the years 1934-38, Turkey became the principal theatre of Caucasian separatist operations. A violently patriotic tone was adopted in an attempt to create a Pan-Turk Movement, clearly designed to provoke a breach between the Soviet Union and Turkey. Kantemir, the leader of the separatists in the Near East, and Haidar Bammate, a publicist, tried hard to urge the Turks towards a crusade of liberation in the Caucasus. Moreover, the Turks were invited to expand their territories at the expense of Soviet Turkestan, which, it was claimed, was populated by 18 million Turic people, a greater number than in the whole of Anatolian Turkey itself. A constant stream of pamphlets and publications bearing the imprint of Bruno Deuss, Berlin-Charlottenburg, was aimed at discrediting Kemal Ataturk's policy of friendship with Soviet Russia. "Turkey had been a drowning man, clutching at a snake—a red snake. But now that she had allies and powerful friends, her need of the Moscovite snake grows less and less." This campaign of provocation against the Soviet Union was broken by the expulsion of the Caucasian separatists, shortly before Kemal Ataturk's death.

A few examples will show how the separatists intensified their efforts in Iraq and Iran, discrediting the democracies and acting as an outpost of propaganda, not only for Germany, but also for the other two Axis partners, Japan and Italy. For instance, Japan's aggression in Manchuria and China was represented as the rebirth of Genghis Khan's Empire. "It was the greatest event in history for which the Turanian-Turic world is indebted to the courageous protection of the Japanese Emperor's Army." A bewildered and not very well informed oriental public was told that, after Russia's dismemberment, Germany and Italy would construct a Rhine-Don-Black Sea Canal which would bring a wealth of German and Italian merchandise to the eastern bazaars. At least 50 per cent of Soviet territory had been earmarked for the eastern nations by Germany—it was said.

There is further evidence to show that Caucasian separatism, having subordinated itself completely to German Weltwirtschaft ambitions, can hardly appear in Caucasian eyes in the shining armour of disinterested patriotism which it has been wont to adopt. Those same freedom-loving characteristics of the Caucasian, which have baffled and discomfited every conqueror, would never willingly accept a German protectorate. There is, on the other hand, every indication to suggest that they would prefer to develop on the lines already initiated in unity with the other peoples of the Soviet Union, whose fate is of immediate economic and political concern to the Caucasus.

Books Received

- India and Democracy.* By Sir George Schuster and G. Wint. (London) Macmillan. 444 pp. 12s. 6d. net.
- Economic Problems of Modern India.* Edited by Prof. R. Mukerjee and D. L. Dey. (London) Macmillan. 522 pp. 15s. net.
- Why the German Republic Fell.* Edited by A. W. Madsen. (London) The Hogarth Press. 177 pages. 2s. 6d. net.
- The Price of Plenty.* By G. R. Baker. (London) Headley Bros. 160 pp. 5s. net.
- Fire Protection and A.R.P. Year Book, 1941-42.* (London) Lomax, Erskine and Co., Ltd., Aldwych House, W.C. 2. 290 pages. 7s. 6d. net.
- The Gold Standard.* By W. Redelmeier. (Toronto) MacLean Publishing Co. 93 pages. \$1.00.
- Let No Wave Engulf Us.* By F. Altschul. (New York) Duell, Sloan and Pearce. 60 pages. \$1.00 net.
- Labour Supply and National Defence.* International Labour Office. Studies and Reports. Series C. No. 23. (London) P. S. King. 245 pp. 4s. net.
- Exchange Control and the Argentine Market.* By V. Salera. (London) P. S. King. 283 pp. 14s. net.

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THE BUSINESS WORLD

Bank and Insurance Shares

MANY investors will remember that, in the days when the slump of 1921-22 was receding into the past, when the Government was paying over 5 per cent on medium-term loans, and international business, in money if not in goods, was brisk, British bank and insurance shares were occasionally yielding less than gilt-edged stocks. The argument in those days was that the fortunate holder had only to sit back and wait for the effect of a conservative policy of distribution to swell the capital value of his holdings and, eventually, to increase his dividends. It was true that there would be trade cycles as in the past, but banking was experiencing an expansion in deposits due to changing habits, while insurance benefited from an upward secular trend. Both seemed assured of an adequate supply of high-yielding securities in which to place surplus funds, and interest rates were regarded as being virtually stabilised at this high level. At the time, the argument seemed reasonable, but experience has proved it over-optimistic in almost every particular.

When, in 1931, this country adopted limitation of the export of capital, and proceeded with a programme of drastic conversions, the whole structure of money rates, on which the argument was based, was threatened with disruption and the growth of economic nationalism curtailed foreign business. Actually, the transition was much smoother than had been feared, but the lower return on investments was a net loss to the insurance companies, except in so far as they could offset it by extending their field, while the new rate structure left the banks with smaller margins, and other changes made inroads upon their most remunerative assets, advances and the bill portfolio, other than Government paper. By January, 1935, when long-dated Government stocks touched high levels which have yet to be equalled, the yield on 2½ per cent Consols was under 2.7, while that on bank shares was, according to *The Actuaries' Investment Index*, some 4.1 and that on insurance shares almost 3.5 per cent. The margin was exaggerated at that time by abnormal speculation in Little Consols. There have been times when the margin was scarcely more than ¼ per cent for insurance shares and twice as much for banks, but neither class of share has achieved the honour of yielding as little as gilt-edged securities. At the end of last month, yields were, according to the same authority, 3.08 on Little Consols, 4.56 on bank shares and 4.27 per cent on those of insurance companies. It is, perhaps, not unreasonable to assume that these securities, in common with other equities, have largely recovered from the violent disturbance of values caused by the events of a year ago, and the question arises whether so wide a margin in yields against gilt-edged is justified by the outlook for these two types of enterprise.

The first approximation to an answer to this question seems to be that the high yield results precisely from a lack of knowledge as to the future—a characteristic which all equities share. The best that can be done is to set out the principal factors affecting the problem and to attempt to assess their relative importance. As with other companies, bank and insurance profits are a function of turnover and margin per unit, but, whereas in industry the replacement cost of fixed capital and stock in trade is a matter of the first importance, for banks and insurance companies it is the movement in the level of interest rates which tends to be dominant, and this is always counteracted in some degree by the fact that investment values fall when earnings on new money rise and *vice versa*. Turnover depends both upon trade activity at home and overseas and upon the price level. The determinants of the profit margin are less easily stated. For insurance business, other than life insurance, it is settled mainly by competition. It is uncertain how this will be affected by post-war conditions; but since a more equal distribution of income should lead to some increase in business, apart from the level of prices, it is

perhaps to be expected that margins will be reasonably high, except for hull and cargo departments, which are likely to have to rebuild a complicated international structure of rates.

For the life offices, competition is also an important factor. Over an extended period of years, the general level of premiums is not, of course, independent of the earning power of money. Over shorter periods, however, the rate of interest is likely to be the decisive factor, and, in this connection, it becomes essential to attempt an assessment of the general set-up after the war. Unless the Government very rapidly calls a halt to the rise in the cost of living by a marked extension of rationing, price fixing and limitation of supplies, it seems probable that the general level of wages, and, therefore, of prices, will be much higher than now. The end of the war will bring demands, which will probably be irresistible, for the release of much pent-up purchasing power, and every effort will be made to avoid an aftermath of unemployment. There will be little possibility of maintaining the full paraphernalia of wartime controls, but without them it must be very difficult to avoid either a further dose of inflation or some competition for savings, with a resultant rise in interest rates. The latter is only a possibility, but it is one which the managements of insurance companies, not less than those of the banks, must have constantly in mind. For the former, a higher percentage of total assets is in securities, but the permissible range is wider than in the case of banks. Despite the fact that recent investments have been restricted to Government securities, which certainly do not yield more than 2 per cent net, the average return is still appreciably over 3 per cent. For life offices, there has been a wartime decline in business, but presumably the upward trend will be resumed after the war, a movement which should be assisted by income-tax concessions. War has brought an increase in claims, but mortality is still within expectation. Whether the very favourable experience of pre-war years will be a feature of the post-war period is uncertain. Ability to restore the profit margin per unit to pre-war levels, or even to maintain the aggregate profit, is problematical, being dependent upon political factors whose weight cannot be assessed so far ahead.

For the banks, the effect of rising prices will be to increase deposits, which will mean that there is a larger fund to earn dividends; but it is by no means certain that the demand for banking services will expand as it was expected to do twenty years ago. A characteristic of the years before the war was the extent to which the conservation of resources, and the formation of large groups, was rendering industry less dependent upon banks for short and medium term finance. A school of thought exists which would prohibit the amassing of reserves more than sufficient to maintain existing physical capital. It is possible when the time comes for a relaxation of the restriction on company profits, that this view may carry some weight but it is perhaps equally likely that industry will obtain its requirements by an extension of the developments which have already worked to the detriment of bank advances. In any case, an expansion in the demand for banking services commensurate with an increase in the money turnover of industry can no longer be considered as certain.

In June, investments of the London clearing banks exceeded advances for the first time in the history of British banking. It seems doubtful whether the absolute amount of advances will fall much further, but, as deposits increase the proportion held in this form will certainly tend to diminish further, and so to reduce earning power per unit. Since, however, with the absolute amount of advances falling, banks appear able to maintain profits, they should be at least as well off when the actual fall ceases. *A fortiori* provided deflation is avoided, they should be able to maintain earnings after the war, when there must be some increase in the demand for accommodation. That an earlier

rise in costs will eat into net earnings seems probable, but there should be substantial economies when demobilisation makes possible normal staffing arrangements. On the other hand, it is not easy to see any opportunity for saving, such as arose from the substitution of women machine minders for male clerks after 1918. Stability of investment values remains a factor of the first importance; so important that it must exercise a considerable influence on official policy in this respect. A conjunction of low interest rates and rising prices would protect the existing holdings of the banks and increase their earnings from advances—perhaps to a point when they would attract unwelcome attention. On the whole, it seems that, in terms of money, if not of real values, both bank and insurance shares have con-

siderable prospects. Possibly, they are sufficiently good to warrant wider margins than exist between them and many industrial equities. Much will depend upon the revival in commerce, as distinct from manufacture, and upon a complex of factors not easily foreseen. At least there should be no repetition of the competition in branches which was a feature of the twenties, and possibly less of that in services which characterised the thirties. Banks, and to a scarcely smaller degree insurance companies, are, however, subject to a special political risk, namely that of nationalisation. It is quite impossible to say what weight should be given to this factor, or what it would mean to shareholders, but it is probable that its existence is in some measure discounted in present quotations.

Finance and Banking

Tendering for Year-End Bills

The imminent turn of the quarter has not as yet been heralded by the slightest evidence of stringency in the money market. The clearing banks have this week been preoccupied by their monthly making-up, but at no time has this process interfered with their readiness to buy bills from the market. The market for its part obtained a 26 per cent allotment for the Monday to Wednesday bills on which its tenders were largely concentrated. It has, therefore, been a fair seller to the banks. This week the market is tendering for the bills which will include the end-of-year maturities. The tradition regarding the desirability of these maturities dies hard, and it is probable that the market's tenders will be largely concentrated on them. This is all the more likely as the January bills are of less attractive currency, given the stereotyped price of £99 14s. 11d. at which the market will be applying for them. The exceptional prevailing ease of money is amply reflected in the latest Bank return, which shows bankers' deposits at the high level of £133,915,000, an increase of £6,287,000 on the week. The Government's ways and means position evidently remains fairly taut, for public deposits are substantially unchanged at around £10,637,000, while during the past week there has been an increase of £8,835,000 in Government securities, indicating renewed direct Treasury borrowing at the Bank of England. We are now in a slack revenue period, while expenditure remains at a high level. On the evidence of the Bank return the appearance of the Government's next loan cannot be long delayed. Apart from temporary borrowing at the Bank, the Treasury is being compelled to make increased recourse to Treasury deposit borrowing from the banks. This week these institutions were called upon to pay £50 millions in this manner, a figure which compares with nominal maturities of £30 millions and actual maturities probably smaller than this figure.

American Credit Policy

The Federal Reserve Board is increasing member banks' reserve requirements by about one seventh, or to the present statutory limit. The increase will take effect from November 1st. Even more significant is the fact that at a recent Press conference, Mr Morgenthau, Secretary of the Treasury, should have expressed himself as more sympathetic to the Federal Reserve Board's requests for powers to raise member bank reserve requirements beyond the present statutory limit. Now that good progress is being made in the United States with the task of qualitative control of credit, through such means as the strong discouragement of hire purchase finance, it is rather astonishing to see this reversal to the doctrines of quantitative control. The volume of banking credit in the United States is expanding steadily under the propulsion of the armament and Lease and Lend programmes. Despite the curtailment of non-essential credit facilities, the total of the banks' loans are expanding, owing to steadily increasing demands for accommodation from industries engaged on Government work. At the same time, the financing of the budgetary deficit still calls for persistent bank subscriptions to Government issues. Between the beginning of this year and the close of July the loans and investments of the weekly reporting member banks rose from \$25,388,000,000 to

\$28,646,000,000. Over the same period, the reserve balances at the Federal Reserve Banks actually fell from \$14,026,000,000 to \$13,117,000,000. Consequently, the excess reserves fell even more steeply, from \$6,615,000,000 to \$5,181,000,000. The coming increase in reserve requirements will result in reducing excess reserves to about \$4,000,000,000.

The great diminution in the gold inflow, together with the considerable accumulation of funds in Treasury deposits at the Reserve Banks, has arrested the growth in Reserve Bank credit. Member bank credit, on the other hand, is still expanding, and is likely to expand further as the armament programme gets into full swing. The margin of excess reserves is therefore being fairly rapidly narrowed. To increase reserve requirements still further under those conditions would be to invite an immediate hardening of money rates. This, at a time when full employment is yet far from reached in the United States, would be an astonishingly retrograde step to take. If inflation threatens in the United States, there are, in present circumstances, far more direct and effective methods of tackling the problem than through the contraction of credit.



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American Tax Savings Plan

The American Treasury has begun the sale of interest bearing notes which may be purchased in anticipation of tax payments. These notes are available in two series. The first may be presented in payment of income taxes up to a limit of \$1,200 in any one year. They accumulate interest at the rate of about 1.92 per cent per annum. The second series, intended for corporation and large tax payers, may be presented in payment of taxes to any amount, and interest accrues on them at the rate of about 0.48 per cent per annum. The notes have a maximum currency of two years, but may be presented in payment of taxes at any time during their currency. They are not transferable and may not be used as collateral. They may be redeemed for cash at the Federal Reserve Bank of issue at any time, but only at the price of issue. The purpose of this new issue is to encourage taxpayers in the United States to make provision out of current income for taxes that become due on that income in the following year. The economic effect of the issue is a very desirable one under present circumstances, since it will mop up purchasing power in the hands of the public and place it at the immediate disposal of the American Government.

German Banks in Greece

Among recent evidence of German financial exploitation of the occupied territories comes the news that the National Bank of Greece has been absorbed by the Deutsche Bank and the Bank of Athens by the Dresdner Bank. It is interesting to note that the absorption of the Greek business of these banks should have been effected by German and not by Italian institutions. Since Greece was marked out as a sphere of Italian influence and is now being policed by Italian troops, this initiative of German banks provides yet another token of the depths of servility to which the junior partner of the Axis has sunk. It should be noted that, in the case of the Bank of Athens, the business so absorbed is only that established in what is now enemy territory. The management of the branches and funds of the bank outside such territory, in London, Egypt and Cyprus, has been vested by decree law of the Greek Government in a Board of Management composed of those directors of the bank who are outside enemy occupied countries. In addition to its London office, the Bank of Athens has three branches in Egypt and two in Cyprus. These provide the nucleus of an active business around

which it will be possible to regroup the whole organisation when the octopus-like tentacles which German banking is now spreading in Greece have been severed.

Iran's Currency Problems

With the completer Allied occupation of Iran which is now proceeding, and the change of regime there, the currency and banking situation in that country may be rapidly brought back to normal. As soon as the prevaricating and hostile attitude of the Shah, who has now abdicated, became apparent, Iran was subjected to the financial blockade from which that country had been spared in the days immediately following the entry of British and Soviet troops. Now that the position is being satisfactorily cleared up, it should not be long before Iran is brought within the sterling area, and all existing restrictions on remittances to and from that country are removed. The machinery of exchange control has been in operation in Iran since December, 1939; and, though since then the rial has been officially pegged to the dollar, it will need very little adjustment to bring the system of control within the framework of those operating in sterling area countries. Meanwhile, public confidence in the currency was called upon to withstand considerable stress in the few days preceding the abdication of the Shah. The currency in Iran is now largely composed of rial notes issued by the Banque Mellie Iran. These have for some years been displacing the silver krans, which are now largely obsolete. One of the main elements in the backing for this paper currency is represented by the crown jewels. At the beginning of last week, it was strongly rumoured in Iran that the jewels had left the country and were about to be followed by the Shah. These rumours led to immediate action on the part of the Minister of Finance. He satisfied himself that the jewels were still at the Treasury, and invited a deputation of the Majlis to inspect this important item of national property and of the currency reserve. Confidence in the solidity of the rial was promptly restored.

National Discount Company Limited

In *The Economist's* Banking Supplement, which was published last week, the "B" shares of the National Discount Company were, by a printer's error, described as 10s shares instead of £7 10s. By another misprint, the company's holding of securities on December 31, 1940, appeared as £8,563,844. This should have been £18,563,844.

Investment

Incentives and the Investor

Movements on the Stock Exchange during the past week have, in the main, been the reverse of those of the preceding period. After a little further selling of a general character, jobbers who had sold short first reduced prices in order to get cheap stock, and when selling stopped, marked them up once more in the hope of attracting selling, so far without much success. In fact, there is a tendency for prices in all sections to settle down at levels only slightly below the best. There is little sign of any real disposition to sell anything except the few stocks, such as Argentine railway equities, in which the rises of the speculative boomlet have now been almost completely eliminated. In the absence of any new Government issue, other than 3 per cent Savings which still do not make a very wide appeal, it might be supposed that gilt-edged would tend to rise once more. At the moment, however, the banks are finding adequate outlet for their surplus funds in deposit receipts, while the public has perhaps other things to think of. It is true that payments of direct taxes are now below their peak, but the recent assessment notices served as a reminder that, where tax is not deducted at the source, there are very large sums to be found in January. Further, a fresh set of factors has arisen out of the growing realisation of the urgency of increasing war production, which threatens to produce a new crop of uncertainties for the investor. In its more extreme form, the campaign now beginning to emerge suggests that financial inducements must be extended to capital and labour alike, if the best results are to be obtained. The very strict limitations and the great dangers of this policy are

discussed on page 375, but its adoption would have considerable effects on the investor and his outlook.

There has always been a considerable body of opinion which held that war could not be financed without a certain measure of inflation. The Government creates credit and uses it, relying on the lag before costs are adjusted to the new level of money to reap a benefit. But the suggestion that wages and other payments should be increased as an incentive—presumably out of created credit—means that costs will be raised from the start, and that, in so far as the whole of the extra payments do not flow back at once to the Exchequer, a further dose of inflationary finance would be called for. It is hard to believe that the worker would find in an additional payment of uncertain real value, whose use had to be indefinitely postponed, any great incentive to work harder. He would insist upon trying to obtain rather more now. That, perhaps, should be given to some, but not by widespread money payments, which seem to lead directly to inflation and to create long-term problems of the first order. None the less, it is probable that the campaign will meet with no little support. At the present time, the Government hold the equity in British industry, through the operation of EPT. But the course of prices and yields suggests that investors believe that this will not always be so. In these circumstances, anything which promises a semi-permanent rise in prices tends to enhance the value of equities as against fixed interest stocks, since the holder of the former is protected to the extent that plant is kept up and stocks of goods are held. Even in the context of

Company Notes

ICI and Vickers Interims

The announcement that the interim payments of *Imperial Chemical Industries* and *Vickers, Ltd.*, are to be maintained at 3 per cent, less tax at 9s. 8d., and at 4 per cent, less tax at 10s., respectively, is encouraging news for the large body of investors whose hopes are harnessed to the fortunes of the two companies. In the case of *Vickers*, the margin of cover for the customary 10 per cent dividend in the calendar year 1940 amounted to 21.9 per cent, against 20.2 per cent, despite a decline in the actual amount of equity earnings, and it was apparent that a substantially higher tax liability could be absorbed without the necessity of trenching on ordinary dividends. The margin of cover for the 8 per cent *ICI* ordinary dividend fell in 1940 from 13.0 to 10.9 per cent, and, in consequence, the prospects that former dividend rates can be maintained in the current year appeared more doubtful. There is, of course, no guarantee that the maintenance of interim payments implies the repetition of final dividends. No doubt existing rates could, in the case of both companies, be maintained for a long period out of reserves, but there is a strong possibility that the conjunction of yet higher rates of taxation with the possible necessity of increasing provisions for war contingencies might decide the managements in question to abandon dividend equalisation for conservation of resources. The gross profit-earning capacity of both concerns, in war or in peace, is immense. The investors' hopes and fears are mainly conditioned by the terms of Government contracts and the exigencies of the Exchequer. If stockholders survive the duration of the war without seeing a cut in rates of dividend, less tax, they will be remarkably fortunate—but so far, so good. Prices were scarcely affected by these and other interim announcements. The *Vickers* 10s. ordinary stock at 17s. 1½d. yields £5 18s. 2d. per cent on the 1940 total payment, while the *ICI* £1 ordinary stock offers a yield of £5 0s. 4d. per cent at the current price of 31s. 10½d. ex dividend.

Crosses and Winkworth Tax Position

The full accounts of Crosses and Winkworth to March 26th last show a rise in total revenue from £212,719 to £328,094, the highest level of the past decade. After meeting interest charges, fees and ARP expenditure and providing £21,500 for war damage insurance, earnings before taxation or depreciation amount to £300,463, against £199,665. Unfortunately, the management is still unable to obtain any decision as to the size of the company's EPT liability and the net credit balance is, for the moment, added to the carry forward, which thus totals £381,205. While the profits position shows a striking improvement, the auditors point out that, apart from the unsettled liability for EPT, no provision has been made for depreciation since March 31, 1930, or for the loss on realisation of fixed assets incurred in 1936-37. Moreover, the cumulative interest on "Heaton" 6 per cent 1st mortgage debentures remains in arrears since February 24, 1932, while the sinking fund for redemption of this stock, amounting to 1 per cent of the amount outstanding on February 25, 1932, has been in arrears from

Montreal Debt Adjustment

The news that the City of Montreal is proposing to rearrange the terms of its debt came as something of a blow to stockholders in this country, who had scarcely realised that the authority had been in default on its redemption payments since last year. It is perhaps a pity that the announcement should have been made without giving at least a general outline of the new terms proposed, for it is difficult to believe that this has not been settled. The result has been to make the market almost purely nominal, with a ten point margin between buying and selling prices. The amount of stock on the London registers is, or was recently, as high as some £10 millions, of which the bulk carried a nominal rate of interest of 4½ per cent. It is useless to speculate at this juncture as to what the exact terms will be. It is to be hoped that a city of the standing of Montreal will not put forward a scheme similar to those of Calgary and Edmonton, but the details of the position are not sufficiently well known to make an assessment possible. It may be that the only escape from such a scheme would be to invite and obtain assistance from the Dominion Government. The experience of the British investor in Canada, outside the restricted sphere of stocks of the Dominion Government, or of those carrying its guarantee, has not been a happy one, and it is unfortunate that there should be a further loss of dollar income just now. The proportion of even the funded debt of the city held in this country is, however, relatively moderate, and it cannot be expected that the scheme will be framed mainly with a view to the effect on Britain. The scheme, when it is made known, must be judged by its fairness to bondholders as a whole, in the general context of the debt position.

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March 1, 1933, at which date it became cumulative. In the circumstances, it appears curious that EPT considerations should rank prior to the company's liability to its debenture creditors. The balance sheet shows an improvement in the cash position, a credit balance with the company's bankers of £131,787 having replaced a bank overdraft of £24,151, while advances secured against cotton stocks are reduced from £81,050 to £29,900. A total liability for bills payable of £172,072 has been eliminated, while an increase of some £36,000 in sundry creditors to £92,467 is due largely to the inclusion of war damage contribution. On the assets side of the account, stocks are reduced from £572,983 to £495,156, a decline which the chairman, Mr Joseph R. Heaton, attributes in the course of his statement mainly to the sale of finished yarns. He also points out that, despite the absence of any depreciation provision, £57,682 against £34,056 has been spent upon repairs and renewals and that the total of fixed assets has been increased by installations and additions, valued at £13,895, to £2,631,288. The surplus of liquid assets over current liabilities is up from some £333,000 to some £596,000. Until some decision can be reached regarding the allocation of profits, last year's striking improvement must remain of completely academic interest to the company's shareholders and scarcely less so to holders of debenture stock. The £100 6 per cent "Heaton" 1st mortgage debenture stock now stands at 60½.

Gaumont-British Improvement

The accounts of Gaumont-British for the year to March 31st last show a rise in income, after deducting £10,850 for losses of subsidiaries against £66,343, from £546,256 to £606,333. With tax liability slightly reduced from £36,398 to £35,992 and depreciation at £28,756 against £32,717, equity earnings are up from £10,790—to £78,098. The company's liability for war damage insurance, at £30,313, is charged to general reserve. Grossed up at 8s. 6d., the rate of earnings shows a rise from 0.6 to 4.5 per cent. Reserve receives £77,813, raising the total of the fund, after deduction of war damage contribution, from £242,500 to £290,000.

	Years to March 31,		
	1939	1940	1941
Profits*	713,498	612,600	617,183
Provision against subsidiaries	30,399	66,343	10,850
Taxation	65,499	36,398	35,992
Depreciation	28,882	32,717	28,756
Debenture service	291,329	287,602	284,737
Preference dividend	178,750	178,750	178,750

Ordinary and "A" ordinary shares:—			
Earned	118,639	10,790	78,098
Paid	Nil	Nil	Nil
Earned %	5.5	0.6	4.5

Reserve	100,000	42,500	77,813
Carry forward	77,438	77,795	79,080

* Including income from redemption of debenture stock.

† Includes £33,068 from tax reserve.

Last year's improvement in the profit position took place despite a considerable fall in theatre revenue during the period of intensive bombing in the winter of 1940-41. The managing director, Mr Mark Ostrer, indicates in his statement that income from this source revived substantially in the spring of 1941; that direct damage to property from enemy action was not on a large scale; and that activity in the film production branch of the group was satisfactorily maintained. The balance sheet shows a reduction in bank overdraft and loans on mortgage aggregating £54,021 to £76,516 and £419,136, respectively, while creditors are

down from £566,559 to £534,791. The excess of current assets over the latter is, however, reduced from £601,169 to £577,535. The company has paid off some £178,000 of long-term debentures, and there is an addition of rather less than half that amount to the sinking funds, which largely accounts for the rise of £130,000 in total reserves. There is evidence of activity on the production side in considerable percentage rises in film productions in progress and stocks in hand. The best that can be said of the results is that a considerable improvement was achieved under very difficult conditions and that earnings at this level will strengthen the position by redeeming some of the very heavy debt load, while preventing accumulation of arrears on the preference shares, which, at 12s. 3d., ex dividend, yield some £8 19s. 7d. per cent.

Jorehaut Tea Results

The full accounts of Jorehaut Tea for 1940 show that sales on tea account of 7,122,477 lbs. yield a revenue of £406,331, against £408,998 derived from the sale of 6,774,268 lbs. in 1939. After including subsidiary sources of income, gross receipts declined from £415,343 to £414,242, thanks to the lower average price obtainable per lb. at 13.69d. against 14.49d. Costs per lb. were reduced from 10.83d. to 10.80d., but total production costs on a crop yield of 7,175,244 lbs. against 6,845,474 lbs. increased from £302,376 to £317,790. All other charges against profits, except depreciation at £20,000 against £15,000, were lower last year, the allocation for tax and NDC falling from £42,262 to £20,000. Thus, equity earnings rose from £37,715, after inclusion of £139 from the 1939 crop adjustment account, to £42,298, representing a rate of 11.1 per cent—unadjusted for Dominion income-tax relief—against 9.4 per cent. The usual 10 per cent dividend is, in consequence, covered by a small margin, which goes to raise the carry forward from £3,109 to £5,407.

	Years to December 31,		
	1938	1939	1940
Gross receipts*	358,550	415,482	414,242
Production costs	284,227	302,376	317,790
Total profits	74,323	113,106	96,452
Tax and N.D.C.	2,066	42,262	20,000
Commissions and fees	10,310	14,726	12,374
Depreciation	20,000	16,000	20,000
Exchange account	745	2,405	1,780

Ordinary shares—			
Earned	41,202	37,715	42,298
Paid	40,000	40,000	40,000
Earned %	10.1	9.1	11.1
Paid %	10	10	10

Carry forward	5,394	3,109	5,407
* After addition of £2,498 in 1938 and £139 in 1939 from Crop Adjustment Account.			
† Without allowing for Dominion Income Tax Relief.			

Stocks of tea have increased from 1,021,721 lbs. to 1,966,055 lbs., raising the balance-sheet valuation from £48,828 to £84,277. There is a sharp contraction in both debtors and in the total of bills payable and creditors, the former from £224,552 to £100,838 and the latter from £204,844 to £125,140. The reserve fund remains at £200,000. Expenditure on renewals and improvements last year amounted to only £10,649 against £27,796. The accounts show that careful control of cost factors has largely offset the influence of lower selling prices, but in war conditions the price offered by the London Tea Controller must remain the most important single factor governing profits. The £1 shares at 33s. yield £6 1s. 2d. per cent.

Second Alliance Trust

The accounts of Second Alliance Trust to July 31st last show a fall in income from £226,983 to £213,466, the lowest level since 1935-36. Taxation is, however, up only from £64,300 to £67,827, and, since expenses have been strictly controlled, equity earnings at £72,566 against £86,074 represent a rate of 33.1 against 34.9 per cent, compared with no more than 26.7 per cent in 1935-36. The total payment on ordinary capital is maintained at 21 per cent and contingencies reserve again receives £30,000, leaving the carry forward reduced from £17,847 to £14,312.

In all the circumstances, these results must be regarded as highly creditable. The directors point out that a considerable portion of the trust's investments came under Treasury requisition last year and that the fall in revenue is in part due to the inability to find equally remunerative opportunities for reinvestment. A caution is added to the effect that the return on remaining investments is not expected to be maintained in the current year. An estimate of the market value of investments is omitted from the accounts, the balance sheet disclosing a decline in the valuation at or under cost from £3,909,942 to £3,670,339. A decline in debtors, mainly sales for subsequent settlement, from £7,636 to £2,700, is accompanied by a rise in the total of cash and balances due from bankers from £2,246 to £13,281, while sundry loans and bank advances are reduced from £104,189 to £53,350. The reduction in general reserve from £555,000 to £400,000 is due to the transfer of £155,000 to contingent reserve, which is presumably written off investments. There is also a decline of some £20,300 in debenture debt to £1,960,293. These changes and the relative smallness of the rise in creditors from £23,932 to £25,530 all bear witness to the involuntary liquidation of assets which has been imposed on the trust and indicate that re-investment was not complete at the date of the balance sheet. Clearly, estimates of revenue in the current year depend to an important degree on whether Second Alliance still retains holdings liable to come under Treasury requisition. In any case, the margin of cover for ordinary dividends is generous, and reduction, if it takes place, will be more a matter of policy than of necessity. The £100 stock, at £380 ex dividend, yields £5 10s. 6d.

"Johnnies" Accounts

The preliminary figures of Johannesburg Consolidated Investment for the year to June 30th last, dealt with in *The Economist* of July 26th, showed a virtual doubling of net profit after tax, which meant that the dividend, maintained at 10 per cent, was covered by earnings of almost 13½ per cent. The full report reveals taxation of £333,853, compared with £252,095, so that there was an even larger recovery, amounting to some £342,500, in the gross amount of earnings, of which a substantial part must be due to profits on operations in securities. Many of the undertakings in which the company is interested did better on the year, but in most cases—South African Carbide is an exception—all or most of this increase went in paying higher taxation. As an instance of this, the seven gold mines specifically associated with the group made about £1,000,000 more profit on the year, but £842,000 of this went in increased taxation or Government share in profits. Another factor tending to increase profits has been a rise in investments. These, valued as usual below market quotations, have risen from £5,433,749 to £5,785,370. There is, however, an increase in cash and Union Treasury bills of £305,000, both having been financed by a new item of £537,000 odd for accounts with associated companies and the £136,000 rise in carry forward. It thus seems that the group had at end-June a surplus which could be invested in long-dated stocks. The company is altering its articles so as to reduce its liability to provide income tax on directors' salaries to 5s. 6d. in the pound and to prevent tax-free payments to future recruits to the board. The £1 shares of the company, at 42s. 6d., yield some £4 14s. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

UNCERTAINTY about the situation on the Eastern front restricted business before the week-end, and absence of buyers rather than any selling pressure led to a continued decline in all sections of the market. The reopening was marked by some slight selling and conditions continued dull, but on Tuesday the reaction of the past week was brought to a halt by the need to attract stock, which produced a widespread marking up of quotations, despite which the shortage of stock continues in most sections.

Fractional declines, mainly in the irredeemable issues, were prominent in the gilt-edged market before the week-end. Thus 3½ per cent War Loan and Conversion declined ½, 2½ per cent Consols and Local Loans ¼, and the 2½ per cent National Defence Bonds 44/48 also lost ¼. The week-end led to precautionary marking down on Monday, and with buyers holding back, declines of ¼ in the irredeemable and long-dated issues were general. The following day, however, a revival of buying coupled with shortage of stock led to numerous gains. Thus 2½ per cent Consols and Local Loans gained ½, 3½ per cent War Loan ½, and 3½ per cent Conversion ¼ among other rises, but an exception was provided by small declines in the 2½ per cent National Defence 44/48 and National War Bonds 45/57. Later turnover fell off again, but some long-dated stocks gained ¼. The feature of the foreign bond market was the sharp fall in Japanese issues on Monday when the 5 per cent issue of 1907, 6 per cent 1924 and 5½ per cent Tokyo loans all fell 3 points, with smaller declines in other stocks. The following day some support led to a slight recovery, prices rising ½-1½ points. Brazilian issues were persistently weak, with considerable loss in midweek on doubts as to the San Paulo tender, while Chilean bonds were weaker on Monday.

Interest in the home rail market before and immediately after the week-end was slight, and small sales were sufficient to cause minor losses in both junior and senior issues. On Tuesday, however, rumours of an early clarification of the

recent agreement occasioned a sharp improvement, mainly in junior issues. GWR ordinary jumped 1½, Southern preferred 1½ and the deferred 1 point, while the LMS ordinary gained ½. London Transport "C" stock was an exception, declining ½ point. In midweek a relapse followed, but Southern preferred gained ½ point. In the foreign rail market the decline in Argentine stocks continued up to midweek, with some considerable losses. Elsewhere Canadian Pacific ordinary was firm on balance.

In the industrial market before the week-end, lack of enquiry led prices to ease, while at the reopening quiet conditions were accompanied by further declines. The following day, in common with other sections, prices improved and the undertone became firmer. Brewery issues suffered numerous losses of 1s. on Monday, but the next day Bass and Mitchells & Butlers recovered 1s., although Guinness, Barclay Perkins and Ind Coope were all slightly lower. Aircraft and motor issues were steadier than most sections after some pre-week-end losses. Apart from a gain of ½ in Smith (Accessories) preferred on Monday and a fall of 1s. in Short Bros. the next day, prices were mainly unchanged. The heavy industrial section reflected the general trend with many small declines before and after the week-end. Babcock & Wilcox, Guest Keen, Harland & Wolff among others, were all lower. On Tuesday, however, apart from a few small gains by colliery issues, most prices remained steady, but Tube Investments was an exception with a fall of 1s. Textile issues generally were weak, but Courtaulds was a feature on Tuesday with a taulds was a feature on Tuesday with a jump of 1s. 6d. on rumours, not confirmed, that compensation for the Viscose firm was to be announced. Shipping issues were lower where changed and failed to participate in Tuesday's recovery, while changes in tobacco issues were all against holders, with the exception of a recovery of ½ on Tuesday by BAT, when Imps lost ½. In midweek quiet conditions prevailed, but changes were generally in favour of holders.

The course of events in Russia led to some selling in the kaffir market before the week-end and small declines were

general. At the reopening the Cape bought Blyvoors, West Wits and Western Holdings, but other issues lacked support and generally small losses prevailed. The next day, interest, while still centred on Blyvoors and Libanon, which improved 1s. and 1s. 3d. respectively, was more widely spread, and numerous gains were registered. The rubber market displayed no decided trend but prices throughout were steady and better than other sections, although there was little business. The oil market was dull before the week-end on war news, and some slight selling led to declines in most issues. While conditions continued dull on Monday with further declines, a much more cheerful tone the next day induced widespread gains, Shell gaining ½, while Anglo-Iranian, Burmah, Lobitos and VOC improved ¾. Later fluctuations in oils produced no definite trend, while kaffirs continued firm under the lead of Blyvoors.

"FINANCIAL NEWS" INDICES

1941.	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	
			30 Ord. shares†	20 Fixed Int.†
Sept. 18...	2,994	† 454	79.2	130.7
" 19...	3,000	† 1,511	79.0	130.7
" 22...	3,564	† 1,204	78.6	130.7
" 23...	2,888	† 1,640	78.9	130.8
" 24...	3,070	† 1,247	79.1	130.8

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941 highest, 79.7 (Sept. 12); lowest 66.8 (Apr. 24). 20 Fixed Int., 1941; highest 130.9 (Sept. 12); lowest 126.1 (Jan. 2). ‡ Excluding "Stop Press" bargains.

New York

THE developments on the Russian front and proposals for the fixing of ceilings on commodity prices led to slow trading on Wall Street before the week-end, and declines up to a point were general. In the early part of the current week prices became slightly more resistant, with aircraft and steel issues mildly supported, but the volume of business was small. In midweek pressure against aircraft issues led to a general decline with numerous point losses.

The Iron Age estimates steel mill activity at 97.5 per cent of capacity against an adjusted figure of 96 per cent in the previous week.

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FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

Industry and Trade

Transfer of Electricity Control

The logical allocation of functions between Government departments is constantly disturbed by war conditions. Sometimes the creation of a new Ministry, made necessary by the tremendous expansion in the functions of Government, provides the occasion for the necessary new adjustment. There has been some talk of the formation of a Ministry of Fuel, but this, apparently, is not to be, at any rate for the present. Without prejudice to any further rearrangement which may be found necessary later, the functions of the Ministry of War Transport in relation to electricity have just been transferred to the Board of Trade. Since the Board of Trade is already responsible for coal and gas, this seems a logical grouping. Before the Electricity Supply Act, 1919, the Board of Trade was the ultimate electricity authority, but under that Act the newly established Electricity Commission was made subject to the Ministry of Transport, possibly because the transport aspect of electricity was developing so rapidly at the time. In emergency conditions, the Ministry of War Transport, as an operating department incorporating the former Ministry of Shipping, has an immense task to perform. Its most urgent functions are of a wholly different type from those of the Board of Trade, and it is sound policy to relieve it of such administrative duties as can, with at least equal propriety, be performed by a more purely administrative department.

Maintenance of Road Vehicles

It is difficult to exaggerate the importance of maintenance in the efficient operation of machinery, whether in the factory, on the road, or, as has been demonstrated so conclusively, on the battlefield. And in view of the shortage of inland transport, the decision of the Ministries of Supply and War Transport to carry out most of the recommendations put forward in the report of the Motor Vehicle Maintenance Advisory Committee, of which Mr W. E. Rootes was chairman, is to be welcomed. Efficient maintenance involves an adequate supply of spare parts and of repair facilities. Under the first heading, a scheme has been prepared to ensure that no spare parts in short supply are obtainable except for vehicles immobilised, or likely to be immobilised, for want of parts; hoarded stocks are to be requisitioned. The co-operation of manufacturers and distributors of spare parts has been enlisted in stopping the wasteful practice of building non-standard vehicles, partly with spare parts collected from various used vehicles and partly with new parts. The Ministries of Supply and War Transport are arranging for the return

to manufacturers for reconditioning of all suitable worn parts. In case of vital need, army spare parts may be released for civilian use. Since the supply of new spare parts must needs be limited, production must naturally be concentrated on parts for commercial vehicles. Under the second heading, a survey is being made of existing repair facilities. The Committee's recommendation that measures should be taken to promote the training of men, women and boys as motor mechanics, both in the Ministry of Labour training establishments and within the repairing industry itself, is to be carried into effect. Moreover, the repair staffs at the Ministries of War Transport and Supply are to be strengthened. All these measures, if carried out promptly, should do much to improve the maintenance service of road vehicles.

The Coal Mines (War Levy) Scheme

Owing to the closing of most of the European and Mediterranean markets in the summer of 1940, the British coal-mining industry was deprived of more than two-thirds of its total export trade of approximately 24 million tons; in order to provide some mitigation of the unequal incidence of this loss on districts and individual undertakings, the industry and the Government co-operated in the introduction of the Coal Mines (War Levy) Scheme. The main purpose of this scheme was to compensate colliery undertakings in proportion to the loss of trade suffered by them in consequence of the war. It was payable in respect of the tonnage by which the quantity sold by an undertaking in each quarter fell short of that proportion of the national sales which it supplied in the corresponding quarter of 1939. Statutory authority was given for the payment of compensation up to a maximum flat rate of 3s. 6d. per ton, to be provided by a levy up to a limit of 6d. per ton. The administration of the scheme was placed in the hands of the Central Council of Coal Owners and the District Executive Boards, and the Council was authorised to discontinue the payment of compensation, if at any time it was of the opinion that the undertaking concerned was not being maintained in a condition of efficiency to resume the production of its basis tonnage within a reasonable time. It was expected that, in exceptional cases, undertakings already earning profits could claim compensation in respect of lost trade, but both the industry and the Government agreed that the basis adopted was preferable to that of profitability, subject, however, to such adjustments as might become necessary in the light of experience. The

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New York Prices

STANDARD STATISTICS INDICES
(1926 = 100)

WEEKLY AVERAGES

	1941		Sept. 10, 1941		Sept. 17, 1941
	Low	High	Low	High	
347 Industrials	83.6	896.0	93.9	95.0	95.4
32 Rails	425.4	428.5	28.0	27.0	27.5
40 Utilities	67.0	78.7	70.0	69.5	69.6
419 Stocks	71.9	162.1	79.3	78.4	80.1
Av. yield*	6.80%	6.11%	6.38%	6.46%	6.23%
	High	Low			
	(c)	(a)			

* 50 Common Stocks. (a) July 30. (b) Jan. 8.
(c) Feb. 11. (d) Feb. 18. (e) May 28.

DAILY AVERAGE OF 50 COMMON STOCKS

Sept. 11	Sept. 12	Sept. 13	Sept. 15	Sept. 16	Sept. 17
101.6	101.6	101.8	101.8	102.3	104.3

1941 High: 105.80, January 10. Low: 90.7, April 30.

Total share dealings: Sept. 18, 790,000;
Sept. 19, 580,000; Sept. 20, 250,000*;
Sept. 22, 420,000; Sept. 23, 490,000;
Sept. 24, 550,000.

* Two-hour session.

	Close Sept. 18	Close Sept. 19	Close Sept. 20	Close Sept. 22	Close Sept. 23	Close Sept. 24
1. Railroads	1941	1941	1941	1941	1941	1941
Balt. & Ohio	44	44	44	44	44	44
Gt. Nthn. P.	24	24	24	24	24	24
Illinois Cent.	9	9	9	9	9	9
N.Y. Cent.	12	12	12	12	12	12
Northern Pac.	7	7	7	7	7	7
Pennsylvania	22	22	22	22	22	22
Southern	17	17	17	17	17	17
2. Utilities, etc.	154	155	155	155	155	155
Amer. Tel.	44	44	44	44	44	44
Amer. Wwks.	4	4	4	4	4	4
Pac. Light	37	38	38	38	38	38
Pub. Sv. N.J.	21	21	21	21	21	21
Sth. Cal. Ed.	23	23	23	23	23	23
United Gas	7	7	7	7	7	7
3. Commercial and Industrial	21	21	21	21	21	21
Amer. Metal	14	14	14	14	14	14
Am. Roll. M.	43	43	43	43	43	43
Am. Smelting	28	28	28	28	28	28
Anaconda	20	20	20	20	20	20
Briggs	25	25	25	25	25	25
Celanese of A.	25	25	25	25	25	25
Chrysler	57	57	57	57	57	57
Curt. Wr. "A"	26	26	26	26	26	26
Eastman Kdk.	140	140	140	140	140	140
Gen. Elec.	33	33	33	33	33	33
Gen. Motors	39	39	39	39	39	39
Inland Steel	76	76	76	76	76	76
Int. Harvest	54	54	54	54	54	54
Int. Nickel	29	29	29	29	29	29
Liggett Myers	87	87	87	87	87	87
Nat. Dairy	15	15	15	15	15	15
Nat. Distillers	24	24	24	24	24	24
Nat. Steel	54	54	54	54	54	54
Proct. Gamble	60	60	60	60	60	60
Sears Roebuck	73	73	73	73	73	73
Shell Union	14	14	14	14	14	14
Socony Vac.	9	9	9	9	9	9
Std. Oil N.J.	43	43	43	43	43	43
20th Cen. Fox	9	9	9	9	9	9
U.S. Steel	57	57	57	57	57	57
West. Elec.	88	88	88	88	88	88
Woolworth	30	30	30	30	30	30
Yngstn. Sheet	37	37	37	37	37	37

Capital Issues

Week ending September 27, 1941
Nominal Capital £1,026,000
Conversions £1,574,805
New Money £1,574,805
By Permission to Deal...
Particulars of Government issues appear on page 394.

Year†	Including Conversions	Excluding Conversions
1941 (New Basis)	1,160,829,246	1,107,221,964
1940 (New Basis)	1,135,865,245	782,919,112
1941 (Old Basis)	1,154,932,902	1,104,065,058
1940 (Old Basis)	1,120,419,741	767,664,608

Destination (Conversions Excluded)

Year†	Brit. Emp. U.K.	Foreign Countries
'41 (New Basis)	1,103,670,563	3,481,401
'40 (New Basis)	781,925,440	984,672
'41 (Old Basis)	1,101,156,058	2,909,000
'40 (Old Basis)	766,522,152	142,459

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Inv.	Ord.
'41 (New Basis)	1,101,314,714	477,460	5,429,790
'40 (New Basis)	767,259,797	1,513,755	14,166,560
'41 (Old Basis)	1,101,006,058	150,000	2,900,000
'40 (Old Basis)	766,322,976	132,500	1,209,132

† Includes Government Issues to Sept. 16th only.
"Old Basis" includes public issues and issues to shareholders. "New Basis" is all new capital in which permission to deal has been granted.

PRIVATE PLACING

Express Dairy Company, Limited.—Permission to deal has been granted in respect of 200,000 "A" ordinary shares issued in 1939 as a capital bonus to holders of the privately owned 200,000 £1 ordinary shares. They have been placed at 53s. each.

COMPANY MEETING

ALLIED BAKERIES, LIMITED

DISTRIBUTION OF 10 PER CENT.

The sixth ordinary general meeting of Allied Bakeries, Limited, was held, on the 19th instant, in London.

Mr W. Garfield Weston, M.P., the chairman, said that he had referred last year to the widespread distribution of their bakeries and biscuit-making plants, and they had had cause during the year to congratulate themselves on that fortunate circumstance. In several occasions they had been able to render valuable assistance in areas which had suffered severely from air raids and had many times been called upon to assist in the supply and distribution of bread where local services had suffered more or less total disruption.

Shareholders might feel disappointed that it had been necessary to restrict the final distribution to 5 per cent., as against a final dividend of 7 per cent., together with a bonus of 3 per cent., last year, but, because of the increase in the rate of income tax and

excess profits tax, it was obvious that that distribution could not be repeated this year.

The total provision of the Group for taxation for the year amounted to £657,000, a truly remarkable figure. In contrast to that, the total distribution to preference and ordinary shareholders of this company and of the two holding subsidiaries, Weston Foods, Limited, and G.L. Bakeries, Limited, and including the final dividend recommended, amounted to only £134,630. In other words, for every £1 which their shareholders received the Government first took nearly £5.

At the last meeting he had mentioned the unification of control of their London operating companies by the formation of G.L. Bakeries, Limited; that company had since acquired three other companies, and their set-up now embraced practically the whole of Greater London. Allied Bakeries, Limited, had recently concluded the purchase of the entire share capital of the important Liverpool bakery and food distribution business of Benjamin Sykes and Sons, Limited, established in 1869.

The credit balance available was £80,836, compared with £159,820 in 1940, and the directors recommended a final dividend of 5 per cent., less tax, making 10 per cent. for the year.

The report was unanimously adopted.

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scheme has undoubtedly facilitated the process of adaptation of the industry to the reduction in export trade, although the levy collected has only been 3d. per ton, now reduced to 2d.; and it is understood that the latest ascertainment shows credit balances in all districts. The problem, however, has been complicated by the emergence of new factors, including the altered distribution of price regulation, the incidence of a differential method of price regulation, the payment of the attendance bonus, and the application of the Essential Work Order to the industry. Important adjustments are accordingly pending. One of these is the discontinuance of the payment of compensation in cases where such payment would have the effect of raising the credit balance of the undertaking concerned above 80 per cent or 100 per cent (as determined by the Central Council) of that of the industry as a whole, and the other the provision of additional financial assistance to necessitous undertakings. It is understood that the Mines Department has given its assent to the necessary amendments of the Central Scheme, and that the new arrangements will take effect during the December quarter.

Coal Tar Pitch

Large stocks of coal tar pitch lie at gasworks and tar distilleries in this country. This substance, though solid at normal temperature, is comparatively fluid when heated and can be used as a substitute for imported fuel oil if special equipment is employed. Coal tar pitches vary in quality; while some are comparatively easily burnt in existing equipment, with very slight modifications, other qualities are more difficult to handle and in such cases the provision of satisfactory burning equipment may necessitate a little experiment. The value of coal tar pitch is about 15 per cent below that of petroleum fuel oil; provided the combustion is efficiently carried out, the increase in fuel consumption would only correspond to this difference. The ash content is higher than is normal for petroleum, and in certain special industries this might debar the use of the coal tar product, but for many heating operations where liquid fuel is required, particularly for certain metallurgical services, coal tar pitch could be used. A few enterprising concerns have already started to use the better qualities of pitch, but more attention might be given to this matter as the technical difficulties are not great.

The Government and Cocoa

For the third year in succession the British Government has made arrangements to buy the entire cocoa crop of the Gold Coast and Nigeria. Based on trade arrangements with the Free French Administration, purchases by the British Government in the season beginning October 1st next will be extended to the whole crop of the French Cameroons. The purchases will be carried out by the West African Cocoa Control Board on the same lines as in the season ending on September 30, 1941, but the price paid to the native farmers at 8s. 6d. per load of 60 lb. will be slightly higher than a year ago. It remains, however, 6d. per load below the 9s. paid in the first war season. Next season's improvement in the price

paid—in the season just ending a cut of 20 per cent. was made—is due to the fact that the marketing of the 1940-41 crop proved more satisfactory than could have been expected twelve months ago. This does not mean that the Government's West African cocoa transactions have as a whole resulted in a profit. It is known that the Government lost £250,000 in the first war season, when the Continent still took well over 100,000 tons of West African cocoa. A year ago, when the second agreement was concluded, almost the whole of the European market had been lost, while supplies to the United Kingdom had to be limited to 100,000 tons, a quantity approximately equivalent to this country's average consumption. Last year, it hardly seemed likely that more than half of the remaining 300,000 tons could be sold in the United States and other neutral countries, so that a much bigger loss was expected. Actually, it now appears that, owing to large sales to the United States, less than 100,000 tons have been held over from the 1940-41 transactions, and this tonnage may be included in the Government's food stores for post-war Europe (it is equivalent to roughly six months' Continental consumption). The British Government's transactions have not, therefore, resulted in such a serious loss as was expected a year ago, and the cut in the 1940-41 buying price, together with the increase, last March, of 10s. a cwt. in the British wholesale selling price, appears overdone. As the cocoa scheme aims primarily at compensating the West African native farmers for the loss of markets, it was only proper that at least part of last year's cut should be restored in the coming season. It would be intolerable if a profit were made by the British taxpayer at the expense of the native grower.

Wool Prices

The early announcement by the Wool Control of future prices has been warmly welcomed by the trade. It was known that prices would continue unchanged until October 31st for home civilian trade, until December 15th for export trade in yarns and until February 15, 1942, for export trade in fabrics. It was announced on September 22nd that present prices for wool and tops will remain in force from November 1st to February 28th for home

WOOL PRICE INDEX NUMBERS.

	(August, 1939=100)			
	Wool	Tops	Yarns	Average
1939				
October	111	110	128	116
November	121	121	138	127
1940				
March	163	163	177	168
November	169	173	175	172
1941				
February	169	173	180	174
August	169	173	180	174

Source: Weekly Wool Chart.

civilian trade. Prices for the export trade in yarns and fabrics are not to be changed at least for a further period of four months in each case. The table below indicates the trend of wool prices. Prices of wool and tops have been unchanged since November, 1940. Yarn, while fluctuating relatively more before February, 1941, has since remained unchanged.

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	In Carry Forward	Total Profit	Net Profit
Coal Iron and Steel												
Manvers Main Collieries	June 30	183,326	42,057	67,119	98,098	11,000	56,000	7	...	119	257,626	77,686
New Monckton Collieries	June 30	39,814	10,000	11,013	21,799	2,741	7,438	5	...	834	52,199	23,045
Sheffield Steel Products	Mar. 31	77,041	25,000	20,915	26,837	...	4,652	5	10,000	6,285	78,284	14,083
Stothert & Pitt	June 30	173,982	...	21,013	44,974	2,045	12,500	10	7,554	1,086	135,480	22,399
Thorncliffe Coal Distillation	June 30	108,740	...	35,964	54,443	16,914	10,571	50	10,000	1,521	110,165	44,567
Financial Land, &c.												
Aboukir Co.	Mar. 31	27,329	...	7,526	15,279	...	7,500	21	...	25	23,371	5,337
Allsopp Brewery Investments	Aug. 31	195,113	...	77,937	133,614	...	78,312	42	...	375	219,570	104,115
Read's Drift Land Co.	Mar. 31	1,202	465	663	Dr. 497	...	...	...	...	653	3,402	980
Motor, Aviation, &c.												
Blackburn Aircraft	Mar. 31	214,469	...	79,969	90,147	10,485	43,291	10	25,000	1,195	191,844	82,044
Rubber												
Dahan	Dec. 31	4,591	...	1,230	302	...	...	...	...	1,230	4,880	1,603
Djember	Dec. 31	17,897	...	14,853	19,851	...	13,160	...	3,500	1,807	11,331	10,781
Laras (Sumatra)	Mar. 31	126,687	6,090	12,394	24,420	...	6,050	10	...	12,394	89,724	6,675
Selama (Malaya)	Mar. 31	15,737	...	6,495	9,279	...	2,138	6	...	446	10,882	7,619
Sungei Tiram	Mar. 31	10,520	568	2,180	3,896	...	19,924	5	...	3,935	43,485	14,013
Timbang-Deli (Sumatra)	Mar. 31	56,704	715	23,853	44,058	...	...	...	...	...	...	...
Shipping												
Tyne-Tees Shipping	June 30	35,995	15,000	22,584	24,720	...	20,460	5	...	2,124	38,195	17,505
Shops and Stores												
United Counties Stores	Feb. 28	63,006	...	14,772	22,395	3,262	8,000	8	2,500	1,019	46,815	18,700
Tea												
Borbat	Dec. 31	57,938	...	9,151	40,872	...	9,000	5	...	151	66,038	15,935
Textiles												
Crosses & Winkworth	Mar. 26	328,994	...	300,463	381,205	...	...	...	...	399,433	212,719	205,252
Trunks												
Second Alliance Trust	July 31	213,466	...	92,516	100,353	19,950	46,101	21	30,000	3,535	226,983	107,074
Other Companies												
Carter & Co.	May 31	1,609	...	Dr. 1,161	9,722	7,149	...	...	...	8,310	16,504	12,222
Cohen, Weenen & Co.	June 30	74,134	1,426	49,858	84,815	45,000	9,000	9	2,500	6,642	76,564	63,132
Fisher & Ludlow	Mar. 31	377,354	78,974	100,457	106,090	7,000	45,000	15	53,100	4,643	229,475	83,071
Fodens Ltd.	May 31	85,106	...	31,275	52,607	12,296	8	20,000	1,021	136,261	44,770	...
Gaumont-British Picture	Mar. 31	606,333	28,756	256,848	335,643	178,750	...	...	...	546,256	222,608	...
Hepworth (J.) & Son	July 31	58,412	(c)	32,712	89,129	22,038	16,250	5	...	77,813	...	...
Ketton Portland Cement	June 30	119,616	...	26,655	69,316	10,831	19,922	81	...	5,576	69,113	59,027
Lafarge Aluminous Cement	Mar. 31	41,145	25,000	8,255	11,937	3,019	1,500	10	2,600	4,098	126,435	36,715
Oxley Engineering	June 30	71,822	...	12,003	19,275	...	6,250	124	6,000	1,136	42,767	7,113
Qualcast Ltd.	June 30	112,342	...	34,807	64,492	2,778	24,749	30	7,500	220	99,463	26,852
Sandra Ltd.	Dec. 31	64,959	4,443	23,238	1,525	5,175	...	...	...	23,063	18,852	7,721
Vaughan Bros. (Drop-Forgings)	June 30	145,851	...	19,973	32,770	...	19,412	224	...	561	91,445	36,010
Weston Foods Ltd.	June 30	228,157	11,710	72,772	75,239	22,594	45,000	10	...	5,178	245,367	81,139
Totals (£000's):												
Week to Sept. 27, 1941	No. of Cos.	33	4,000	255	1,534	2,214	377	573	263	321	3,569	1,476
Jan. 1 to Sept. 27, 1941	1,435	295,429	23,703	137,145	212,391	29,945	88,773	...	13,426	4,961	285,706	157,078

† Free of Income Tax.

(c) Excludes £20,000 set aside as Reserve for Contributions and Premiums payable under War Damage Act.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked* indicating interim dividends

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									
Bank of England	% 6	...	Oct. 6	% 6	Aire Wool	...	12½	...	20	Lancashire Dynamo	5*	...	...	...
INSURANCE														
Sea Insurance	1/9 ps*	...	...	1/9 ps*	Aircrserw Co.	15†	25	Oct. 15	25	Melbourn Hart & Co.	2½*	...	...	...
MINING														
Champion Reef Gold	12½*	...	Oct. 25	15*	Allsopp Brewery Invests.	27½†	42½	...	45	Meux's Breweries	2½*	...	...	...
Kinta Kellas Tin	17½†	25	...	17½	Armstrong Shock Absorbers	...	7½	...	2½	Midhurst Whites	4½†	7	...	...
Mysore Gold	2½*	...	Nov. 22	5*	Aspro Ltd.	15†	25	...	25	Midland Counties Electric	2½*	...	...	...
TEA AND RUBBER														
Amherst Estates	4*	...	...	4*	Atkinson-Oates Motors	30†	40	Nov. 19	10	Midland Electric Corp.	3*	...	...	...
Cicely Rubber	...	10	...	10	British Aluminium Co.	3†	5	Oct. 1	3*	Moore's Stores	3*	...	...	...
Dimbula Valley Tea	2½*	...	...	2½*	British North Borneo Co.	...	10	...	12½	Newall Engineering	5*	...	...	...
East Java Rubber	...	6	Oct. 16	5	British Vacuum Cleaner	...	7½	...	15	O-Cedar Ltd.	...	12½	Oct. 22	10
K.M.S. Malay Rubber	...	10	...	10	Ceylon Estates Investment	...	5	...	5*	Oriental Telephone	5*	...	Oct. 31	...
Kinta Kellas Rubber	...	10	...	10	Clan Line Steamers	...	20	...	20	Sadler & Co.	...	5	...	...
Merchiston Rubber	...	10	...	10	Dean (W. H.)	5†	12½	...	15	Scottish Power	2½*	...	...	...
Rosehaugh Co.	...	7½	...	7½	Derby & Midland Mills	5½	7	...	3½*	Second Alliance Trust	12½*	21	...	...
Sembilan Estates	4*	...	...	4*	East Kent Water	23½*	...	...	7½*	Smith's Potato Crisps	7½*	...	Oct. 23	...
Timbang-Deli Rubber	...	5	...	4	Heiton (Thos.) & Co.	4½	...	...	5*	South Kent Water	2½*	...	...	...
					Hoffmann Manufacturing	77½*	...	...	7½*	Spillers Ltd.	2½*	...	...	...
					Hopkinsons Ltd.	5*	...	...	5*	Stothert & Pitt	2½*	...	...	...
					Humber Graving Dock	2†	4	...	4	Trent Motor Traction	4*	12½	...	...
					Hurst, Nelson & Co.	...	12½	...	15	United Steel Cos.	5½†	8	Oct. 16	...
					Imperial Chemical	3*	...	Dec. 1	3*	Vickers Ltd.	4*	...	Oct. 23	...
					International Paint	4*	...	...	4*					

† 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	11	Sept. 13	\$1,210,000	+ 116,000	14,346,000	+ 2,142,000
B.A. Gt. Southern	11	" 13	\$2,094,000	+ 305,000	32,178,000	+ 1,251,000
B.A. Western	11	" 13	\$855,000	+ 215,000	8,334,000	+ 1,572,000
Canadian Pacific	12	" 21	\$4,578,000	+ 1,041,000	152,431,000	+ 35,678,000
Central Argentine	12	" 21	\$1,946,500	+ 583,950	21,388,600	+ 4,408,250
San Paulo (Brazil)	37	" 14	\$28,750	- 4,063	1,380,415	+ 25,680

† Receipts in Argentine pesos.

UNIT TRUST PRICES

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

Name	Sept. 23, 1941	Name	Sept. 23, 1941	Name	Sept. 23, 1941
Second Brt. Inv.	21 7/8-22 1/4	National D.	11 1/3-12 1/3	Key Gold	8 9/10-10 1/10
Lim'd Inv.	14 1/4-15 1/4	Century	12 0-13 3/4	Br. Ind. 4th	12 3/4-13 3/4
New British	8 1/2 bid	Scottish	11 0-12 0	Elec. Inds.	14 0 bid
Inv. Trust	8 1/3-10 3/4	Univ. 2nd	13 0-14 3/4	Met. & Min.	10 9 bid
Bk. Insur.	15 3/4-16 9/8	Inv. Flex.	10 0-11 0	Cum. Inv.	14 1/2-16 0
Insurance	15 6-17 0	Inv. Gen.	13 9-14 9	Producers	6 3/4-7 1/2
Bank	15 6-17 3/4	Key Flex.	11 3-12 6	Dom. 2nd	5 1/4-6 1/4
Scotbits	11 0-12 0	Key Con.	10 6-11 6	Orthodox	7 1/8-8 1/4

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

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.

Advertisement is made for net interest accrued, and for redemption for fixed interest stocks and for foreign bonds.																
Prices, Year 1940		Prices, Year 1941 Jan. 1 to Sep. 23		Name of Security	Price, Sep. 16, 1941	Price, Sep. 23, 1941	Yield, Sep. 23, 1941	Prices, Year 1941 Jan. 1 to Sep. 23		Last two Dividends			Name of Security	Price, Sep. 16, 1941	Price, Sep. 23, 1941	Yield, Sep. 23, 1941
High	Low	High	Low					High	Low	(a)	(b)	(c)				
British Funds																
77 1/2	68 1/2	82 1/2	76 1/2	Consols 2 1/2	82 1/2	82 1/2	£ s. d.	27/10 1/2	21/-	15 b	7 1/2 a	Hadfields Ord. 10/-	27/6	27/6	£ s. d.	
100 1/2	100 1/2	112 1/2	110	Consols 4% (after 1957)	112	111 1/2	3 11 0/7	17/3	11/-	11 a	4 b	Powell Duffryn Ord. 11/-	16/10 1/2	16/10 1/2	6 10 0	
98 1/2	98 1/2	100 1/2	98 1/2	Conv. 2% 1943-45	98 1/2	98 1/2	2 1 0	25/3	18/6	12 a	6 b	South Duffryn Ord. 11/-	25/-	25/-	4 16 0	
95 1/2	95 1/2	100 1/2	98 1/2	Conv. 2% 1944-49	100	100	2 11 0	49/10 1/2	42/6	12 1/2 a	14 b	Staveley Coal, Ord. 11/-	45/-	45/-	27 3/4	
92 1/2	92 1/2	100 1/2	101 1/2	Conv. 3% 1948-53	102	102	2 13 0	48/1 1/2	41/3	12 1/2 a	12 c	Stewarts and Lloyds £1.	48/-	47/3 1/2	5 6 0	
90 1/2	90 1/2	100 1/2	102 1/2	Conv. 3% after 1961	106	105 1/2	3 6 0	34/4	28/-	6 b	4 a	Swan, Hunter Ord. £1.	33 1/2	33 1/2	6 0 0	
107 1/2	106 1/2	108 1/2	106 1/2	Conv. 5% 1944-64	107 1/2	107 1/2	2 16 0	24/3	19/3	24 a	5 b	Un. Steel Cos. Ord. £1.	23/6	23/6	6 16 0	
86 1/2	86 1/2	99 1/2	97 1/2	Funding 2% 1956-61	94 1/2	94 1/2	2 17 3	17/6	14/3	6 b	4 a	Vickers Ord. 10/-	17/3	17/-	5 17 9	
92 1/2	92 1/2	99 1/2	97 1/2	Funding 2% 1952-57	99 1/2	99 1/2	2 16 0									
95 1/2	95 1/2	101 1/2	98 1/2	Funding 3% 1959-69	100	100	3 0 0	8/-	2/9	Nil c	Nil c	Bradford Dyes £1	6/9	6/3	Nil	
105 1/2	105 1/2	111 1/2	108 1/2	Funding 4% 1960-80	111 1/2	111 1/2	3 7 6	5/4 1/2	3/6	Nil	Nil	British Celanese 10/-	5/-	5/-	Nil	
98 1/2	98 1/2	101 1/2	101 1/2	Nat. Debt 2 1/4 1944-48	100 1/2	100 1/2	2 8 3 1/2	36/10 1/2	27/-	3 1/2 a	6 b	Courts, J. & P. £1	36/6	36/6	5 9 3	
95 1/2	95 1/2	100 1/2	100 1/2	Nat. Debt 2 1/4 1954-58	101 1/2	101 1/2	2 18 0	34/7 1/2	26/9	5 1/2 a	24 c	Courtaulds £1.	32/3	32/3	5 9 0	
100 1/2	100 1/2	100 1/2	100 1/2	War Bonds 2 1/2 1945-47	100 1/2	100 1/2	2 9 0	29/4 1/2	22/9	7 1/2 c	7 1/2 c	English Sewing Ctn. £1.	21/6	21/6	5 2 0	
100 1/2	100 1/2	100 1/2	100 1/2	War Bonds 2 1/2 1945-47	100 1/2	100 1/2	2 9 0	22/6	15/-	7 1/2 c	7 1/2 c	Lancs. Cotton Corp. £1.	21/6	21/6	5 2 0	
100 1/2	100 1/2	100 1/2	100 1/2	Savings Bds. 3% 1955-65	100 1/2	100 1/2	2 19 6	53/1 1/2	45/-	7 1/2 c	7 1/2 c	Patons & Baldwins £1.	47/6	47/6	2 2 0	
100 1/2	100 1/2	100 1/2	100 1/2	Victory Bonds 4%	112 1/2	112 1/2	3 6 1/2									
98 1/2	98 1/2	101 1/2	101 1/2	War Loan 3% 1955-59	100 1/2	100 1/2	3 18 9	44/1 1/2	38/3	10 c	10 c	Associated Electrical £1.	42/6	43 9	4 11 6	
100 1/2	100 1/2	100 1/2	100 1/2	War Loan 3% 1955-59	100 1/2	100 1/2	3 6 1/2	70/3	78/9	15 c	10 c	Ballard Insulated Cable, £1.	90/-xd	90/-	4 8 9	
100 1/2	100 1/2	100 1/2	100 1/2	Local Loan 3% aft. 1952	106 1/2	106 1/2	3 2 0	90/3	58/3	5 a	10 b	Crompton Park, A 5/-	70/-	70/-	4 5 9	
100 1/2	100 1/2	100 1/2	100 1/2	Local Loan 3% aft. 1952	96 1/2	96 1/2	3 2 0	20/6	17/6	12 1/2 b	7 1/2 a	English Electric £1	19/4 1/2	19/4 1/2	5 3 0	
100 1/2	100 1/2	100 1/2	100 1/2	Redemption 3% 1986-96	100	100	3 1 0	35/10 1/2	27/3	10 c	10 c	General Electric £1	35/-	35/-	5 14 0	
100 1/2	100 1/2	100 1/2	100 1/2	Austrian 3% 1933-53	98 1/2	98 1/2	3 3 0	84/3	78/10	20 c	17 1/2 c	John & Phillips £1	80/-	77/6	4 10 6	
100 1/2	100 1/2	100 1/2	100 1/2	India 7% 1940-50	99 1/2	98 1/2	3 11 1	52/9	42/6	7 1/2 b	7 1/2 a		52/6	52/6	5 14 0	
Dom. & Col. Govts.																
104	104	104	104	Australia 5% 1945-75	104	104	4 0 0	38/3	33/6	5 b	3 a	Clyde Valley Electric £1	37/6	37/6	4 11 6	
104	104	104	104	Nigeria 5% 1950-60	110	110	3 16 0	36/3	29/6	5 b	3 a	County of London £1	35/7 1/2xd	35/7 1/2	4 10 0	
104	104	104	104	New Zealand 5% 1946	104	104	4 4 0	27/10	23/6	2 1/2 a	34 b	Edmundsons £1	27/6	27/6	4 7 0	
106	106	106	106	S. Africa 5% 1945-75	106	106	3 3 6	14/11 1/2	9/3	4 1/2 c	24 b	Gas Light & Coke £1.	13/9	13/9	3 8 0	
Corporation Stocks																
107	107	107	107	Birmingham 5% 1946-56	107	107	3 8 9	36/-	28/-	5 b	24 a	Lancashire Electric £1	29/4 1/2xd	29/4 1/2	4 15 0	
92	92	92	92	L.C.C. 3% 1954-64	92	92	3 5 3	30/-	25/6	4 1/2 c	24 a	North-East London Electric £1.	29/4 1/2xd	29/4 1/2	4 15 0	
96	96	96	96	Liverpool 3% 1957-62	103 1/2	103 1/2	3 4 3	33/3	33/-	5 1/2 b	24 a	Northampton Power £1	38/1 1/2	38/1 1/2	4 4 0	
103 1/2	103 1/2	103 1/2	103 1/2	Adelaide 3% 1957-62	103 1/2	103 1/2	3 4 3	33/3	33/9	3 a	5 b	Yorkshire Electric £1	38/9	38/9	4 4 0	
Foreign Governments																
85	85	85	85	Argentina 4 1/2 Stg. Bds.	85	85	5 7 2	19/-	11/3	15 c	20 c	Austin A 1 Ord. 5/-	18/9	17/6	2 17 0	
46	46	46	46	Brazil 5% Funding 1914	46	46	5 11 10	22/-	16/-	6 c	7 1/2 c	B.S.A. Ord. £1.	21/9	21/6	7 0 0	
21	21	21	21	Chile 6% (1929)	21	20	7 10 0	11/3	9/-	6 b	4 a	Bristol Aeroplane 10/-	10/9	10/6	9 10 0	
37 1/2	37 1/2	37 1/2	37 1/2	China 5% (1913)	37 1/2	37 1/2	5 2 7	35/7 1/2	25/9	12 1/2 c	12 c	De Havilland Aircraft £1.	33/9	33/9	7 8 0	
78 1/2	78 1/2	78 1/2	78 1/2	Egypt Unified 4%	78 1/2	78 1/2	5 2 7	13/9	10/10 1/2	11 1/2 c	110 c	Fairey Aviation 10/-	13/6	13/6	7 8 0	
18	18	18	18	Greek 6% Stab. Loan	18	18	16 18 3	22/6	15/9	6 c	6 c	Ford Motors £1	12/6	12/-	13 10 9	
71	71	71	71	Japan 5 1/2 1930	71	71	4 4 6	73/9	57/6	20 c	17 1/2 b	Hawker-Siddeley (5/-)	69/4 1/2	70/-	5 14 0	
34 1/2	34 1/2	34 1/2	34 1/2	Portuguese 3%	34 1/2	34 1/2	11 11 9	61/10 1/2	32/4 1/2	10 1/2 a	17 1/2 b	Lucas (Joseph) £1.	61/3	61/3	4 18 0	
34 1/2	34 1/2	34 1/2	34 1/2	Spanish 4%	34 1/2	34 1/2	11 11 9	61/10 1/2	32/4 1/2	10 1/2 a	17 1/2 b	Morris Motors 5/- Ord.	31/10 1/2	31/10 1/2	2 15 0	
16/3	16/3	16/3	16/3					16/3	10/3	25 c	20 c	Rolls-Royce £1	81/3	80/-	5 0 0	
16/3	16/3	16/3	16/3					16/3	10/3	25 c	20 c	Standard Motor 5/-	15/6	15/6	4 16 9	
Shipping																
22/-	22/-	22/-	22/-	Furness, Withy £1.	22/-	22/-	5 6 9									
27/6	27/6	27/6	27/6	P. & O. Def. £1.	27/6	27/6	5 6 9									
17/-	17/-	17/-	17/-	Royal Mail Lines £1	17/-	17/-	5 18 0									
Tea and Rubber																
8 1/2	8 1/2	8 1/2	8 1/2	Allied Rubber £1.	8 1/2	8 1/2	9 2 9									
17/3	17/3	17/3	17/3	Anglo-Dutch of Java £1.	17/3	17/3	6 17 0									
32/-	32/-	32/-	32/-	Johai (Assam) Tea £1.	32/-	32/-	6 3 0									
2 1/2	2 1/2	2 1/2	2 1/2	London Asiatic Rbr. 2/-	2 1/2	2 1/2	7 5 9									
28/3	28/3	28/3	28/3	Rubber Pltns. Trust £1.	28/3	28/3	7 5 9									
2 1/2	2 1/2	2 1/2	2 1/2	United Serdang Rbr. 2/-	2 1/2	2 1/2	8 0 0									
Oil																
41/3	41/3	41/3	41/3	Anglo-Indian £1.	41/3	41/3	2 10 0									
27/3	27/3	27/3	27/3	Apex (Trinidad) 5/-	27/3	27/3	5 14 0									
56/10 1/2	56/10 1/2	56/10 1/2	56/10 1/2	Burmah Oil £1.	56/10 1/2	56/10 1/2	1 17 9									
70/10 1/2	70/10 1/2	70/10 1/2	70/10 1/2	Shell Transport £1.	70/10 1/2	70/10 1/2	3 16 9									
Metals																
55/-	55/-	55/-	55/-	Assoc. P. Cement £1.	55/-	55/-	3 9 3									
37/6	37/6	37/6	37/6	Barker (John) £1.	37/6	37/6	3 6 6									
35/-	35/-	35/-	35/-	Boots Pure Drug 5/-	35/-	34/4	3 9 6									
45/7 1/2	45/7 1/2	45/7 1/2	45/7 1/2	British Aluminium £1.	45/7 1/2	43/3xd	4 11 6									
92/6	92/6	92/6	92/6	Brit.-Amer. Tobacco £1.	92/6	92/6	4 10 6									
6 1/2	6 1/2	6 1/2	6 1/2	British Oxygen £1.	6 1/2	6 1/2	6 9 0									
107/6	107/6	107/6	107/6	Cable & Wire Hdg. Stk.	107/6	107/6	4 19 0									
36/3	36/3	36/3	36/3	Carroll's Chemical £1.	36/3	36/3	5 10 0									
12/9	12/9	12/9	12/9	Dunlop Rubber £1.	12/9	12/9	5 10 0									
28/3	28/3	28/3	28/3	Eleo. & Mus. Ind. 10/-	28/3	28/3	7 10 0									
24/-	24/-	24/-	24/-	Ever Ready Co. 5/-	24/-	24/-	7 10 0									
5 1/2	5 1/2	5 1/2	5 1/2	Forestral Land £1.	5 1/2	5 1/2	5 10 0									
20/-	20/-	20/-	20/-	Gallagher Ltd. Ord. £1.	20/-	20/-	5 12 6									
4 1/2	4 1/2	4 1/2	4 1/2	Gesteiner (D.) 5/-	4 1/2	4 1/2	5 14 0									
31/3	31/3	31/3	31/3	Harrisons & Cros. Def. £1	31/3	31/3	2 11 0									
32/6	32/6	31/3xd	32/6	Harrods £1.	32/6	31/3xd	5 0 6									
12/6	12/6	12/6	12/6	Imperial Chemical £1.	12/6	12/6	5 12 0									
5 1/2	5 1/2	5 1/2	5 1/2	Imperial Smelting £1.	5 1/2	5 1/2	3 7 0									
24/3	24/3	24/3	24/3	Imperial Tobacco £1.	24/3	24/3	4 15 0									
62/2	62/2	62/2	62/2	International Nickel n.p.	62/2	62/2	3 18 0									
53/9	53/9	53/9	53/9	Lever & Unilever £1.	53/9	53/9	3 18 0									
92/6	92/6	92/6	92/6	London Brick £1.	92/6	92/6	3 18 0									
37/6	37/6	36/10 1/2	37/6	Lyons (J.) Ord. £1.	37/6	36/10 1/2	4 10 0									
88/9	88/9	88/9	88/9	Marks & Spencer A 5/-	88/9	88/9	4 10 0									
24/-	24/-	24/-	24/-	Metals Box £1.	24/-	24/-	3 10 6									
16/3	16/3	16/3	16/3	Murex £1.	16/3	16/3	4 12 0									
60/9	60/9	60/9	60/9	Fincham Johnson Ord. 10/-	60/9	60/9	3 10 6									
24/-	24/-	24/-	24/-	Ranks Ord. 5/-	24/-	24/-	3 10 6						</			

UNITED KINGDOM: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average					1940		1941								
		1929	1932	1937	1938	1939	1940	July	Aug.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
Population mid 1938, 47,485,000; Area, 95,030 sq. miles	(244,000 sq. kms.)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
1. Retail trade, Gt. Brit. & Food	Avg. daily sales in 1937=100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
2. " " Other merchandise	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
3. " " Total	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
4. Registered unemployed G.B.	Thousands	1,212	2,756	1,413	1,791	1,514	1,035	827	799	696	581	458	411	369	302	277	270
5. " " United Kingdom (a)	"	1,276	2,813	1,586	1,881	1,690	1,035	899	868	765	643	505	457	420	342	316	...
6. " " London	"	118	306	171	226	239	214	209	223	122	92	70	67	61	46	43	45
7. " " E. and S. England (b)	"	50	142	70	96	93	99	77	52	69	55	39	31	30	21	18	13
8. " " S.W. England (c)	"	69	157	83	84	76	33	21	22	35	28	22	19	19	14	12	13
9. " " Midlands & N. Midlands (d)	"	165	371	144	210	153	92	63	70	70	61	41	33	27	20	16	18
10. " " N.E. England (d)	"	280	602	165	208	151	75	59	60	60	53	41	36	30	25	23	23
11. " " N.W. England	"	285	562	304	398	309	149	126	117	87	73	64	61	46	37	30	26
12. " " Northern	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
13. " " Scotland	"	156	378	246	253	217	125	114	103	101	86	73	68	60	51	50	45
14. " " Wales	"	116	228	151	164	127	89	81	75	77	67	55	50	46	37	36	33
15. " " Northern Ireland	"	35	68	71	91	76	75	71	68	69	62	47	47	51	40	39	...
16. Industr. disputes. No. days lost	"	676	541	285	110	107	78	33	13	24	23	285	187	74	89	25	...
17. Wholesale Prices: Economist	1929=100	100	70.4	93.5	82.4	76.2	93.9	87.4	96.4	100.6	100.0	99.2	100.0	100.2	98.5	97.3	102.6
18. Other foods	"	100	72.8	78.6	68.4	76.4	95.4	95.4	95.0	109.3	107.3	108.0	106.7	108.9	109.7	115.6	116.2
19. Textiles	"	100	53.4	73.7	58.6	63.8	93.0	92.8	94.8	96.2	96.2	97.4	98.6	99.8	100.9	101.2	102.3
20. Minerals	"	100	76.3	108.4	97.4	100.0	125.0	127.0	126.4	135.1	135.7	135.0	135.8	135.6	135.6	135.4	135.1
21. Total, incl. miscellaneous	"	100	67.8	89.3	77.8	80.3	104.3	103.9	106.4	110.9	112.0	112.9	112.9	113.5	113.2	114.4	115.5
Cost of Living: Min. of Labour	"	100	81.8	90.7	90.1	92.4	107.2	106.5	107.9	111.0	109.8	110.4	111.0	110.4	108.4	108.4	107.8
22. Food	"	100	87.8	94.5	95.2	96.4	113.1	112.8	114.0	120.1	120.1	120.7	122.0	122.0	121.3	121.3	121.3
23. Total	"	100	64.0	110.2	85.6	78.1	68.2	59.6	62.9	71.9	68.9	67.8	68.8	70.5	72.7	75.4	77.7
24. Industrial securities, Fin. News	Jul. 1, 1935=100	102.0	64.0	110.2	85.6	78.1	68.2	59.6	62.9	71.9	68.9	67.8	68.8	70.5	72.7	75.4	77.7
25. Fixed interest	1928=100	96.8	113.6	128.6	127.6	116.8	122.8	120.1	121.0	126.9	126.5	128.5	127.8	129.2	129.2	129.8	130.1
26. Govt. Revenue, cumulative (e)	Mill. £'s	815.0	827.0	948.7	1006.2	1132.2	1495.3	307.4	417.2	1032.2	1113.0	1495.3	307.4	417.2	1032.2	1113.0	1495.3
27. " " expenditure (e)	"	829.5	859.3	919.9	1018.9	1408.2	3970.7	608.6	611.9	602.7	602.0	608.9	621.7	628.7	637.3	650.7	666.1
28. Bank of Eng.: Notes in circ. (f)	"	362.3	258.5	479.6	487.4	509.5	566	102.4	115.7	113.1	111.7	112.3	117.4	109.1	119.9	132.1	108.4
29. " " Bankers' deposits (f)	"	62.9	81.3	97.2	103.8	102.8	110	158.5	154.7	156.1	151.1	140.1	124.4	116.1	132.5	156.7	160.2
30. " " Gov. sec. B'king Dept. (f)	"	55.9	64.0	98.4	103.2	107.0	143	158.5	154.7	156.1	151.1	140.1	124.4	116.1	132.5	156.7	160.2
Clearing Banks: (g)	"	1,738	1,791	2,287	2,277	2,248	2,484	2,454	2,481	2,757	2,709	2,764	2,829	2,824	2,946	2,991	2,997
31. " Deposits	"	194	187	235	241	244	265	262	273	279	284	288	293	311	306	316	316
32. " Cash & bal. with B.E.	"	229	308	281	280	255	266	262	273	279	284	288	293	311	306	316	316
33. " Discounts	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
34. " Treasury Deposit Receipts	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
35. " Advances	"	991	844	954	976	991	944	932	919	909	900	908	884	873	859	853	838
36. " Investments	"	257	348	652	637	608	659	658	682	789	814	821	820	848	880	902	935
37. Interest Rates: Bank rate	Per cent	5.498	3.008	2	2	2.24	2	2	2	2	2	2	2	2	2	2	2
38. " Three months' bank bills	"	5.26	1.87	0.58	0.62	1.18	1.04	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
39. " Day to day loans	"	4.47	1.61	0.50	0.50	0.87	0.76	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
40. " Yield on 2½% Consols	"	4.61	3.75	3.29	3.39	3.76	3.40	3.45	3.40	3.23	3.24	3.20	3.24	3.18	3.07	3.08	3.08

(a) 1937, average January to August; figures for September-December not comparable owing to revised method of counting adopted in September, 1937. (b) From January, 1940, includes former Southern and South Eastern divisions. (c) Includes Southern division before January, 1940. (d) From September, 1939, Gimsby 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 do not include District Bank.

COMMODITY AND INDUSTRY NEWS

Tin prices have been weaker. Standard cash closed at £255 15s.-£256 a ton on Wednesday, compared with £256 10s.-£256 15s. a week earlier. The three months' price was £259 5s.-£259 10s. a ton, against £259 10s.-£259 15s. Rubber has been quoted at 13½d. a lb. for smoked sheet spot. The Ministry of Food's census of pepper stocks in this country is now complete.

Spinners' Cover and Contracts.—For many weeks business in the market has been held up by the uncertainty of the Controller's future actions. It is now announced that spinners will be provided with cotton cover at current prices for twelve weeks' production, against approved orders. It has also been decided that cotton yarn and cloth contracts over twelve months old shall be cancelled. An Order to this effect comes into operation on September 29th. These measures are intended to release raw material for essential purposes and to relieve the congestion of spinners' and manufacturers' order books. The Order covers all contracts for cotton yarn or cloth; wholesalers, makers-up and retailers may therefore be among those affected. No definite statement, however, has been issued on the level of raw cotton prices from November. Owing to increased costs of production, spinners are claiming a revision of margins, but the Controller has not yet replied. In the circumstances, a good deal of confusion still exists. Spinners still hesitate to accept fresh contracts and most of the business transacted has been to cover Government orders.

Export Control.—A new Order, the Export of Goods (Control) (No. 33) Order, has been made by the Board of Trade, to come into force on October 1st. It provides that licences will be required to export to all destinations certain beverages and preparations for use in their production, and of cordage, twine and cotton thread. The Order also extends the existing prohibitions in regard to fruit juices, soaps, animal hair and indigo; it relaxes prohibitions relating to harness and saddlery.

Import Licensing.—The Open General Licence permitting the importation of natural and artificial graphite from various countries, including the British Empire and Allied possessions, was revoked from September 20th. Goods despatched after that date will require separate licences. Imports from Eire of infants' wear manufactured wholly or mainly of cotton, wool, linen, silk or artificial silk or mixtures of these, required separate licences from September 20th.

Upper Leather.—Applications for licences for the acquisition of upper leather under the Control of Leather (No. 2) Order must be made before the end of this month. Licences have been granted to merchants and others by the Ministry of Supply on receipt of a certified statement of stocks, enabling purchases of replacements to be made. The Ministry states that in view of the necessity for getting the leather distribution scheme into final order, it may be necessary to refuse licences after September 30th.

Food Prices.—The Minister of Food has revised the maximum prices for rabbits and has prescribed maximum prices for hares. Wild rabbits, skinned, are now 9d. a lb. on first-hand sales, 9½d. on sale by wholesale and 1s. a lb. on sale by retail; tame rabbits are 7d. a lb. more in each category. The maximum price of brown hares on first-hand sales is 6s. 6d. per head, by wholesale 7s. and by retail 7s. 6d. Bread prices are to

be slightly reduced, and some fish prices are lowered. Maximum prices Orders for tomatoes and cucumbers are to be imposed early next year.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week Ended		From Apr. 1 to	
	Sept. 6, 1941	Sept. 13, 1941	Sept. 14, 1941	Sept. 13, 1941
Argentina	62	79	5,109	354
Atlantic America	95	158	1,298	670
Danube region	...	...	678	...
S. and E. Africa	...	...	880†	...
Indo-China, etc.	...	...	91	...

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

"THE ECONOMIST" SENSITIVE PRICE INDEX (1935=100)

	Sept. 19, 1941		Sept. 22, 1941		Sept. 23, 1941	
	1941	1941	1941	1941	1941	1941
Crops	113.3	113.3	113.1	113.0	113.0	113.0
Raw materials	170.5	170.5	170.6	170.5	170.5	170.5
Complete Index	139.0	139.0	138.9	138.8	138.8	138.8
Mar. 31, 1937						
Crops	147.9	92.2	106.0	113.2	113.1	113.1
Raw materials	207.3	122.9	165.4	170.2	170.6	170.6
Complete Index	175.1	106.4	132.4	138.8	138.9	138.9

* Highest level reached during 1932-37 recovery.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM 1927=100

1927=100					
	Mar. 31, 1937*	Aug. 30, 1939	Sept. 17, 1940	Sept. 2, 1941	Sept. 16, 1941
Cereals and Meat.	93.0	66.9	94.2	99.4	99.7
Other foods	70.4	61.1	83.0	99.7	99.7
Textiles	74.2	54.3	88.0	94.3	94.9
Minerals	113.2	95.4	120.4	129.2	130.1
Miscellaneous	87.0	77.6	108.9	113.0	113.0
Complete Index..	87.2	70.3	99.9	106.7	106.9
1913=100	119.9	96.8	137.5	146.7	147.1

* Highest level reached during 1932-37 recovery.

THE ECONOMIST

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defence; and, in a sense, it is a frank confession of weakness. But there is also only one answer to the question who will launch the attacks against the enemy, when the time and the strength do come; it can only be the army.

It would be unjust to leave Mr Bevin—who with characteristic heat has called Sir Walter Citrine a quisling for criticising the Government's manpower policy—in undisputed possession of the field. Sir Walter's starting point is the same as Mr Churchill's, the need for greater strength against a powerful and ruthless enemy. The contention that, in this war, the task is to man the equipment rather than, as in 1914-18, to equip the men, is common sense. "As our army must necessarily be small, it is all the more necessary that it should be highly mechanised and armoured." The words are Mr Churchill's and his view—like Sir Walter Citrine's, presumably—is that the British army, unable to be the biggest, must be the best. The question is whether this aim is being impeded by over-mobilisation; and Sir Walter Citrine's doubts echo the wonderings of many people who know how coal mining and farming, for instance, have suffered from calling-up.

The layman does not know the answer. But it should be said that, since Dunkirk and the fall of France, shattered illusions and slipshod ways, the size of the fighting forces has come to be based, not on departmental notions, but on a survey of the manpower available to make, to man and to maintain their equipment. It was Sir William Beveridge, rather than Colonel Blimp, who made the calculations according to which the optimum size of the three Services is worked out, with due regard to the men and women needed to work in the factories and fields. At bottom, it is a manpower policy, not a military one. No doubt there have been departmental frictions and revisions; no economist's plan was ever proof against personalities and prejudices. Without doubt, there are still illogicalities and overlappings. But the press and the private pundits are widely astray if they believe that their discovery that men are needed to work as well as to fight, to produce equipment as well as to use it, bursts as a revelation upon the War Cabinet. It was significant that the recent interim report of the Beveridge committee stood by the demand of the Services for more skilled engineers to maintain their machines; and it will be surprising if the committee's final report does not endorse still further the Government's plan.

But planning is not performance. The doubts expressed by Sir Walter Citrine and many others spring from practical shortcomings. It is undoubtedly a mark of error when coal production, the output of food or the manufacture of vital implements of war are held back by shortage of labour. Where the critics have strayed is in taking these bottlenecks as necessarily indictments of the rapacity of the War Office. The fault has been at least as much with industry and the Government's industrial policy. The plan upon which the allocation of manpower has been based by the Government presumably took as its datum the greatest possible economy of labour and skill in civilian work; and it is this that has been most lacking. Even now, the nation's workers are not divided into two competing pools—those in the forces and those in essential work; there is a third pool of those who, in the context of total war, neither toil nor spin, whether they are actually working or not. An article on page 409 shows how the Germans have had to travel the same harsh road in search of manpower; and how, in this country, the recruitment of labour by registration and mobilisation and the release and economy of labour by the curtailment of civilian industry, concentration and rationalisation have lagged belatedly in contrast, because of the Nazis' totalitarian start. The demand of the forces here are onerous, not so much because their planned size is generally too large, but rather because the best use is not yet being made of industry's labour force. It is not the plan but its timing that has gone wrong.

There is a case, when the plan has run out of gear, for improvisation; for releasing coalminers and farm workers from military service, even though, had the plan advanced

evenly in all branches, their release might not have been needed. It is the end not the means that is important. Still more, perhaps, there is a case for contemplating the German practice of a dual purpose army (described on another page) in which, in the lulls between battles, trained soldiers go back to work in their factories while skilled workers are trained for fighting or military maintenance; so that, except now when the vast demands of the eastern front have forced Germany to overmobilise, the trained army is steadily increased in size without cutting down the labour force of industry. Mr Churchill is opposed to interchangeability. He will not have the existing formations "pulled to pieces and gutted"; and there is one important difference between his position and Hitler's, which goes a long way to justify his standpoint. Hitler has used his armies when and how he has himself decided. He had been able to command the lulls and the campaigns. But the British forces have constantly to be on the watch; the initiative is against them.

Nevertheless, there is probably much more than the Prime Minister will publicly admit in the projects for releasing special workers temporarily. It may be, too, that the Government's manpower plan is, in practice, over-spartan, in its calls upon the ingenuity and inventiveness of industry. The trouble comes, for the gearing and timing of programmes, when one part of them has to be scaled up; when the output of planes had to be pushed up hugely after Dunkirk, or when the programme for tanks had to be drastically revised this year, or now when the need for massive help to Russia trips away planes and tanks and equipment for which men are earmarked to man and maintain them. These are the fortunes of war; the kaleidoscope flickers, and the plans are out of joint. But far too often it has been because the programmes have been set much too low to begin with; and it is only the present plan, the output budget brought in by Mr Churchill last March, that has inspired any confidence of its sufficiency. It is obviously true that the advent of Russia into the war has entailed considerable revisions, a scaling-up here, a cutting-down there. There is no intention now of increasing the army's numbers. It is true, too, as most people with acquaintance with the army would admit, that however apt the higher plans may be for making soldiers hardened, alert and highly skilled, they too often lose effectiveness, apart perhaps from the training of actual mechanics, in their translation by local commanders. But, on balance, the dilemma that has brought Transport House's leading figures into indignant conflict must be resolved by civilians, not soldiers. The problem is to make the most of the manpower available: to bring in more women from non-essential trades and from idleness; to transfer still more men into war industry from work, clerical, professional and industrial, which, at the present pinch, can well be done without; to concentrate industry (essential and non-essential) with a ruthlessness which the so-called Lyttelton scheme, now completed, never attempted; and to rationalise the processes and standardise the products of industry.

It is a problem which is so much based upon large-scale dilution that Sir Walter Citrine himself can help greatly; and one which Mr Bevin, who has at last brought himself to call up the younger shopgirls aged 20 to 25, can make or mar by the degree of his determination. It involves large welfare schemes organised and financed by the State. It involves compensation for condemned activities, so that the fear of causing losses by cutting non-essential output drastically will be removed. It involves some pooling of the financial interests of separate firms so that their autarky does not impede the policies that the world's need requires. As a letter on page 414 urges, it involves the removal of all proved financial impediments to the flow of labour and the pace of production. Above all, it involves the wholehearted co-operation of all citizens in the performance of their duty.

The country is still in danger. That was Mr Churchill's message. It will not be saved by great argument between public men, but only by a wise policy which will drain every ounce of effectiveness out of every resource at the nation's disposal. That is the economics of war.

Revolt in Europe

FROM most of the German occupied territories in Europe come reports of a new wave of sabotage and resistance, and a corresponding counter-wave of German repression and reprisals. The scale of revolt is more serious and far more widespread than on any previous occasion; and the steps taken by the German authorities are as a result more ferocious. The chief centres of unrest are, in the south east, the mountains of Serbia; in the centre, the Czech protectorate; in the west, industrial occupied France; and in the north, Norway. But ripples of resistance extend far beyond these areas. The signs of revolt are visible even in nominally unoccupied territory. Vichy has introduced an entirely new policing system on Nazi lines; and every report from Italy confirms the existence there of widespread criticism and even of violent local revolt.

The Germans are meeting this new mood with complete ruthlessness. It is the first sign of serious internal resistance, and the Nazis are obviously determined to make the punishment exemplary. Martial law was imposed on Norway in August; the shooting of Laval was the signal for almost daily executions of "Communists" in France, sometimes twenty and more at a time; the Serb guerrillas, the *Chetniki*, have been active enough to draw three more German divisions into Yugoslavia for "policing duties." Latest of all, Heydrich, the coldest killer in Himmler's entourage, has taken over the duty of "protecting" the Czechs during the diplomatic "illness" of Von Neurath. His arrival was the signal for martial law in the Protectorate.

The resistance is naturally concentrated on impeding the German war effort. Sabotage of a variety and ingenuity new to Europe is being practised from Narvik to the Peloponnese. Arson, crop destruction, derailments, machine wrecking, ca'canny—all these, and countless variations on the same themes—are the nightly business of thousands of courageous souls in whom Russian resistance has roused new hope and new initiative. It is a moving and terrible spectacle—a darkened Europe through which the tramp of the Nazi guards re-echoes and their voices ring into the night, challenging every sound and movement; and behind this façade of vigilance, a host of nameless men, working in silence with pliers and saws and acetylene flares, pulling at the proud structure, dislocating here a line, there a dynamo, there a storage plant, like death-watch beetles in the floor of Europe.

The danger for Britain and the United States is that the spectacle is too moving and too engrossing. It leads almost inevitably to the picture of Hitlerism tottering to destruction under the pressure of its internal contradictions. It provides a painless way to victory. It increases complacency and with it inertia. The picture of sabotage is incomplete unless it is set against its background—the industrial and agricultural resources of Europe organised to capacity to feed the German war machine. Ever since March, 1938, when the German invasions began, the tendency has been to think of the added territories in terms, not of increased war potential for Germany, but of added administrative inconvenience and political peril. Even to-day, occupied territory conjures up the picture of the saboteurs rather than of the dumb millions who are working because they must—for bread.

Since 1938, the resources of almost all Europe have been added to Germany's war potential. The pre-war deficiencies in such crucial materials as iron ore, bauxite and copper have been largely made good. The liberal German coal supplies for fuel and for synthetics and substitutes have been vastly increased by the addition of Polish, French and Dutch supplies. The industrial capacity of the Reich has been enlarged by the addition of at least six highly developed heavy industrial regions, and the Germans' absolute control has enabled them to rationalise and adapt production in all these areas to suit German

ends. Industrial areas previously working under the hampering conditions of three different political administrations—such as Silesia or the Ruhr-Lorraine triangle—have been unified; competing industries have been merged or cartelised; non-essential industries have been transferred to war work. Germany's chronic shortage of manpower has been eased by the addition of workers of every European race, partly on a forced labour basis, but, far more widely, on the ordinary basis of a living wage. The fact that trade union regulations have been everywhere abolished or relaxed has enabled the Nazis to take in an enormous slack among the men previously employed, quite apart from drawing in those previously without work. The extent of this integration of employment is illustrated by recent advertisements for Dutch agriculturalists to take up well-paid jobs in the Ukraine.

It is against this background that the importance of sabotage can be properly assessed. When railways are blown up or bridges destroyed, the damage must be set against the flexibility and choice of alternative routes which the Germans enjoy because of their control of all means of European transit and transport. When ca'canny reduces output—as it is reported to have done in Bohemia—by some thirty per cent, it must be recalled that the other seventy per cent might have been destined for the independent army of the Czechs or the Allied armies. When German soldiers are needed for extra police work, or there is a dearth among well trained German bureaucrats, the inconvenience must be offset by calculating the extra output of the men who have to be administered and controlled. Only if the amount of sabotage counterbalanced all Germany's gains from conquest would there be point in thinking and writing about a "tottering" Reich.

This is not to say that sabotage is not of immense significance to the Allied cause. Only in the hour of victory will the peoples of Europe begin to realise all they owe to the battalions of forgotten men whose weapons were the screwdriver and the petrol rag, and whose reward was often death. But it is vital—if these men are not to have died in vain—that their sacrifice should not be used as one more excuse for avoiding sacrifice in the still free countries. Sabotage cannot meet the steadily rising flood of German production. That can be done only by counter-production on the same scale. The illusion that time is on the side of the Allies dies a lingering death, even though the Panzer divisions which smashed Poland were built after Munich, the Panzer divisions which smashed France after the Polish war, the Panzer divisions which are smashing their way into Russia after the fall of France. Each time, the Germans struck with more force, because they had a greater war potential behind them. This progression gives the measure of the blow which would fall upon this island if Russia's industrial areas were to be overwhelmed.

On his arrival in this country, Mr Biggers surprised some by commenting that in mid-1943, on the basis of their present programmes, Britain and the United States would have outstripped the total output of German Europe. Similar calculations were made in 1939 and in 1940, fixing an earlier term for the overhauling of the German colossus, which has since grown by what it has fed on. It is still ahead. Sabotage can deflect its step a little. Widespread sabotage may even make it pause and stumble. But the only way to overtake it in the race for victory is by a burst of productive speed and energy in Britain and the United States such as they have not so far even envisaged. The saboteur is the far-flung advance guard of the Allied attack. Unsupported, his little effort will cost the Germans a bullet and him his life. Sabotage is a call to action, not to relaxation. The forgotten men of Europe are taking up the cry of Britain last year, "Give us the tools. Together we can finish the job."

Economics of Alliance

THE Moscow Conference on supplies to Russia took a long time to muster. But the representatives of Britain, the United States and the Soviet Union have worked at very high speed; reports from sub-committees on military, naval, air transport, raw material and medical supplies were called for on Monday, and the Conference ended on Wednesday. This meeting means a further advance in the economics of alliance. Its success in bringing quick aid to the eastern front will inevitably be hampered by the enormous difficulties of organising large-scale traffic into the Soviet Union. But there is reason to hope that its deliberations have recognised that the three Powers—including even non-belligerent America—came together, not primarily as debtors and creditors, but as co-operators to share out a single stock in a common cause.

When Hitler went to war it was plain that the entire resources of the world beyond the British blockade and outside Axis hands would be his foes and could, finally, be his masters. Time was on his side if he could score his victories singly, before these resources could be marshalled and pooled; and, though the sands are running out more rapidly now, it remains his *aide* while any inhibitions remain, nationally, upon total mobilisation or, internationally, upon total alliance. First Britain and now the United States have fought against the temptation, in their domestic affairs, to regard war-making, or defence, as an extra industry, instead of as the whole of wartime economic activity; and, in the world field, the fact that friends and allies in total war must move in concert, and not in parallel, has been blazoned by a detailed series of disasters in the field.

On the eve of France's fall, Mr Churchill made his offer of common citizenship. It was a symbol of alliance. How the arrangements between France and Britain for a common war effort really worked, no one but the two countries' leaders at the time knows. Certainly they failed completely in the only test. But the joint plans made, not simply through the Supreme War Council for action in the field, but for a common policy in trade, in shipping, in currency and banking and in output, represent historically the most remarkable administrative experiment of wartime. They were nugatory because the scale and character of Allied strategy were entirely lacking. Neither France nor Britain was, in any total sense, at war while they waited for May, 1940.

When President Roosevelt transcended neutrality by denuding the United States of weapons in 1940 to bolster Britain, alone and stripped at Dunkirk, a new chapter in alliance started. Lease and Lend sounds its *motif*; and the President's "garden hose" is its symbol. Cash and Carry could no longer ensure access for the free peoples resisting aggression to the large part of the world's stock of materials and equipment which is counted in the wealth of America. The measure of Lease and Lend is neither appropriations nor orders nor deliveries; it is the fact that, inescapably, from March, 1941, and even before, representatives of Britain and the United States had to sit and consult together on the best uses and the best places of employment for the war materials of the western hemisphere. Hitler's war had made them, not merely friends across a counter, but joint administrators of half a world or more of materials, plant and labour.

It is rightly laid down in the constitution of the new Board of Supply Priorities and Allocations in the United States that there is no intention of subordinating American policy to that of any other country; just as the British Government is pledged not to use leased and lent materials to the disadvantage of American manufacturers. But there is only one stock of material resources, in the British Empire and Commonwealth, in the United States and in the Soviet Union, to be shared, in the most economical and effective way possible, between the war economies of the belligerents and the defence economy of America; and the task of allocation must at bottom

be a joint one. The report that, for the next ninety days, President Roosevelt is to send all instead of half the defence output of the United States to Britain and Russia has been officially denied. But, like the symbolic gesture of the British Government in deciding to send a week's output of tanks to the eastern front, such a report does mark the kind of economic decision which the three parties to the Moscow Conference must have found themselves brought to make freely in the allocation of their means between the competing ends of world defence.

It is because this process of allocating what is in the last resort a single limited stock of resources is the core of international, no less than of national, war economics, that alliance, whether joint action in battle or non-belligerent co-operation in defence, is not all immediate gain. In 1939-40, the supplying of France and the French forces by sea was possibly a heavier strain, on balance, upon British shipping than the first frustrated campaign of the U-boats. The subtraction of British resources, of materials, ships and equipment no less than men, to bolster resistance in the Balkans, unsuccessfully, was an inescapable but hard decision. For a long time, it was argued that a passive rôle on the part of the United States would serve the Allied belligerents best because their calls upon American defence output would not be disturbed by the claims of the expanding forces of the United States itself; and it is a fact that the equipment of the American army, as it grows, and the furnishing of the American navy, as it takes on wider and more active duties, with tankers, auxiliaries and additions, are powerful items in the schedule of charges on the common stock. The choice, at home, between using an additional supply of men to make, man or maintain military equipment is paralleled, in the wider international sphere, by the choice between using an addition of ships for materials, foodstuffs or war supplies, for Britain, the Middle East or Russia, or the choice between using an increment of American resources for United States defence, British output or replacements in Russia.

The case of Russia is the plainest of all. The transformation of 180 million people and their resources from a sceptical non-belligerency to unreserved alliance, a transformation made by Hitler himself when he attacked in June, can be to the Allies the decisive gain of the war. But, so far, it is only an asset, economically, in the great losses that are being inflicted on the enemy, whose supplies of men and material are being sliced away, though his power to produce—still at a greater rate, in German Europe, than Britain and America—stays intact. Directly, it is a liability. As the Russians retreat or stand stubbornly at bay, they are losing massively in equipment and, through the capture or investing by the enemy of rich industrial areas, in the power to replace it. Only if Britain and America can fully discharge their liability to make up these losses can the asset of the Russian alliance be realised; it is in their own interest, as well as in payment for the valour and the sacrifice of the Russians in the struggle, to meet this liability by every means.

Alliance, then, is a matter of allocations and priorities, not of trade or exchange or barter or the *quid pro quo* of accounting autarky. In terms of war potential, it is Hitler's strength that he has been able to impose this fact upon the industry and agriculture of Europe. Against him there are the entire resources of the free world, valueless if they are not used against him and wasted if they are not economically and strategically apportioned between the belligerents—Russia and China as well as the British nations and the Free Europeans—and between the battlefronts. There are bottlenecks, shortages and a regiment of obdurate difficulties in their apportionment. But, fundamentally, these are not due to the increase in actual claims upon the stock of resources, as the war has spread and as the number of belligerents has grown; the war was a world war when Hitler started it, and it was always only

a matter of time before it became actually world-wide. They are due to lack of vision: lack of vision by the individual countries, in or outside the war, who have believed that they could limit their liability to marshal their strength; and lack of vision by the nations together who have only been shown, by shocks and disasters, that the one way to defeat total aggression is by the pooling of their strength in total alliance. Potentially, the claims upon the free world's resources were as great in September, 1939, as they are now, two years later; and it was the failure to take the measure of the task then that causes the Powers to have met at Moscow this week to share out a common stock that is far smaller than it could, or will, be.

The lesson of Moscow is twofold. For every free nation, it is that nothing, in time, in effort or in sacrifice, should be spared to increase, by expanded output, the resources available for the defeat of Hitler; the talk has been too long of the defence of nations and too little of the destruction of the aggressor. For the nations, the lesson is that they must act still more together in concert and still less, autarkically, in parallel. The invention by Mr Roosevelt of Lease and Lend started a new era, after the abortive trial of complete alliance made by Britain and France. From Lease and Lend—and aid to Russia, even if for cash, is part of Lease and Lend because it is a drain on precisely the same war chest—springs the need for the nations to confer together, not simply on the share-out from the chest, but on the use of materials, plant and labour to replenish it and on the use and disposition of machines and equipment from it on the battlefronts. Hitler's enemies, whether they are formally prepared to meet him in battle or not, are so "mixed up" in the economic tasks of their association that, willy nilly, they have a mutual say, not only in the trade, production,

consumption and industrial mobilisation of each other, but in their tactics and their strategy. "At every stage (the Prime Minister said on Tuesday) we have to consider the interests of our Russian ally and the outlook, wishes and actions of the United States." It is more than a parallel movement. It is an "involvement" which goes far deeper, in its repercussions on the associated nations, than most of the plans of Federal Unionists.

This is the Mississippi flood that Mr Churchill heralded. It needs its institutions still for the winning of the war; and it can lap over into the winning of the peace. Dr Van Dusen said in his broadcast postscript on Sunday that the question is not whether the United States will come into the war, but whether the United States will stay in the peace. The same is true of all the nations. All the Allies have endorsed the Atlantic Charter, which offers equality of trade and access to materials to every people. They have set up a bureau to survey the immediate economic needs of liberated Europe. In Britain, there is already an organisation under Sir Frederick Leith-Ross to supervise the purchase, storage and distribution of surplus produce, and Sir Frederick has just gone to confer with the American Economic Defence Board which, *inter alia*, has the same task of correlating economic defence and post-war economic reconstruction. The needs of Europe and of primary producers will march together.

In wartime the economics of alliance dictate the utmost co-operation between "sovereign" states in the use of their common resources. The lesson is no less valid for peacetime. The stock will still be common, and the crucial test still where this or that resource can be most economically and most efficiently used. The war will only be won by co-operation between allies and the mobility of their resources; and the same will be true of the peace.

Colonial Constitutions

LAST week, the centenary of the rule of the White Rajahs in Sarawak was celebrated by the grant of a constitution from the present ruler. Sir Charles Brooke has now surrendered his absolute powers; henceforward he will govern through a Council of Negri, composed of 14 official members and 11 unofficial representatives of the people, which will be the sole legislative authority, and a Supreme Council, consisting of no fewer than five members, of whom a majority must be members of the Sarawak Civil Service and members of the Council of Negri. Through this Supreme Council the Rajah's executive powers will be exercised.

This is not a very big step towards self-government. Most British colonies have a legislature of sorts, and there is apparently no question yet of giving the people of Sarawak the right to choose their representatives. Nevertheless, the new constitution is an illustration of what Mr Churchill in defining Point 3 of the Atlantic Charter called "the progressive evolution of self-governing institutions in the regions and peoples which owe allegiance to the British Crown." It also serves as a reminder of the widely differing progress towards independence which the different colonies have achieved. It comes in the same year that has seen a new constitution put into force in Trinidad and universal adult suffrage proposed for Jamaica.

The Trinidad reforms were so disappointing with regard to the basic problem of giving the people a wider say in the colony's government that the Jamaican Reform Bill was by contrast especially welcomed. Yet, towards the end of August, the Legislative Council of Jamaica rejected the proposed constitution, which besides granting adult suffrage would have put the elected members of the Council in a majority and given the nominated unofficial members the right to vote as they pleased. It is clear from the discussions that took place in the island before the debate in the Council that there was a considerable amount of reservation about some of the proposals. The People's National Party, which has been foremost in the plea for universal suffrage and full self-government, objected to the extended powers given to the Governor and to the

separation of the executive from the legislature. Nevertheless, it was prepared to accept the new constitution if the Colonial Office would agree to modification on these and other points, and it has roundly condemned the decision of the Council—where, incidentally the party is not represented—calling for its dissolution and for an appeal to the country on the whole issue.

The next move lies with the Governor and the Colonial Office. Obviously the decision of the Legislative Council is not the decision of the people because of the very unrepresentative nature of the Council which the new constitution was intended to remedy; and matters cannot be allowed to rest as they are, since a majority is in favour of reform.

The wisest course would probably be to modify the new constitution on the lines suggested by the People's National Party, for its demands are not altogether unreasonable. Its chief amendment to the proposals as they stand is, first, that elected members of the new Legislative Council should be given certain executive offices, to be confined at first to a few selected departments, but gradually extended to all. The Ministers, for such they would in fact be, would be nominated by the Legislature and would be ex-officio members of a Privy Council with executive powers. It is impossible to say whether the Jamaicans have reached the stage of being able to assume responsibility for the conduct as well as the deliberation of their affairs. Most probably they have not. It is likely that, in the first-flush of enfranchisement, they will return irresponsible demagogues such as Alexander Bustamante—the trade union leader at present detained on security grounds—who will claim to have won them the right to vote. On the other hand, it is difficult to see how the Jamaicans—or, indeed, any people at a similar stage of development—can ever become administrators if they are not given the chance to learn. For that reason, the PNP proposal for a limited form of executive responsibility to begin with seems a reasonable compromise. But its demand that the Governor should have no overriding powers is more questionable. At the present stage, while the people are

learning the responsibilities of government, the Governor must have some overriding powers; the checks and balances of party government, as Britain knows it, cannot be acquired in a day, and it is possible to envisage important measures, such as the Finance Bill, being interminably delayed because the Legislative Council fails to agree. The Governor is reluctant to use his existing power of enforcing measures; he would be much more reluctant to use his new power in the face of the opposition of a body representing the whole people, unless he was convinced that the measure in question was for their good. In Trinidad, where a similar power has been granted to the Governor, he has given an assurance to this effect.

Whether the PNP would agree to a compromise, and whether the Legislative Council would accept its terms, is not at all clear. Nevertheless, a compromise is worth trying, if only because the present situation is so deplorable. But if one cannot be reached, then the Colonial Office might seriously consider withdrawing what semblance of power the present Legislative Council has. In many ways, this would obviously be a retrograde step. But an out-and-out benevolent despotism would be preferable to the present system by which a plutocracy—or plantocracy, to use the happy term coined by the Parliamentary Commission to British Guiana—obstructs the despot whenever he tries to be benevolent.

The Jamaican constitution is something of a test case. For constitutional changes in the West Indies are in the air, and on the fate of the proposals for Jamaica may well depend the progress of reform in the other colonies. A new constitution for British Guiana, whose present one is one of the most reactionary of all, is already under consideration; and a similar constitutional basis in all the West Indies is necessary to pave the way for federation, which itself must be an essential condition of further self-government.

The problem of constitutional reform is not, of course, confined to the West Indies. Indeed, its progress there is already awakening similar aspirations in West Africa; and the West African Students' Union has passed resolutions in favour of the introduction of adult franchise in all the colony areas of West Africa, the reform of the legislative councils and the appointment of at least six Africans in the Governor's Executive Council in each colony. It also resolved that the object of indirect rule in Nigeria should be the establishment of a United Nigeria with a Federal Constitution, and that whenever, during the operation of indirect rule, "there is any conflict between the old and the new order, democratic considerations should always prevail."

Self-government is the goal which Britain holds out to all its dependent peoples; and when it is withheld from those who are ready for it, it is because the interests of a minority, or majority, who are not ready, must be safeguarded. This is well illustrated by the present situation in Rhodesia. Self-government was granted to South-

ern Rhodesia with the proviso that the consent of the Dominions Office must be obtained before any legislation affecting the natives can take effect. In practice, however, this watching brief on behalf of the natives appears to be ignored; it has certainly not prevented the Southern Rhodesian Government from passing, and the Dominions Office from agreeing to, the recent Land Apportionment Act, which discriminates shockingly against the natives. Moreover, that Government is now pressing hard for the amalgamation of the two Rhodesias as the basis of a future Central African Dominion, which, if it succeeded, would mean that another one and a-half million natives would be placed under its jurisdiction. The Colonial Office has so far firmly refused to agree to amalgamation; but the situation has been complicated by the birth of a spurious Labour party in Northern Rhodesia, composed only of Europeans, which, at the recent elections, obtained a majority in the Legislative Council with amalgamation as the first plank in its platform and demanding that the Colonial Office's statement that native interests are paramount should be withdrawn. It is worth noting that the Northern Rhodesian native has no vote, and it would be a travesty of trusteeship if the Northern Rhodesian Government or the Colonial Office were to be influenced by the new party, in spite of its apparent election success.

Difficulties will always be greatest where there is a European settler class, both because this class, unlike the colonial servant, is not selected or trained for the purpose of educating the native to self-government but by instinct looks down upon him, and because, also by instinct, it insists on something approaching as near as possible to the British Parliamentary system, whether such a system is suitable to the circumstances of the colony or not. But problems such as these do not invalidate the general principle that self-government must be the objective of colonial policy. In the Romanes Lecture this year, Lord Hailey, while admitting the difficulties, said that the "principle has behind it all the force of a sentiment which is deep-seated in the British character. . . The instinct of the British people . . . is to attach to the grant of political rights the importance which others have given to the acquisition of social and cultural equality. In their view, we should fail to discharge the duty of a trustee did we not give to our dependent peoples the fullest opportunities for developing their own sense of national consciousness and for acquiring the control of their own affairs."

British colonial policy has in the past stressed this ideal to the exclusion of material development. Now that the balance is being redressed by the Colonial Development and Welfare Act, it is important that the things of the spirit should not in their turn be forgotten. There should be no reason why the colonial peoples should have to choose between good government and self-government, between bread and the vote. The aim of colonial policy must be to give them both.

enabled to take "a more expansive view" of import programmes. Food reserves are higher than at the outbreak of war, and far higher than they were twelve or eighteen months ago; and the Prime Minister suggested on Tuesday that the Minister of Food would be able to make an appreciable improvement in the basic rations of the whole country, as well as in the quantity and the variety of meals for heavy workers in the coming winter. It was perhaps with a touch of humour that Mr Churchill summed up the situation by announcing that there would be "better Christmas dinners this year." Actually, it was a remark which has caused some slight misgiving. In another part of his speech the Prime Minister said that transportation rather than willingness or ability would prove the limiting factor in aid to Russia. Many of the transport problems between Britain or the United States and Soviet Russia are land problems; they concern the Persian road and the rail route from Vladivostok. But shipping is a crucial element; and when the Prime Minister says that grave sacrifices and efforts will

have to be made by the British people to help their Eastern Ally, he must surely include in those sacrifices the surrender of shipping space for the greater cause.

It will not be a comforting boast to be the best fed nation in Europe if Russia falls. Russia was brought into the war just when the improvement at sea began; and it would not be any encouragement to know that the Ministry of Supply had had to give way, during this crucial time, when more output is more than ever imperative, to the Ministry of Food in the allocation of the extra shipping space which the fortunes of war have provided. It is essential that the health and the morale of the people should be kept up, and especially that those workers who are bearing the heaviest physical strain of war production should be given extra rations. It is vital that children should be properly fed, and all those in need of special food sufficiently catered for. But it still remains a fact that ships are perhaps the most important single munition of war. They are needed to bring in materials and equipment from the United States. They are needed to carry materials and equipment, not only to Russia, but also to the large Allied force which is standing on guard in the Middle East. They are needed to serve the navy and the army wherever military or naval action may be possible or necessary. They are the means both of defence and victory; and, while there is no evidence that the grimmer and more important aim has, in fact, been lost sight of, it is worth reiterating that they should never be regarded, while the war lasts, as a means of comfort.

Ship Repairing

The recent improvement in the speed of shiprepairing is almost as important as the fall in shipping losses. Mr Bevin was able to reveal in a speech to dockyard men last Saturday that the increase in import capacity, which the Prime Minister spoke of in his speech three days later, has partly been made possible by the speeding up of repairs to damaged ships. In February, Mr Bevin pointed out, the position was desperately serious; and there were hundreds of ships awaiting repairs five months ago. So rapidly have the repairing yards caught up with arrears that now there is scarcely a ship which is not repaired as it comes in. While the pressure upon the repairing yards has obviously been eased by the reduction in shipping losses in the last three months, which must have been accompanied by a corresponding reduction in the rate of damage, the improvement is highly welcome; and the increasing share in repair work taken by United States yards must have been an influential factor.

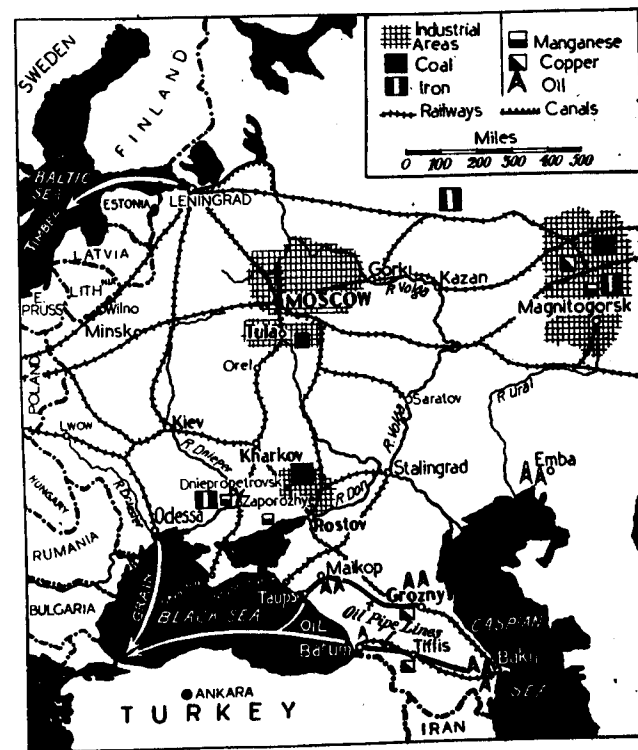
Russia's Industrial Second Line

If the Ukraine is lost and the Russians fall back on the Don-Volga line, the Soviet Union will lose 61.6 per cent of its pig iron, 43 per cent of its steel, 20 per cent of its machine output, 70 per cent of its agricultural machinery and 60 per cent of its coal output. These percentages are serious, even if they are not crippling. They would become more serious, of course, if Moscow and Leningrad were surrounded. The loss of the Leningrad-Moscow-Ukraine industrial front line would entail the abandonment of over 60 per cent of Russia's total industrial capacity. The second line—the Ural-Caspian Sea area—is unfortunately still very dependent upon the older established industrial regions. A pre-war annual average of 5 to 6 million tons of oil was shipped up the Volga from the Caucasus; special machinery and machine tools have to be imported from European Russia—only one-third of the machinery required in the Ural region can be supplied from local industry; and in spite of an increasing output of steel—particularly of rolled metal—general purpose steel, rails, heavy girders and other categories have to be imported, largely from the Ukraine. Nevertheless, the Ural region now produces one fifth of the Union's iron and one quarter of its steel; Magnitogorsk is responsible for 65 per cent of the Union's rolled metal; and at Sverdlovsk, Novo-Tagil and Chelvabinsk there are plants producing all types of machinery and machine tools. The basis of heavy industry in this area is the extraordinarily rich iron ore reserves in the Maknitsny mountains and coal brought in from the east, from Kuzbass and Karaganda, districts in Western Siberia which must be grouped together with the Urals for the purpose of considering Russia's industrial second line. Kuzbass and Karaganda have great mineral reserves of their own. Unfortunately, the Russians

have only been able so far to scratch their surface. Still, according to the 1942 programme, over 35 per cent of the Union's total output of pig iron, steel and rolled metal is to come from this "second line." These figures are among the data which have been before Lord Beaverbrook and Mr Harriman on the conference table at Moscow. They illustrate Russia's ability to continue the struggle. Allied help will therefore not be wasted. But they also illustrate Asiatic Russia's extreme dependence upon the older industrial regions of Russia-in-Europe. Lord Beaverbrook and Mr Harriman have promised that all Russia's needs will be met, and this must mean that supplies of weapons, of machine tools, of special steels, without which the Urals cannot carry on, will be supplied from the older industrial systems of Britain and the United States.

The Advance on Kharkov

The battle for Russia continues to follow the same pattern. In the north, round Leningrad, Von Leeb's battering has failed to carry the Germans any nearer the defences of the city, and in some areas the Russians actually claim an advance. In the centre, Timoshenko is still flattening the Smolensk salient, and this week his attacks have been to the south, in the direction of Gomel. However, they have



not been on a sufficient scale to ease the pressure on Budyonny, and in the south the retreat continues. The Russians have abandoned Poltava, and neutral sources hint at a German advance to encircle Kharkov and the Donetz. These reports are premature, but the great industrial region is undoubtedly in jeopardy, and there seems for the time

NOTES OF THE WEEK

The Use of Ships

Mr Churchill told the House of Commons on Tuesday that British, Allied and neutral shipping losses for July, August and September were only one-third of the losses suffered in April, May and June. Since June the practice of publishing regular statements of shipping losses has been abandoned; but it is possible to deduce from the fact that losses were 1,400,000 tons in April, May and June, that losses in the next three months were just about 470,000 tons, which (without any allowance for later news of additional sinkings) represents a monthly average of some 157,000 tons—which is still, of course, a grave wastage. The real problem which faces this country is the best use which can be made of the margin over estimated shipping losses which has been secured by the successful patrolling of the British and American navies. Mr Churchill spoke of the likelihood that several million tons more will now be imported than the figures which he gave in private to the Commons earlier in the year. The Government is

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being little hope that Timoshenko's blows at the centre or Budyonny's reorganisation in the rear can finally stay the German thrust. This being so, the Russians are faced with the possibility of having to retire to the Don-Volga line. The German strategy in that case might be to press northwards—to encircle Moscow, or southwards into the Caucasus. Of the two courses, the latter is the more likely. The drive south could cut the Russians off both from nine-tenths of their oil supplies, and from the Iranian supply route, while an encircling movement northwards would be effective only if Von Leeb's armies were ready to complement the manoeuvre by a massive advance southwards from Moscow. There is evidence that, had Leningrad fallen sooner, the German plan would have included the shipment of reinforcements up the Baltic and the flooding of the northern front. But Von Leeb is bogged in the mud and rain of the Leningrad suburbs. The main front is therefore likely to remain in the south.

Conferences in the Middle East

All is quiet in Iran, and the reports agree on the ease and good will with which the British and Russian forces are carrying out their joint tasks. General Wavell has visited Teheran and had a long conference with General Novikov, the commander of the Russian forces in Iran. The meeting led inevitably to the rumour that a joint Anglo-Russian Command would be established at Tiflis and a BEF despatched to the Caucasus. Such reports are premature, to say the least. The despatch of an expeditionary force anywhere entails the most careful preliminary discussion, preparation, allocation of effectives and materials, planning of transport and commissariat and a hundred other details. All that can be said so far is that the preliminary discussions for the full utilisation of the Caucasian front are under way. The agenda of the meeting between the British commanders in India and the Middle East held at Baghdad was significantly "to work out full details of co-operation between India and the Middle East regarding the anti-Axis front now established in Syria through Iraq and Iran to the left flank of the Russian armies." For the time being, the creation of a network of transport across Syria and Iraq and from Basra to the Black Sea is the first call on the energy and initiative of the men on the spot. A start has been made by the appointment of Sir Godfrey Rhodes, the general manager of the Kenya and Uganda railways, to be controller of the Trans-Iranian railway. Sir Godfrey has the opportunity of proving himself to be the British Todt.

The Battle for North Africa

Reinforcements are reaching both sides in the Near East, even though British convoys appear to have fared the better in the hazardous passage. Very severe losses were inflicted upon some Italian convoys last week; and this week there comes the news of a British convoy running the gauntlet of repeated Axis air attack to reach port with only one merchant ship and the crew of one naval aircraft lost and H.M.S. *Nelson* slightly damaged. All this movement can mean only one thing, that the campaigning will soon begin again, and this is borne out by the season; it is the sixth anniversary of the opening of the Abyssinian War, and time, therefore, for the autumn campaign. The British public are feeling, inevitably, a little bewildered about the situation on the Libyan frontier. They know that three-quarters of a million men guard the Middle East and that the Germans have virtually no spare reserves. Yet very contradictory statements have been made on the question of who holds the initiative on the edge of the desert, and Mr Churchill's expectation of "very heavy fighting" in the East in the spring is rather disconcerting. Here in North Africa is the British Army's only land front. Libya is a key to French North Africa, and if the Germans are given time to switch once more to the west, French North Africa may be the key to the Battle of the Atlantic. The position at the western end of North Africa is confused and unsatisfactory. M. Buisson boasts that Dakar is twice as strong to resist attack as it was a year ago, and there are very circumstantial accounts of the extent of French reinforcements to Morocco and West Africa. There are even reports of French-German-Spanish staff talks and the co-ordination of French North Africa defence under the direction of General Rintelen. That Darlan would have

no objection to any such arrangement can be taken for granted. Weygand is powerless because he is isolated and alone. But the arrival of British divisions at the frontiers of Tunis, coupled with offensive action in West Africa, might turn the scale. The layman and the outsider obviously cannot assess the military difficulties involved; but at least he can appreciate the necessity of creating some diversion from the Russian front, and he can see that probably only in North Africa has Britain the opportunity to create a diversion on a sufficient scale.

Critical Days for Mr Fadden

As was expected, the Australian Labour party decided to move the rejection of the Budget introduced last week, and Mr Fadden has treated the motion as one of no confidence. The original wording of the Labour party's motion, which was ruled out of order, was "That while agreeing that Parliament should provide the expenditure requisite for the maximum prosecution of the war, the House is opposed to the unjust methods prescribed by the Budget, declares them to be contrary to true equality of sacrifice, and directs that the Budget be recast to ensure a more equitable distribution of the national burden." But the Budget, which had to provide for war expenditure in 1941-42 of £A217 millions, against £A170 millions last year, proposed no new indirect taxation, and the proposed new direct taxes were steeply progressive. The Wartime Contribution suggested would be assessed on every taxable income, and the scale would rise to 18s. in the £ on high incomes. From the assessment to the Wartime Contribution would be deducted Federal income tax paid in the current year, and State income tax paid in the previous year, and the remainder would be collected as a loan bearing interest at 2 per cent, and repayable after the war. The exemption limit for single persons would be £A100 a year, whereas the present exemption limit for income tax is £A200, but the 210,000 additional persons thus brought within the assessment would only pay post-war credits. Moreover, the trading banks have been requested to keep on deposit with the Commonwealth Bank such increase in their funds as was due to war finance, as a further precaution against inflation. The Labour party seems to have quite failed to grasp that its motion in effect proposes that low incomes should make no sacrifices at all, although without such sacrifices "the maximum prosecution of the war" cannot be achieved. Or else it is just using the Budget to defeat Mr Fadden, in the same way that it used the proposal for a London visit to turn Mr Menzies out of office.

Railways and Transport Policy

Another small instalment in the official serial on the relations between the Government and the railway industry has now made its appearance in the form of a White Paper (Cmd. 6314). From the stockholder's standpoint the statement clears up the major points outstanding so far as the present control period is concerned, and this aspect is dealt with in a Note on page 418. On general policy, there is no further light. During the war the system of subsidy is to continue, with the Minister of War Transport responsible for all charges. Beyond that, all is dark, but for one paragraph—which is by no means simple of understanding.

"Before control comes to an end (i.e., before all statutory rights and obligations as they exist at that time again apply to the controlled undertakings), time will be given for the operation of any statutory machinery governing the level of charges."

This scarcely pellucid example of official prose is of great potential post-war importance. It appears to contemplate that the company's rights, under the statutory peacetime machinery, to seek an adjustment of fares and charges so as to raise their revenues towards standard revenues, shall remain inviolate. The words, indeed, seem to imply that before control is removed, the railways will be able to seek an adjustment of fares and charges, on the assumption that control is to be removed, so that they can face the prevailing level of costs. This will mean, if the Government has been subsidising the undertakings to meet their rent charge, an increase—possibly an appreciable increase—in charges. Much will depend upon the level of post-war costs, and the competitive position of the railways against other forms of transport, whether an appeal to the doctrine of standard revenues will prove either expedient or profitable. As it stands, the phrase does not suggest any perpetuation of control or, indeed, any approach to nationalisation of the railways. But it clearly demands elucidation, for it is a

cumbrous way of describing the preparation of the undertakings for emergence into an uncontrolled post-war world, armed with the Railways Act of 1921 as their only protection.

Labour Transfer

The controversy about "restoring" economic incentives in war production continues. Actually, the issues have become somewhat confused. It is important that the temporary problem should be distinguished from the more permanent. An immediate task is to accelerate the transfer of labour from industry catering for dispensable civilian needs into war employment. This problem of transfer is a problem of transition. Its solution must be worked out on a broad front: by the expanded limitation of supplies to these non-essential industries; by the increased curtailment of civilian demand by rationing; perhaps by the pooling of the non-essential industries with compensation, in order to allow the elimination of redundant firms and the whole-sale release of their labour, for the duration of the war, without destroying them; and finally and possibly most urgently, by the establishment of wage levels in the lower grades of war employment which will make it attractive for workers in dispensable trades to join the army of war workers. The key trouble in this temporary task of transfer is that many of these non-essential occupations were among the most prosperous in peacetime, and the level of wages, especially for women, tends to be generally higher than the wages which prevail for similar workers in the munition trades—which, except for the Black Country, have not as a rule employed women. But to increase the pay of the lowest paid workers in war industries (the differential to be overcome is illustrated in the following Note) is a temporary measure to speed up their transfer. In so far as it is successful, it will be no longer necessary; and the sole problem then will be the more permanent one, which is already vexing the war industries at many points, that is, how to obtain all-round maximum effort.

Earnings in Industry

If earnings in industry, both of beginners and of seasoned workers, were graded in accordance with the nature and relative importance of the various occupations, the redistribution of the army engaged on the home front in accordance with the national interest would no doubt be hastened. If, in addition, the Essential Work Order were applied, not only to the industries which are in need of more labour, but to other trades as soon as their labour force has been brought down to the desired level, the necessary movement of workers could be controlled and canalised. In fact, the earnings of workers in the different industries frequently bear little relationship to their nature and relative wartime importance. The following table, taken from the *Ministry of Labour Gazette* for March, 1941, shows the average earnings of men and women in the broad categories of industry in July, 1940. There have been many changes since then, but it is doubtful whether there has been much alteration in the relative position of workers in different occupations:—

AVERAGE EARNINGS IN THE WEEK ENDED JULY 20, 1940

Industry Group	Youths and Boys (under 21 years)	Men	Girls (under 18 years)	Women
	s. d.	s. d.	s. d.	s. d.
Iron, stone, etc., mining and quarrying...	37 10	74 10	†	†
Treatment of non-metallic mineral products...	42 4	84 9	26 1	39 0
Brick, pottery and glass...	34 8	77 10	19 2	33 0
Chemical, paint, oil, etc.	32 11	87 9	20 5	37 3
Metal, engineering and shipbuilding...	36 7	102 5	26 4	43 10
Textiles...	32 11	75 10	24 9	40 5
Leather, fur, etc.	31 6	76 10	19 10	35 10
Clothing...	28 6	71 10	19 11	36 3
Food, drink and tobacco...	32 6	76 4	20 7	25 4
Woodworking...	28 11	76 4	20 2	38 8
Paper, printing, stationery, etc.	27 2	83 11	18 8	35 2
Building, contracting, etc.	37 10	84 11	†	†
Other manufacturing industries...	38 0	91 9	22 7	38 7
Transport, storage, etc. (excl. railways).	34 11	85 2	†	43 6
Public utility services...	30 3	70 8	23 5	34 8
Govt. industrial establishments...	44 2	106 0	36 4	52 11
All the above	35 1	89 0	22 4	38 11

† The numbers returned in this group were very small.

There has been a tendency for earnings to increase faster in the munitions than in other industries since October, 1938, the date of the previous official inquiry. Whereas men's earnings in all industries rose by 29.0 per cent between October, 1938, and July, 1940, the increase has been above the average in the case of Government factories and in the metal trades, and well below the average in the clothing, food, drink and tobacco, woodworking and brick, pottery and glass industries, as well as in the public utility services. On the whole, however, earnings cannot yet be said to be graded according to the relative importance of occupations. This is shown even more clearly by the discrepancies within the major branches of industry, though these are partly due to the differences in the nature of the work performed. The failure of earnings to be graded in accordance with the relative importance of the various occupations is largely a reflection of the pre-war wage structure, when standards were different, and of the varying strength of the trade unions. But the movement of labour from certain overstuffed occupations, such as domestic and other dispensable services, is also impeded by the anxiety of a section of the population not to forgo these services and by its ability to raise the payment for them to a level at which an outflow of labour becomes financially unattractive; and the improvement in pay and conditions of work in Government training centres at the end of last March in order to approximate to the remuneration paid by entrants into productive industry has had disappointing results.

Pay and Work

The problem of achieving the highest individual effort throughout war production is still some way from solution. There are urgent problems of welfare, such as billeting, transport, and suitable food for heavy workers. There is also the need for a shrewd appraisal of the way in which pay is related to production. It is now admitted that it is not an increase in the general level of wages, or in the average earnings of war workers that is required, but rather some stepping up of the marginal earnings received for increased effort. In fact, too high an average level of earnings, with only a small increment for extra effort, will obviously work in precisely the wrong way by causing a disinclination to work after a certain level of income has been reached. This has already been noticeable. Wage rates have been very considerably raised since the war started, and the needs of many wage-earners have not yet caught up this expansion in their income, so that, having secured a margin, they are not disposed to increase their effort noticeably—particularly when the incidence of a newly extended income tax tends to cut down their net income per unit of extra exertion. On the other hand, it should not be argued that wages should be fixed so low, as is the case in certain grades of munition-making, that they lead to workers doing an amount of overtime which is as detrimental to output as it is to health and morale. Nor is the point that workers or employers should be bribed to do their job; it is rather that financial considerations should not interfere at crucial points with war production. The important thing is to secure, as has been done in different ways in both Germany and Russia, that extra output is rewarded by extra earnings which are not nullified by the incidence of taxation. It is not

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so much a question of raising the rewards of war work, as of adjusting those rewards so that there is no temptation for workers to slack off when a certain level of income has been reached—as is the case, for instance, when overtime pay is based on time and not on output, with the result that effort may be reduced during the normal working day in order to conserve energy for the overtime period, as, for instance, when absenteeism in the week is caused by higher-paid Sunday work.

War Finance

It is fashionable to say that finance has ceased to count in the problem of paying for the war. Actually, even if the country were formally and deliberately put upon a basis of complete and universal rationing, the method of financing the war in monetary terms would remain important, not only for its post-war consequences but also for its current repercussions. The technical interest of the six months' revenue returns which were published on Tuesday is discussed in a Note on page 417. As a measure of the gathering speed of the war, these figures are impressive. Expenditure for the first half of the Budget year was £2,236 millions compared with an estimate for the whole twelve months of £4,207 millions. Even if the rate of expenditure does not rise between now and next April, there will be an excess of expenditure over the estimate of between £250 and £300 millions. Actually, the rate of expenditure will certainly increase. At the beginning of this financial year in April, the total expenditure was running at the rate of £10 millions a day; recently the rate has been nearly £13 millions a day, and it is unlikely that the final quarters will not be, as heretofore, the most expensive—in view of the urgent need for extra output over and above the programmes decided upon last March. The belief of *The Economist* that total expenditure, when the balance is struck next March, will be well over £4,500 millions for the full year is made to appear conservative by the latest figures. Revenue, too, in the six months' total of £737½ millions is as much as £285 millions more than in the corresponding period in 1940-41, but £150 millions less than half the Budget estimate for the whole year of £1,786 millions. Actually, although the deduction of tax at source will this year even out tax payments over the twelve months, the second six months is always the most productive, and it is likely that the Budget estimate for the full year will be easily attained. The monetary problem of filling the gap between expenditure on the one hand and revenue plus genuine savings on the other remains. The gap has been and is widening; and the ways and means by which it has been temporarily filled by the creation of additional floating debt and by extra budgetary receipts are shown in a table on page 417.

Freedom to Travel

There has been more than a little coyness in discussions about the post-war future concerning the scale and status of migration after the war. It was a welcome and refreshing event when Sir Percy Bates, in his statement to the Cunard Company as Chairman, spoke frankly about this subject. After the last war, he said, his company's building programme was based upon the desire of many inhabitants of these islands and Europe to travel to North America; and it was dislocated by the restrictions which were placed by the United States, Canada, Australia and the rest of the world upon immigration. "But for these restrictions (he said) there would by 1939 have been some twenty million fewer people in Europe." Sir Percy Bates may not be right in saying that, in that event, "there might not have been enough steam in Europe for Hitler to have been able to cook up this war." But it is certain that a major problem to be solved when this war ends is the freedom to travel. The Atlantic Charter made no reference to migration. President Roosevelt has not included it among the basic freedoms. Nevertheless, it remains true that, in so far as the stability and prosperity of the nations will depend in the future upon the freer movement of economic resources from one country to another, as the need for adjustments to changing market and technical circumstances arises, the right of individuals to seek fresh employment, even though it may lie across foreign frontiers, will remain fundamental. None will deny that, as *The Economist* said a few weeks ago, "There is great force in the contention that overseas trade will prosper most if the nations direct their energies towards the maintenance of a high level of domestic activity and purchasing power." But it is still true that autarky is the enemy of prosperity,

national or international; and for the nations to achieve that equality in trade and in access to raw materials which the Atlantic Charter specifically calls for, it will be as needful for men and women to move as for goods and capital. There is no suggestion that the present barriers and standards should be wholly broken down at a single stroke; but there is every reason for claiming that migration should be made as free as can be made compatible with the recognised demand of each nation to maintain its standards of living and of work. The U.S.A. and the British Dominions are living proofs of the fact that migrants are assets and not liabilities; and the peace of the generations before 1914 is a demonstration of the needed social, economic and political safety valve which a moving frontier for migration provides.

The Non-Essential Industries

One of the difficulties in working out war economy to its ineluctable conclusion is a difficulty of definition. The expression "non-essential" industries tends to be used to cover all kinds of non-armament industries. This oversimplification leaves entirely out of account the fact that the basis of the war effort is the satisfaction of minimum civilian needs. A certain proportion of non-armament industries are essential because they satisfy these essential needs; and the unfortunate result of this confusion between the two kinds of civilian industry is that the toy or jewellery industries, for instance, which are wholly non-essential, tend to be treated in exactly the same way as textile trades, which, in a large part of their work, are indispensable to serve the need of the forces and civilians for clothing which they obviously cannot do without. Clearer thought on this point would make possible much more drastic treatment of the dispensable trades, and a consequently greater release of much-needed labour, as well as a much sounder attitude towards other non-armament occupations, which rank with the food trades as basic items even in a war economy.

Outlook for Milk

The official scheme for the controlled distribution of milk, to come into force on October 12th, has been improved since the first announcements on the matter were given to the public. It is excellent that the scheme of priorities has now been extended to include, not only expectant mothers, infants and school children, but also invalids, schools and hospitals. There is still some obscurity as far as the normal, healthy adult is concerned. It appears that supplies to the average citizen will be based upon, but not necessarily governed by, an officially announced basic share. Where the milk roundsman has a surplus, after distribution of the basic share, he will be able to sell it to his registered customers—which is a wise provision for the sale of a commodity where demand varies as widely as it does with milk. The Ministry of Food also announces that no milk will be used for manufacturing purposes, so long as the demand for liquid milk is unsatisfied—an excellent proviso which, however, does raise the question of how potential demand is to express itself in a scheme where distribution is ordained by the milkman rather than by the customer. Part of the basic share may be made up of full cream, unsweetened, condensed milk imported from the United States and distributed by the dairies, supplies of home and Empire produced condensed milk being handled by the grocery trade as hitherto. The decision to include condensed milk in the distribution scheme goes far to ensure that it will be effective; but it is to be hoped that, where possible, condensed milk supplies will be distributed, regionally at any rate, in accordance with known preferences. Condensed milk is by no means universally regarded as inferior to liquid milk, and the intelligent supply of condensed milk to those consumers who prefer it would release additional liquid supplies for those consumers who do not.

Rumours of Peace

For some weeks in the summer there were persistent rumours of a German peace offensive in the United States. The President even felt obliged to deny that he had any knowledge of such an initiative. The reasons forecast for this manoeuvre included the making safe of Europe against Bolshevism, the inevitability of stalemate, and the duty of the United States to hold aloof from the war in order to quench Britain's bloodlust, and to preserve its enormous moral influence in world affairs. At the time, the offensive petered out or was never launched, but to-day there are

signs that something is afoot again. One of Germany's difficulties in making peace overtures in the United States is the lack of channels of communication. There has been a wholesale purge of Axis officials. Any proposals put forward by the Lindberghites would get little more hearing than offers despatched direct from Berlin. Only one channel exists, the diplomatic corps of Vichy France. These men can speak with conviction on all the arguments put forward by the Nazis. They want the war called off, so that the old life can begin again, even if it is under the aegis of a Gauleiter. They want "Bolshevism" exterminated, for it threatens the old life, particularly in France. They want America to hold aloof, because they know that the "moral influence" of an America that had withdrawn from the struggle would be a real blockade of the old, decadent cycle of social life. So it is perhaps no coincidence that a statement by Fritsch to a meeting of Gauleiters, to the effect that, once Russia was driven back, the Germans would adopt a policy of stalemate and play for a "defensive war," was preceded by a speech from Marshal Pétain, in which he raised his voice for peace and linked the names of the President and the Pope with his plea. The visit of Mr Myron Taylor to the Vatican, and the exchange of letters between Mr Roosevelt and the Pope, give a sort of specious background to the Marshal's speech. The whole incident bears the mark of Goebbels—the attempt to confuse the issue, to trouble the weaker brethren, to sow suspicion and reap division. But, in this case, the attempt has fallen on deaf ears. To the interesting question, what exactly Pope and President did have to say to each other, it is impossible to give an answer, but some observers have linked it fairly convincingly with the unsatisfactory status of Italy in this war. That the Italians have no stomach for further fighting is obvious. It is equally obvious that their only hope of getting out of the war is at a time when the Nazis are heavily engaged elsewhere. If diplomatic procedure could provide an "escape clause," the Vatican would be an obvious intermediary. The question is, however, one of military backing and reinforcements if necessary from the west. As long as the Battle of North Africa is undecided, there can be no question of either.

Frivolous Candidates

In recent by-elections the Government candidate has made none too good a showing. At Dudley, in July, his majority was as low as 1,365, and last week at Wrekin it was only 2,825. Results such as these are partly due to the political apathy which must necessarily follow from the party truce and the absence of big issues to fight over. The Government's majority has been small because many of its supporters have not bothered to vote; they know that there are no "real" elections in wartime. But the fact remains that an Independent candidate secured 4,146 votes at Hornsey in May, 4,869 votes at Dudley, 8,086 at Scarborough and Whitby and 7,121 at Wrekin. These are higher figures than were secured by most unofficial candidates in the early days of the war, most of whom, either as Pacifists or Communists, stood for the straightforward issue of "stop the war." The present Independents are of a quite different order. They stand for nostrums for winning the war or promise the alleviation of war's hardships; and they therefore gain support from some of those who are dissatisfied with the direction of the war or who feel they have grievances. These by-elections consequently have a certain value in that they give added weight to criticisms expressed in and out of Parliament, and the answer to the Independents is at the Government's own disposal. The trouble is that, for the most part, these candidates seem to lack the sense of responsibility which every Member of Parliament should have—especially in wartime when utterances in the House may have unforeseen consequences. Mr Noel Pemberton Billing, for instance, who has contested the Hornsey, Dudley and Wrekin by-elections, and is about to contest Hampstead, as the "Bomb Germany" or "Win-the-War-in-the-Air" candidate, is not likely to be an asset to the House, from which he had to be forcibly ejected in 1918. Mr Churchill has classed him as a "frivolous candidate," and though it is now pretty generally agreed that the average ability of Members of Parliament should be raised, it would be no solution to replace one frivolity by another.

German Manpower

At the end of July, 1939, the German Labour Ministry reported that the total number of employed workers in Greater Germany, that is, in the Old Reich, Austria, and the Sudetenland, had increased to 24.46 millions, of whom 8.13 millions, or 33.3 per cent, were women. The number of unemployed was 50,426. The labour exchanges, the report added, had great difficulties in allocating the workers available, and in finding fresh labour. The total population of Greater Germany (according to the census of May, 1939) numbered 79.4 millions; the gainfully employed persons (*Erwerbspersonen*) numbered roughly 41 millions, or 51.7 per cent.

At the beginning of the war, the regular publication of employment figures was suspended. At irregular intervals figures are published showing the number of Labour conscripts, employed foreign workers and prisoners of war. At the beginning of 1941, employment in Greater Germany, not including the occupied territories, was surveyed in general figures. The total number of employed at the end of January this year was given as 22.67 millions, of whom 8.42 millions, or 37.2 per cent, were women; in addition, a million prisoners of war were employed, making a total of 23.67 millions. From the beginning of the war until the end of January, 1941, it was stated, the following number of extra workers had been recruited:—

Germans:

(a) Men, 500,000.

(b) Women, 300,000.

Foreign workers, 1,150,000 (150,000 from Bohemia and Moravia).

Prisoners of war, 1,000,000.

Grand total, 2,950,000.

These facts—a fall in the total number of employed of 1,790,000, and additional workers to the number of 2,950,000—suggest that the number of men mobilised from the total number of workers at the end of January, 1941, amounted to 3,740,000, in addition to the conscript *Wehrmacht* of July, 1939. It must, however, be noted that these figures cover only one part of the total number of mobilised men; another part comes from the ranks of employers, the professions, the civil service, independent peasants, artisans and shopkeepers; and actually there is no way of arriving at a

convincing estimate of the total number of men mobilised for military service.

The manpower reserves of Greater Germany, since the annexation of Western Poland, Alsace-Lorraine, Luxembourg and parts of Belgium, have greatly increased. Official sources estimate the total population of this new Greater Germany at 92 millions, compared with 79.4 millions for the smaller Greater Germany in May, 1939; and the population of the Polish *Gouvernement Général* is 10.6 millions, and that of Bohemia and Moravia roughly 7 millions. There is no doubt that the total number of workers employed in agriculture and industry in Greater Germany at the end of January, 1941, was only very slightly smaller than in July, 1939.

Control of Labour

During the successive stages of German rearmament, every way of "steering" manpower had already been used; and, at the beginning of the war the conscription of labour for war industries had been in force for more than twelve months. At the end of January, 1941, the total number of men and women conscripted for war work had reached roughly 2,000,000; though the total number of conscripts at work never exceeded more than 500,000, as labour conscription is generally limited to six months.

Two points are most important in this policy of "steering" manpower. Since April, 1935, there has been the annual call up of classes for military training, as well as the extensive short-time training of the classes born between 1906 and 1914. In 1935, the registration of industrial manpower was added to military registration by the introduction of compulsory work-books. During all these years the free movement of workers was more or less restricted. At one time the "flight from the land" had to be restricted; and, at another time, skilled workers had to be prevented from changing their jobs too frequently. When unemployment fell to a low level, workers willing to leave the towns for work on roads or fortifications became very scarce, and compulsion had to be used. The continued shortage of skilled workers, on the other hand, led to rationalisation in factories, and to the extensive retraining of workers for semi-skilled work.

Skilled workers need a much longer period of training

than semi-skilled workers, and the general policy was to use a larger number of semi-skilled workers; and the standardised demand of a rearmament programme favoured the rationalisation of processes. The actual distribution of manpower before the war was regulated in accordance with the priority of public orders. Distribution was carried out by the labour exchanges. From 1938, the combing out of different sections of the economy for extra workers became more frequent, beginning with independent artisans and shopkeepers.

At the beginning of the war, therefore, there were no readily available labour reserves. In contrast to Britain, the transition to war economy in Germany meant that the necessary extra industrial manpower had straightway to be recruited from restricted civilian industries, and from women who were normally without employment. And so long-prepared plans for concentrating production in large-scale armament works and the redistribution of workers were at once put into operation. Most civilian industries were at once reduced to short-time working or closed down. The total number of employed women fell by 500,000; and great numbers of them were retrained for war work. War production was kept at a comparatively high level simply by increasing hours of work to ten and even twelve hours.

At the same time, the free movement of workers was generally restricted. Special permits of the labour exchanges were required for changing jobs; and employers could not dismiss workers without the permission of the exchanges. The redistribution of industries and labour for the purpose of greater concentration was in full swing when the campaign in Poland ended; and the relative quiet in the west gave Germany the chance of demobilising large numbers of soldiers for war work. Prisoners of war were at once employed in agriculture, and great numbers of foreign workers were imported. The recruiting of extra women, however, remained small. The strain of forced overtime work was relieved, as the continued restriction of civilian production freed large numbers of workers for war work.

A Dual Purpose Army

The interchangeable military and industrial armies slowly took shape. The mechanised *Wehrmacht* resembled a vast

workshop. Industry, on the other hand, had been thoroughly militarised in organisation and in the supply of raw materials and labour. There was no need for a complicated list of reserved occupations. Skilled workers in the army are kept on the list of armament works, and are demobilised for work if the situation requires increased industrial effort.

The problem of distributing manpower between the army and industry are basically the same in all highly industrialised countries. In Germany, traditional differences in economic organisation, conscription, and the long-term planning of the German *Wehrwirtschaft* raised the problems which have still to be solved in this country long before the outbreak of war; and, in any comparison, the fact that Germany employs more than two million foreign workers and prisoners of war must also be taken into account. In this country, the limitation of supplies, the concentration of industry, and the control of employment by Essential Work Orders were belated, and, in some ways, unsatisfactory; but the main difference is that Germany has achieved this interchangeability between *Wehrmacht* (the forces) and industry. No Essential Work Orders or concentration schemes can change the actual technical organisation of industries, and the retraining of workers for war work must remain small as long as this necessary process of rationalisation is retarded. The piecemeal registration of men for military service and of men and women for industrial work cannot achieve in months what traditional conscription and the practice of work-books made possible in Germany, when the war came, in days.

In the winter of 1939-40, Germany demobilised the older classes and the skilled workers in the forces for industrial work. But, at the same time, new classes were called up for military training in preparation for the 1940 campaigns. There was more demobilisation after the collapse of France; but the total number of mobilised men fell only very slightly, and again untrained classes were called up in preparation for more military campaigns. The system of complete military and industrial registration makes it possible to select for demobilisation the skilled workers and keymen most urgently needed by industry, while mechanisation in the army makes it possible to improve the industrial skill of the men kept under arms; and a dual purpose army such as the Germans have built up makes it possible to increase the number of trained soldiers without depleting industry of its workers—so long as military campaigns on a large scale are short episodes lasting from three to six weeks.

The Test of Russia

But Germany's preparations for the war against Soviet Russia, and the prolonged campaign in Russia, created new problems. There is every sign in the preparations that a long and hard campaign in Russia was expected—in spite of what the pundits have said about Hitler's "time-table." From the spring of 1941, the number of men called up steadily increased, and now the losses are making new calls on available manpower. At the same time, the production of armaments and munitions must go on—in spite of the huge reserves previously built up. Apart from the fighting troops, large numbers of men are needed to repair and build roads and railways in the conquered parts of Russia.

In fact, the real test of the dual purpose army, and of Germany's industrial capacity, began with the campaign in Russia. A further concentration of work in large-scale factories is well under way, and the process of combing out is now being applied to the less efficient and smaller scale munition factories. More prisoners of war have been put to work, and more foreign workers imported. More old age pensioners have been forced, since the preparations for the campaign started, to return to work. A drive for the employment of married women began in April. The census and employment figures of 1939 leave no doubt that the reserve of unmarried women between the ages of 14 to 65 was virtually exhausted by the beginning of 1941. The reserve on which Germany's war economy can draw are the remaining 12.5 million married women.

Reports from labour exchanges suggest that the response from married women is not very satisfactory. Factories have been compelled to provide half-day shifts for married women; special shopping hours have been instituted for them; and the number of nurseries is to be increased. But the recruiting of married women remains restricted; and, once again, allied and occupied countries are being induced to export labour to Germany. For the first time since the beginning of the war, military mobilisation has outpaced the most urgent demands of industry, and there are signs that another restriction of civilian industries will be unavoidable.

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THE WORLD OVERSEAS

Income and Taxation in America

(From Our Washington Correspondent)

September 12th

THE Labour Day week-end has been torn off the calendar and disclosed autumn definitely at hand; a desk-full of post-vacation second-class mail gives a running commentary on the income-v.-scarcity situation, whose importance is daily increasing.

A Department of Commerce reprint from the *Survey of Current Business* announces that the statisticians have at last concluded that the American national income for the year 1940 exceeded \$76 billions, a rise of more than \$5 billions over 1939. And they found that, because of the existence of unused capacity, the increased income largely represented an increase in the quantity of goods and services produced; even after allowing for changing prices and population growth, real income per head in 1940 was above the 1929 peak.

These statements read like a long time back. To-day a \$5 billions rise for 12 months resembles last year's bird's nest, when defence disbursements reached \$1,100 millions for July, 1941. And what does income mean now? The August 26th issue of *Defence*, a weekly summary published by the Office for Emergency Management, has on its cover a chart showing that the June, 1941, output of field artillery contrasted with the average of July-December, 1940, by rather better than 4 to 1. That is the form that real income is taking. But what are people going to do with their money? (There were 39,241,000 non-agricultural workers employed in the country in July, 10.8 per cent more than a year before; employment in 16 defence industries was up 53.8 per cent.) *Defence* gives more than a hint on this point. Of the ten major topics listed in its contents, the following are five: "Critical List Appears in New Form," "Automobile Output Cut 26½ per cent," "Hillman Moves to Foretell Unemployment" (re-hiring and re-training auto workers), "Rayon Grey Goods Put Under Ceiling," "South Urged to Feed Self, Free Supplies."

On August 28th the President appointed a Supply Priorities and Allocations Board, under the chairmanship of Vice-President Wallace; after its first meeting the Board issued a statement which read in part:

We must forgo the less essential that we may have an abundance of the more essential. By less essential industry is meant those industrial activities involving use of materials and production facilities which sap supplies and machinery resources necessary to a realistic all-out defence programme. In some cases this may involve only a part of an industry; in other cases it may involve several parts. Wherever possible to convert the less essential to military or essential civilian production this will be done. Every means will be employed to expedite this process with a minimum loss of time for men and machines. But the less essential must go.

This means cutting off the fat and hardening the muscles. The Board holds that defence comes first, and while recognising that the civilian economy must be kept of non-essentials, it must be kept in good running order and in more than stand-by condition.

To achieve this twin purpose, the Board will devise promptly appropriate controls to assure equitable distribution of materials under a constructive system of priorities, the basic purpose of which is to assure the wisest use of all our resources for the task at hand.

The country's current real income is thus armaments; means, therefore, are being sought to direct civilian spending into payment for these items and away from price-raising competition for limited supplies of other goods. The Bureau of the Budget announced on June 1st a revised budget for the fiscal year 1942 of \$22.2 billions, \$15.5 of which is to be for defence. Mr. Morgenthau advised that at

least two-thirds of the total budget should be met out of taxation. Yields from the current tax structure were estimated as \$9.4 billions; the tax measure currently under consideration by Congress would raise about \$3.5 billions more.

Non-Governmental commentary on this income-and-taxation situation is on the desk in about every possible form. "Taxation versus Inflation," a pamphlet by the National Economy League (an organisation of industrial conservatives whose previous publications have steadily urged cuts in Government—especially federal—spending), recalls a statement of Federal Reserve officials made last January:

Whatever the point may be at which the Budget should be balanced, there cannot be any question that whenever the country approaches a condition of full utilisation of its economic capacity, with appropriate consideration of both employment and production, the Budget should be balanced. This will be essential if monetary responsibility is to be discharged effectively.

The pamphlet suggests that the goal of the new tax measure should be \$10 billions rather than \$3.5 billions, and examines possibilities of reaching it. Extension of the present income taxation is dismissed on the ground that its extension to lower incomes would increase the proportion of the cost of collection to the yield; as to its extension higher—

Disregarding the fact that excessive taxation will soon convince people that a high income is not worth the effort and risk to attain it, complete confiscation of all incomes in excess of \$10,000 would yield the Government only \$2.3 billions additional revenue, and complete confiscation of all incomes in excess of \$3,000 would increase revenue by only \$6.5 billions.

With regard to sales taxes:

If we were building a tax system anew, there would be much weight to the argument that a sales tax is inequitable, but when the existing tax system as a whole is progressive, and steeply so in the higher brackets, there is less reason to fear this consequence.

But the rate of the tax would have to be high if the proper amount of funds were to be obtained from item not exempted as necessities—such as food—or already subject to excise tax.

All in all, the League favours a universal tax on income paid out, collected at the source at the time payment made. The pamphlet states that this tax—

has sometimes been misinterpreted as a tax solely on wages, and has been condemned, therefore, as discriminatory. Actually, the plan calls for tax deductions on a payments of income of whatever sort: wages, salaries, other personal earnings, interest, dividends, royalties

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rents and entrepreneurial withdrawals. Thus, it would apply to the entire amount of national income paid out to individuals—a much broader base than that to which a sales tax would apply.

The *Economic Outlook* of the CIO views the matter differently:

President Murray has taken the position that the CIO will support the most effective possible progressive personal income tax system. This means an income tax which begins not lower than the 1939 exemptions of \$1,000 and \$2,500. . . .

The argument is now being made that taxes which bear upon the consumption of wage-earners and low income groups are necessary in order to prevent inflation. This argument is the basis for proposals to spread the income-tax to lower income groups, and to lay extensive sales taxes, or purchase taxes as they have been euphemistically called.

The proposed taxes upon low income groups would not in the present situation do a great deal to prevent the price rises now imminent. . . . The major expenditures of a wage-earner's family are in the three items of food, clothing and rent. According to this index, they take 65 per cent of the income. Possibly 5 per cent of such an income would go to the so-called consumer durables and scarce materials. . . .

It seems perfectly clear that until every possible penny of tax income is taken from the upper brackets of income and from corporation profits, no penny should be withdrawn from families where it will mean less to eat or wear.

As a means of lessening consumer competition for the durable goods whose production is likely to be most affected by the defence programme, the terms of instalment buying were stiffened beginning with September. While instalment payments on consumers' goods are being made more difficult, instalment payments on taxes are being facilitated. The U.S. Treasury Tax Savings Plan, announced in question-and-answer form mailed out by the banks, is a plan starting August 1, 1941, to help the taxpayer to set aside money, during the year in which earned, to pay income tax bills due the next year. Q. How does the plan operate? A. By the taxpayer purchasing the special notes offered by the Treasury Department to be used in payment of Federal income taxes. Q. What are these notes? A. They are direct obligations of the United States issued in the form of Treasury notes and are dated in the month in which the payment is received.

This offering compares with the defence bond and stamp sales begun in 1940, which permits persons with small incomes to accumulate stamps in 10 cents, 25 cents, 50 cents, \$1 and \$5 denominations towards the purchase of savings bonds, maturing in ten years' time. Receipts from these sales, which in many cases are made out of the purchaser's income, are expected to canalise into Government channels some \$3.6 billions of purchasing power in the fiscal year 1942.

Unemployment in Eire

[FROM OUR DUBLIN CORRESPONDENT]

September 16th.

At the beginning of the war the prospect of grave unemployment in Eire engaged much attention, but experience has proved that these fears were partially unfounded. A shortage of supplies of raw materials has caused unemploy-

ment to appear in many industries and in the building trade. Employment has, however, grown in other directions. The tillage and turf-cutting campaigns have absorbed large numbers in the rural areas, while many of the urban potential unemployed have joined the Army and the Construction Corps, or have emigrated. While the existing services for the relief of unemployment by way of assistance and relief works have been fully maintained during the war period, no extraordinary measures have proved necessary. The fact is that, so long as the demand for labour in Great Britain remains at its present intensity, unemployment in Eire will be largely solved by means of emigration. Whether this is desirable from the national point of view raises major issues of policy which need not be discussed here.

Insurance against unemployment is quite advanced in Eire compared with other agricultural countries, but agricultural workers are still excluded from the insurance scheme. In 1936 unemployment insurance covered 30.4 per cent of the occupied population, compared with 21.4 in Denmark, 21.1 in Switzerland, and 3.1 in Canada. At the time of the Treaty in 1921 the British legislation then in force applied to Ireland. This Act was continued, with special benefit periods during which uncovenanted benefit was paid, until 1925. In that year, when the Unemployment Fund was in debt to the extent of £1,300,000, the special benefit periods were discontinued, and in the course of the next few years the fund discharged its debt. In 1930 the scale of contributions was lowered, but it was raised again in 1933, when a comprehensive Act for Unemployment Assistance was passed.

This Act was rendered necessary by the difficult circumstances arising out of the fall of agricultural prices and the economic dispute with Great Britain. In addition to unemployment benefit on a contributory basis, provision was made for the payment of assistance to certain categories of workers who obtain a qualification certificate after being subjected to a means test. The Act provided for the discontinuance of benefits during certain periods of the year for some sections of workers. This provision is utilised annually in order to exclude from the provisions of the Act small holders and men without dependants during the times when employment is normally high. The rates of assistance, which are graduated in accordance with the number of dependants of the recipient and the area in which he resides, were increased in 1938. A married couple without children at the present time receive 15s. per week in Dublin and 10s. per week in a rural area. It was estimated that the cost of this new service would be about £1,000,000 a year. £250,000 was to be contributed by the Unemployment Insurance Fund, the balance being made up of additional local rates and an Exchequer contribution.

Relief Works

In addition to the payment of unemployment assistance considerable expenditure has been undertaken on relief schemes. The difficulties of finding suitable relief works are very great. The work must possess a high labour content; it must be accessible to the districts where the unemployed reside, and must, in rural areas, be available during those seasons in which agricultural employment is low. In the ten years 1922-32, less than £1,500,000 was voted for relief works, in addition to expenditure from the Road Fund. These works, which were administered by local authorities and the Land Commission, were condemned by the Committee on the Relief of Unemployment in 1927 as "demoralising and costly." In the years 1932-39, side by side with the increased unemployment assistance, relief works were also greatly extended. The Exchequer grants during this period exceeded £4,500,000, to which must be added special grants, contributions from the Road Fund and from local authorities. The principal types of schemes undertaken were sewerage and other public health works, the clearing of housing sites, the construction and improvement of roads, and the extraction of peat from the bogs. One type of scheme which proved exceptionally successful was that for the reclamation of waste land. By means of this scheme it has been possible to add to the area under cultivation, and to increase the size of many small holdings. Equivalent benefits have been obtained in urban areas by the creation of allotments for the unemployed.

The great difficulty about relief works is that the supply of suitable works tends to grow less with the passage of time. The shortage of fuel has provided a non-recurrent and temporary resource in the present season, during which numbers have been employed upon the bogs—so many, indeed, as to cause in some parts of the country an acute shortage of agricultural labour. Much has been heard in

popular discussion of the possibilities of large schemes of afforestation and drainage, but detailed examination of these schemes has usually proved disappointing. Afforestation requires larger areas of land than are available in Ireland, and employs very little labour compared with the extent of the capital outlay. Whatever may be the merits or demerits of a large-scale scheme of arterial drainage, such a scheme is not calculated to give much employment. The openings for additional relief works are becoming fewer and fewer, and increased reliance will have to be placed in future on the growth of agricultural and industrial production, and on the resumption of building after the war. As has already been stated, the actual solution of the Irish unemployment problem lies in emigration. Up to 1929, the great Irish labour market was in the United States. To-day it is in Great Britain. However questionable the effects of this mobility may be from the long-period national standpoint, it at least prevents the accumulation of masses of unemployed in the Irish labour market.

Town Against Country in Denmark

[BY A CORRESPONDENT]

September 25th

DENMARK's occupation by the Nazis, and its isolation from world markets and sources of supply, have meant a serious blow to the country's agriculture. Owing, mainly, to the increasing shortage of fodder, the dairy industries are yielding to-day only about 70 per cent of their normal output of milk and butter, and of pork and eggs about 60 per cent and a little over 50 per cent, respectively. The pigs are so lean that hardly any fats are available for melting down. Last year's grain and vegetable harvest was bad, and this year's will be worse; and the total amount of agricultural output has been vastly diminished, even though a large number of horned cattle has been slaughtered or exported to Germany.

Strangely enough, however, the current income of the peasant population is probably higher than before the invasion. According to an inquiry of the Danish Statistical Bureau, the net output per hectare amounted to Kr. 112 in the harvest year 1939-40, against Kr. 98 in the year before. The higher cost of fodder, machinery, fertilisers, etc., certainly resulted in an increase in operating expenses; this increase was intensified by a small rise in wages, but limited by the small volume of high-grade fodder which is now used in agrarian production, and it was, in any case, more than compensated by the high price level of the farmers' own products.

The Statistical Bureau is anxious to point out that this apparent improvement in the current income of the farmers is accompanied by a decrease in the real value of their property. The policy of rising prices means, in fact, that the farmers are being compensated for the decreasing productivity of their soil at the expense of those 50 per cent of the Danish population who live in Copenhagen and other urban districts.

It might be argued that a large part of the agricultural output is sent to Germany, and that therefore, to a certain extent, the farmers' compensation is paid by the Germans rather than by the Danish town-dwellers. However, exports are largely financed by interest-free advances from the National Bank for an unlimited period, for which, in the words of the business paper *Finanstidende*, "the whole nation is the guarantor." The paper adds that if these advances, which originally were only intended as a temporary measure, ceased, agriculture would receive only part of its export payments in cash, while the balance would be credited to blocked accounts, yielding no interest and non-negotiable.

It is small wonder that this policy of direct and indirect Government subventions for agriculture is being fiercely attacked by a common front of townspeople, stretching from business men and industrialists to Socialists and labour leaders. The latter are mainly concerned, of course, with the living conditions of the poorer classes of the population. Hourly wages had risen by 2 to 3 per cent from 1939 to early in 1941 and in March this year a further 8 per cent increase was awarded to the workers by the National Arbitration Board. Any further increases, which are only

possible with the consent of this institution, were refused in August, though the board admitted that the position of the workers had become worse in the meantime. Not only has the cost of living risen by more than double the amount of the rise in wages, but the industrial output is still, in spite of some improvement in the capital goods industries, about 20 per cent below normal, and there are large numbers of unemployed and part-time workers and workers who are employed, at low wages, on Government emergency work. A further deterioration is caused by the shortages of many articles and by the worsening of the quality of others. A good example of an indirect rise in the cost of living is provided by the national consumption of butter and margarine, which was about 93,000 tons in 1940, against 114,000 tons in 1939. But while, in the previous year, about three-quarters of this consumption consisted of margarine and almost all the butter produced in Denmark was exported, not enough margarine has been available since the German invasion, and the share of butter in the total consumption rose to almost 60 per cent; the poorer section of the population had, therefore, to pay more money for their smaller fat rations.

Price Control Demanded

The Danish TUC and the Social Democratic press have repeatedly asked for the control of prices, the compensation of the worker, the reduction of the existing turnover tax, and so on. The chairman of the TUC said recently: "The very near future will be the most serious Denmark has ever experienced, for one cannot control the price of one commodity—for instance, labour—and permit the price of other commodities to continue to soar to the sky." The spokesmen of the financial and business world are fully aware of the anomaly of the situation, but do not see how any good can arise from an abolition of the wage stop. They usually stress the danger of inflation, which obviously may result from an increasing price level accompanied by a low level of production. Their main suggestion is, therefore, to stop both prices and wages and to stabilise the krone accordingly. It is also suggested that the National Bank should cease making advance payments for exports.

On the other hand, the agricultural organisations are definitely in favour of further price increases, and since no spectacular rises in export prices are likely, they are mainly interested in home market prices. The chairman of the Danish dairies frankly suggested at the end of July: "We cannot avoid the fact that we must approach the Government for an increased home market price, and we must make our demand effective."

The trouble is that this year's harvest of fodder grain is expected to be 30 per cent below normal in the Danish mainland and 15 per cent below normal in the islands. Even if Herr Backe, of the German Ministry of Agriculture, should stick to his promise and let increasing quantities of fodder into the country, this would hardly be enough to make the fodder position normal. The stock of Danish agriculture is bound to depreciate under present conditions, and the only question is whether this loss is to be borne by the farmers themselves or whether they will be able to shift the burden, at least for the time being, on to their less fortunate compatriots.

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Holland Fights the New Order

[BY A DUTCH CORRESPONDENT]

September 22nd

At the beginning of the second winter of occupation a grave danger of under-nourishment threatens the people of Holland. In this country, once one of the chief dairy exporters of the world, now only small amounts of skimmed milk are available for the general public; the egg ration is one a month; the cheese ration one ounce a week. Under the German occupation rationing has been continually extended, and rations have been continually reduced.

WEEKLY RATIONS FOR ADULTS

	Date of Introduction	Original Rations	Rations Week Sept. 6-13
Bread	June 17, 1940	5 lb.	4½ lb.
Flour	June 17, 1940	9 oz.	3½ oz.
Eggs	Nov. 4, 1940	1	1 a mth.
Meat (*)	Sept. 16, 1940	18 oz.	11 oz.
Cheese	Oct. 17, 1940	3½ oz.	1 oz.
Milk	April 21, 1941	2 pts.	...
Potatoes	April 27, 1941	4 lb.	6½ lb.
Sugar	Before the invasion	9 oz.	9 oz.
Coffee	June 5, 1940	2 oz.	...
Tea	June 5, 1940	½ oz.	...
Jam	Oct. 17, 1940	4½ oz.	...
Rice	July 22, 1940	3 oz.	2 oz.
Oats, etc.	July 22, 1940	3 oz.	2 oz.
All fats	July 15, 1940	9 oz.	7 oz.

* Including bones, offal, bacon, sausages, etc.

† Coffee substitute of a very poor quality is still available—2 ounces a week.

This list, impressive though it may be, does not tell the whole story. In the first place, the quality of the goods has greatly declined; most of the potatoes, for instance, are imported from Poland, while Germany takes the bigger part of the Dutch crop. The Polish potatoes are called "Nazis"—black outside, rotten inside. In the second place, prices have risen so much that many Dutchmen are unable to take up all their weekly rations. This applies to an ordinary workman's family with a weekly income of about £4. It was recently reported from the textile district of Twente that workers will get extra meals in the factories. This will not help wives and children. In many places, therefore, bakeries have already been stormed by hungry crowds. And it should be remembered that Holland is still one of the best fed of all occupied countries.

Black markets are flourishing despite severe penalties. More than half a million of pigs have been illegally slaughtered and the meat sold to those who were able to pay the high prices. Five butchers who had committed this offence have been sent to a concentration camp. There is an extensive trade in clothing coupons. Hundreds have had their gas and electricity supply cut off because they refused to comply with an order which restricted it to 75 per cent of the supply available at the same period last year.

The unemployed still number about 90,000. The Nazi promise of a speedy end to unemployment has not been fulfilled. The decline has been due to the fact that 130,000 Dutch workers have been transferred to Germany—where they are extremely unpopular on account of their "difficult behaviour." Some 20,000 other Dutchmen, some of them Dutch Nazis, are working on military objectives in Northern France. The ration cards and the dole of the unemployed who refuse to go to Germany are withdrawn.

While goods are scarce, money is not. The amount of money in circulation will have almost doubled by the end of this year compared with May 9, 1940. Owing to the fear of inflation, antiques are bought up and money is being withdrawn from savings institutions. To combat this, the state is trying to "freeze" purchasing power by increased taxes—the wage tax, introduced at the beginning of this year, has been supplemented by a severe income tax—by prohibiting the payment of dividends over 6 per cent, and by controlling prices—which, however, still tend to rise. The control of wages is much more effective.

The principal source of the money entering into circulation is, of course, the Treasury. The state's expenses, which used to be about Fl. 800 millions, have risen to almost Fl. 4,000 millions for the current year. In addition, the direct costs of occupation (the maintenance of German

troops) are estimated by a Dutch Nazi source at Fl. 1,200 millions (£160 millions), to which must be added another Fl. 1,200 millions for wages on German orders which are to be paid by the Treasury. As the state's revenue will not exceed about Fl. 1,200 millions, there will be a deficit of about Fl. 2,700 millions.

In the meantime, the Germans make good use of their position of financial overlords. The Dutch owners of German shares have been forced to register, and within a short time all Dutch-held German shares will be in German hands. At the same time, German financial penetration is steadily proceeding. The *Deutsche Bank* virtually owns *Albert de Bary and Company*, of Amsterdam; the *Dresdner Bank* has set up the *Handelstrust West*; the *Commerzbank* has created the *Rijnsche Handelsmij*; and a *Bank voor de Nederlandsche Arbeid* has been set up by the *Bank der Deutsche Arbeit*. The Aryanisation of between 15,000 and 20,000 "Jewish" businesses and the "taking over" of thousands of "enemy-owned" businesses are further effective methods of tightening the German grip on Dutch economic life.

Letter to the Editor

For Services Rendered

TO THE EDITOR OF THE ECONOMIST

SIR,—Your article on the plan for increasing the economic incentives to war production suggests that there is some danger of this discussion declining into a controversy between those who wish to rely on the motive of patriotism and those who wish to rely on the motive of profit. This would be most unfortunate.

Most disastrous of all would be an agitation for a simple reduction of EPT by 30 per cent or 40 per cent. Not merely is the need for revising our profit policy much less urgent than the need for revising our wage policy; but the only revision in the former worth consideration is the substitution of 100 per cent dividend limitation *plus* 75 per cent EPT on the essential industries for the present 100 per cent EPT plus non-existent dividend limitation throughout all industries. To reduce EPT without limiting dividends would rightly cause indignation and inevitably cause disunity.

At the same time we must realise that in some industries (such as the railways, which are still inviting the public by poster to indulge in unessential travelling) the profit motive is actually tending to harm the war effort. These industries (with which I should include the coal mines) should be brought under full and immediate Government control. As you say, efficiency bonuses for the managers, where practicable, are preferable to increased profits for shareholders.

But the wage issue is far more important. It is not a question of increasing the incentive of existing munition workers, but of making it economically possible for workers in unessential industries to transfer rapidly into the low-paid war industries. I doubt if many people realise (I doubt if the Treasury realise) that serious bottlenecks in war production are being maintained because, thanks to Government policy, certain wage rates cannot be raised to the point at which it would be possible to inject the necessary extra labour. The present excessive hours of work—which are damaging health, efficiency, output and morale—are also in many cases being maintained because they cannot be lessened until time rates are raised.

No dramatic alteration in policy or procedure is desirable. The following two simple changes would be largely sufficient:

(1) An announcement that the Government wishes to see a revision of low wage rates in essential industries. The machinery of collective bargaining and of the tribunals would do the rest in an orderly manner.

(2) A substitution of 75 per cent EPT plus 100 per cent dividend limitation for 100 per cent EPT in certain essential industries, and the introduction of public ownership in others.

May I invite earnest and dispassionate consideration of these modest proposals, which would naturally be associated with intensified efforts of rationing, price control and organised saving such as you recommend?

ADELPHI.

THE BUSINESS WORLD

Building Material Shares

INVESTORS holding building material shares in general, and cement company shares in particular, were put out of their stride late last month by the decision of Associated Portland Cement to pay an interim dividend of only 2½ per cent, against 5 per cent declared a year earlier. The dividends of these leading undertakings in the "Blue Circle" group have been falling steadily in the last few years. The Associated company paid 22½ per cent for 1937, and the British only 10 per cent for 1940, though its subsidiary, the company, maintained the 22½ per cent rate until 1938, and distributed as much as 17½ per cent for 1940. So far as an unpleasantly surprised and somewhat mystified market can make any estimate of future possibilities, it is inclined to expect the payment in due course of a final dividend of something like 5 per cent on Associated and 7½ per cent on British shares. Even after the inevitable reaction in the prices of the two stocks, the yields on these postulated payments are no more than 1.96 per cent and 1.85 per cent respectively, and it is clear that investors are discounting prospective benefits in the period of national reconstruction after the war much more than the problematical prospects of the immediate future.

The same observation applies in large measure to the investor's attitude towards shares in the building materials group of companies as a whole. At the dark moment of the end of June, 1940, when Hitler had conquered France, and the bottom had fallen out of the ordinary share markets on the London Stock Exchange, the *Actuaries' Index* of the prices of six representative building materials shares (December 31, 1928 = 100) was as low as 33.7, and the average yield figure was as high as 11.6 per cent. Investors at that time were obviously more pessimistic about building material shares than about those of British industrial companies in general; for the corresponding index figure for the whole of the 159 equities in the *Actuaries' mixed bag* was 38.9, and the average yield figure was 9.0 per cent. Even before the end of last year, however, this attitude had been significantly modified. By December 31, 1940, the index stood at 56.5 for building material shares, against only 49.5 for industrial equities generally, while the indicated yield on the former had dropped to a fraction under 5 per cent, against 6.5 per cent for ordinary shares as a whole. By the end of August this year, the building shares index had reached nearly 70 (more than twice its level in June, 1940), and the average yield was only a little more than 4.1 per cent, against 57.1 and 5.3 per cent for industrial shares of all classes.

The factor which makes this remarkable revival in public interest in building material shares all the more significant is that it has been achieved in the face of consistently cautious—not to say depressing—statements by representative chairmen about the immediate outlook for many branches of an extremely diversified group of industries. Sir P. M. Stewart, at the meeting of Associated Portland Cement, last April, declared that any forecast must be hedged with caution; that the year had opened disappointingly; that stocks of cement and clinker had accumulated which were unlikely to be absorbed in the current year; and that, even if expected transport and production difficulties were avoided, the company would be fortunate if demand absorbed all the tonnage actually produced. This series of warnings he repeated substantially at the British Portland Cement meeting. The same speaker, in his capacity as chairman of the London Brick Company, had dwelt a month earlier on the heavy stocks which that company had accumulated, despite an "unsatisfactory" volume of production at the works, and had stated that only a totally unexpected revival in demand after the Dunkirk evacuation and the beginning of the period of intensified air raids had enabled the company to dispose of its heavy accumulation of unsold bricks. In a different branch of the building material industries, Sir Valentine Crittall informed share-

holders in the Crittall Manufacturing Company at the end of last year that, after the outbreak of war, the cessation of regular building had caused the undertaking to work practically at a loss, and that improved results had been contingent on a change-over of productive capacity to "other manufactures," whose nature may possibly be better imagined than described in wartime. The chairman of British Plaster Board, as recently as last July, had much the same story to tell. The branches of the building industry in which the company is mainly interested—namely, dwellings and public buildings—are practically at a standstill, and the bulk of the company's business comes from supplying materials to meet "other requirements." Even so, the company, like others in this group of trade, is having serious labour difficulties owing to withdrawals of workers for the Services. To complete the picture, we have the testimony of the chairman of Pinchin Johnson that the company's domestic business has almost completely changed in character since the war, and that profits have to carry the burden of greatly increased expenditure which it is "neither politic nor practical" to pass on to consumers.

Prima facie, it may be thought feasible to draw some distinction, in wartime, between the manufacturers of materials like cement and bricks, which are required either for service or civil defence purposes, and of those like plaster boards and paints, the loss of whose normal peacetime markets has a much more limited offset in the shape of special war demand. In practice, the distinction has a much less valuable practical application than might be thought. Many current handicaps are common to all groups—shortage of materials, labour difficulties, limited export opportunities and the like. And practically all the large producers in these trades are capable of satisfying special war demand in one way or another—if necessary by a change-over of machinery to other than peacetime products. But so far, the volume of war orders has not been big enough to compensate for peacetime demand, which has gone and will not return until hostilities have ceased. The table given on page 416 suggests that representative companies have, all things considered, maintained their total earnings rather better than might have been expected. There has been no catastrophic falling away in earning power, but the decline has been sufficient materially to reduce the average rates

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earned on equity capital, after meeting debenture and preference dividend requirements, which in some instances are fairly heavy. Dividends have been reduced in even greater proportion, and the rates paid are on the average less than half those of the halcyon days of the building boom, a couple of years before the war.

PROFITS, EQUITY EARNINGS AND DIVIDENDS
Profits (£000) and Date of Balance Sheet

	1937	1938	1939	1940	1941
Assoc. Portland Cement (31 Dec.)	1,595	1,661	1,403	1,201	...
British Plaster Board (31 Mar.†)	564	534	565	467	471
British Portland Cement (31 Dec.)†	916	944	824	735	...
Crittall Manufg. (31 Aug.)	346	357‡	318‡	253*	...
London Brick (31 Dec.)	590	587‡	336*	354*	...
Pinchin Johnson (31 Dec.)	389	361	364	338	...
Earnings per Ord. Share (%)					
Associated Portland Cement	22.9	22.2	15.2	10.9	...
British Plaster Board	71.6	65.1	67.7	34.3	24.6
British Portland Cement	28.1	30.2	23.1	17.6	...
Crittall Manufg.	68.2	59.1	49.4	23.4	...
London Brick	20.3	20.2	10.1	11.7	...
Pinchin Johnson	17.5	11.0	12.1(a)	11.5(a)	...
Paid per Ord. Share (%)					
Associated Portland Cement	22.5	20.0	15.0	10.0	...
British Plaster Board	50.0	50.0	45.83	30.0	15.0
British Portland Cement	22.5	25.0	20.0	17.5	...
Crittall Manufg.	25.0	25.0	15.0	5.0	...
London Brick	20.0	20.0	10.0	10.0	...
Pinchin Johnson	17.5	12.5	10.0	8.5	...

† To 30 Apr. in 1937 and 1938, and 31 Mar. thereafter.

‡ Subject to premium on repayment of 1st Pref. shares.

* After writing off reconstructions and providing for Tax.

(a) After transfer to reserve for depreciation of investments and contingencies.

At present, the building material industries may be working at something near their wartime rock-bottom, so far as volume of production is concerned. But the last published balance sheets refer usually to periods which ended six or nine months ago; and the possibility of further reductions in disclosed earnings, and in dividends, when

the complete accounts for 1941 are drawn up, certainly cannot be ruled out. Consequently, the significantly low yield figures, shown in some instances on the representative ordinary shares set out in the following table, must be related far more to post-war than wartime considerations:—

SHARE PRICES AND YIELDS

Company	Description	Highest, 1935-39	Lowest, 1940-41	Present Price	Yield (%) at Present Price
Assoc. Portland Cement	Ord. Stock £1	110.71	58.9	61.3	3.92*
British Plaster Board	Ord. 5	56.7	3.3	17	4.41
British Portland Cement	Ord. Stock £1	116.3	40.9	41.3	4.32*
Crittall Manufg.	Ord. 5	33.4	3.9	13.8	1.85
London Brick	Ord. Stock £1	88.4	21	25.6	3.73
Pinchin Johnson	Ord. 10	55.1	13.6	21	3.54

* On the 1940 total dividend.

Undoubtedly, demand for the products of building materials companies will be extensive, insistent and (probably) prolonged when reconstruction begins. But the possibility of official regulation in some shape or form must be reckoned with, and the question of the war's probable duration concerns investors closely. At their current prices, building material shares are in the nature of a lock-up investment, which in the "waiting period" pays something for its keep, but appreciably less than a well-spread holding in ordinary shares as a whole. And the level of dividends which this group of companies may reasonably be expected to maintain, as a minimum, during the rest of the war, may well be below that of 1940, on which most of the yields shown in the table above (except those of the cement companies) are based. All in all, the conclusion may well be that building material shares are not ungenerously valued at current prices, and that any further rise must draw its impetus from other than pure investment considerations.

Finance and Banking

The Turn of the Quarter

The turn of the quarter has been passed with the greatest ease in the money market. Nor does the task appear to have been facilitated by Ways and Means borrowing by the Government at the Bank of England. The market had heavy Treasury bill payments to make on the first two days of the week, and the banks for their part have been called upon to make unprecedentedly large Treasury deposit payments. At no time, however, has the money market been conscious of a scarcity of credit. The banks have been buyers of bills, and by the close of this week, when the position had been affected by the early October dividend disbursements, short loan conditions had become exceptionally easy. The market kept a fair volume of early October maturities in its portfolios, and this fact has helped to ease the position, and would have provided the means of obtaining special help from the Bank of England had such assistance been required. That no assistance was given is indicated by the latest Bank return, which shows Government securities to have fallen by £4,475,000 over the week. Bank cash has had to withstand the impact of this reduction in the assets of the banking department, and of a further considerable expansion in the circulation. The notes outstanding have risen by £6,381,000 during the past week to the new record of £677,774,000. The end-of-month influence is responsible for part of this expansion, though it is clear that it also reveals the continued upward secular trend of the circulation. Despite the fall of £11,579,000 in bankers' deposits owing to this two-fold influence, the move began from so comfortable a figure that at £122,336,000 revealed in the latest Bank return, these deposits are at a more than adequate level to explain the ease of the money market. They will be further strengthened by the imminent disbursements on Canadian vested securities.

Money Market Records

A number of records have been created in the London money market during the past week. At the Treasury bill tender last week the applications for the £75,000,000 on offer rose to £186,505,000, the highest figure ever touched. Among the bills to be tendered for were the end-of-year

maturities and the keen competition for these was responsible for the exceptionally heavy volume of applications. This competition was also evident in the average rate at which the bills were allotted. This worked out at 19s. 10.65d. per cent, the lowest figure recorded since the outbreak of the war. The market syndicate evidently decided to make sure of getting a fair allotment of the end of December bills and raised its application price for these maturities to £99 15s., a figure at which the return on the Monday and Tuesday bills worked out at 0.164d. over 1 per cent. Thus on turning over £1,000,000 of these bills and re-selling them to the banks at 1 per cent, the market would make a profit of slightly under £7—which by no stretch of imagination can be regarded as profiteering. The precedent set by this tender for the end-of-year bills is not expected to affect the forthcoming tenders for the 92-day January bills. The effective application price for these maturities should return to £99 14s. 11d., at which the profit on turning over £1,000,000 should recover to the munificent figure of about £20.

The other record created during the week was provided by the raising of £70,000,000 in Treasury deposits from the clearing and other banks. This figure compares with the nominal maturities of £40,000,000 and actual maturities of slightly smaller amount. Apart from being the largest gross amount ever to be collected from the banks in this form, it is also the largest net figure raised in a single week. It would appear from the monthly debt return, which is discussed in a subsequent note, that a considerable part of this net payment was in fact made at the beginning of the week, that is, prior to the turn of the quarter. Each of the paying banks is given a free choice in deciding on what day of the week it will pay its Treasury deposit payments, and one would normally have expected such payments to have been postponed to the latter part of the week. By last Monday, however, all the clearing banks had completed their making up, and as money was in ample supply, there was no point in unnecessarily delaying these payments and thus losing for this period the 1½ per cent allowed on these deposits. Therefore, the banks appear to have followed the now normal procedure of effecting these payments at the earliest possible occasion.

Debt Return

The quarterly exchequer return incorporates the customary monthly debt return, and as September 30th did not fall on a Saturday, no exact comparison of changes in the composition of the floating debt over the previous monthly period is possible. The striking fact, brought out by comparison of the floating debt totals, is that the expansion of £201,185,000 between August 30th and September 30th is the largest monthly increase ever recorded in this part of the national debt. The suspension of the tap issue of National War Bonds and the increased dependence which this has caused on short term borrowing from the banks are the main responsible factors. Of this record increase in the floating debt, £87,000,000 has been contributed by Treasury deposits, £81,900,000 by Treasury bills and £32,500,000 by ways and means advances from public departments. The nominal amount of Treasury deposits outstanding between August 30th and Saturday, September 27th, increased by £50,000,000. By September 30th the expansion in this item had risen to £87,000,000, which suggests that heavy Treasury deposit payments were made by the banks on the first two days of this week. The increase of £81,900,000 in Treasury bills outstanding must in large part be attributed to the uneven incidence of bill payments and maturities during the past week. The market tended to concentrate its applications for the end of year bills, which had therefore been paid for by the time the Exchequer return was drawn up. On the other hand, this week's maturities must in large measure have been concentrated in the latter part of the week, since the bills in question were taken up immediately after the turn of June. But even assuming that the whole of the £75,000,000 of new payments for bills had been made on September 29th and 30th, and that the corresponding maturities were equally concentrated in October—an assumption which must go far beyond the actual facts—it is still evident that there has been an expansion of at least £6,900,000 in the amount of tap bills outstanding. The actual increase in this particular item of the floating debt has been greater than this and indicates a further substantial allotment of Treasury bills through the tap to Empire central banks. The remaining feature of the debt return is the increase of £32,500,000 in ways and means advances from public departments. This carries the total of these advances to £246,470,000, a total never before attained and equal to about ten times the average figure at which these advances were running for some years before the outbreak of the war.

Financing Expenditure

The following table summarises the Exchequer returns of the financial year to date, and shows the respective shares of revenue and borrowing in meeting expenditure:—

£000		£000	
Total ordinary expenditure	2,255,856	Total ordinary revenue	737,452
New Sinking Fund	5,646	Loans raised:	
Loans repaid:—		3% Def. Loan 1954-58	45,731
4% Conversion Loan	45	3% Def. Bonds (net)	89,860
Nat. Sav. Bonds	34	3% Savings Bonds	232,733
		24% Nat. War Bds. 1946-48	344,229
		24% Nat. War Bds. 1945-47	705
		24% Nat. Sav. Certs. (net)	102,650
		"Other debt" (net)	48,046
		Floating debt (net):—	
		Treasury Bills—	
		Tap	365,485
		Tender	750
		Bank of England Adv.	74,210
		Public Dept. Adv.	170,500
		Treasury deposits	29,034
		Miscellaneous receipts (net)	196
		Decrease in balances	196
			£2,241,581

The items shown as net are given after allowing for repayments and receipts.

New Rial Exchange Rate

The first step has been taken this week to bring the exchange system in Iran within the fold of the Allied currency group. A decree published at Teheran has fixed the commercial rate for sterling at 140 rials and for dollars at 35 rials. These rates compare with the previous nominal official rates of 68.50 and 17.11 rials respectively. These official rates, however, have for some time past had no other function than to provide a basis on which to calculate a complex series of market rates. These have ranged from the commercial rate for approved imports to the rates quoted in the bazaars for sterling and dollar notes and other unauthorised transactions. The commercial rate has recently quoted a premium of 105½ per cent on sterling and dollars, and the sterling quotation in Teheran has thus been 174 rials and the dollar 45 rials. It is with these rates that the

new fixed quotations of 140 and 35 rials for sterling and dollars should be compared. In the bazaars sterling has been quoted at rates ranging up to 300 rials. If Iran is brought within the sterling area, and if the general framework of British exchange control is applied in that country, the black market should gradually disappear. It may be assumed that the rates now fixed for sterling and dollars will become the acknowledged parities, and that the old nominal rates, which date from the old gold standard days and from the nominal mint parity which then obtained have disappeared for good.

Indian Dollar Holdings Requisitioned

The gradualness with which the rigours of the sterling exchange control system are being applied in various parts of the Empire is illustrated by the decree published in Simla at the end of last week, ordering all residents in India having balances or currency in the United States to offer such assets for sale to the Reserve Bank within one month, against the equivalent value in rupees. The order supplements that made in November, 1940, which transferred to the India Government all balances or currency in the United States held by Indian residents at that time. The new decree thus affects such holdings accumulated since November, 1940, and any which may have escaped the net cast for them ten months ago. The necessity for issuing periodical requisitioning orders of this kind is being obviated by a clause in the new decree, stating that those who may hereafter become owners of such balances must similarly offer them for sale within one month of their acquisition. For the first time, therefore, the operation of exchange control in India is being brought fully into line with the regulations operating in this country. General exemptions to this order have been granted to authorised dealers in foreign exchange and cotton as well as to aliens who are resident in India for business purposes only.

Film Companies' Sterling

News has come from New York that negotiations are afoot for amending the terms of the agreement under which American film companies are allowed to deal with the sterling amounts collected by the renting of American films in this country. This report comes as reminder of the fact that long before "blocked sterling accounts" became known, certain types of sterling balances were immobilised as a result of special agreements. By far the most important of these was the agreement made soon after the outbreak of the war between the American film companies and the Treasury. This agreement set a limit to the extent to which American film companies were allowed to convert into dollars and remit to the United States the profits earned by the exhibition of their films in this country. In order to help the American companies to utilise their blocked sterling funds, two Statutory Orders were made in July, 1940, amending the Cinematograph Films Act, 1938, and changing the quotas in such a manner as to encourage the American companies to embark on more ambitious production work in this country. In October, 1940, the agreement with the Treasury was prolonged on terms which allowed the film companies to remit to the United States two-thirds of the profits earned in this country subject to a maximum of \$12,900,000 in the ensuing twelve months. The agreement comes up for revision at the end of this month. The American companies are already preparing their brief for a considerable easing of the existing restrictions on their freedom to deal with their sterling funds. They base their arguments on the passage of the Lease and Lend Act and on the consequent alleviation of the British need for dollars.



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Revised Railway Agreement

Home rail stockholders this week have evidently given up any attempt to calculate what the second financial agreement between the Government and the railways means in terms of precise dividends. The general level of their expectations has been known since the authorities announced, at the end of August, the displacing of the old agreement, with its inflationary machinery for "adjusting" charges to costs, by an annual rental of £43 millions for the four main lines and London Transport. The White Paper discusses, though it barely illuminates, the two main questions left aside last August: the treatment of war damage charges and maintenance and renewal provisions. Since the undertakings are to be brought under the still nascent public utilities scheme as from the beginning of control, and will be charged with the retrospective liability of 50 per cent, they will be entitled to the sums which they charged to the Pool account in 1940 under the first financial agreement. The actual amount charged in 1940, however, was certainly less than the amount of damage suffered, for the accounting practice followed was to spread the cost of damage equally over 13 four-weekly periods, commencing with the first four-weekly period in which damage was suffered. Apart from the question of the total cost involved, the sums to be retained must be appreciably less than the total sum, since the bulk of the damage was suffered in the second half of the year. The cost of restoring war damage is not to be charged as revenue expenditure under the new agreement—which merely means that the companies themselves must provide it from the £43 millions rent charge. Obviously, if it were to be charged as revenue expenditure, the Treasury would be footing the entire bill, since all net receipts of the Pool are on Government account. In these circumstances, stockholders would be rash to assume that war damage charged under the old scheme might become available for dividends; clearly it will be fully required to meet the retrospective liability of the undertakings for war damage under the public utilities scheme.

The maintenance and renewals provisions in the new agreement are inherited from the old. These charges are "standardised" on average pre-war levels, but compensated for the variations in the total of assets to be maintained and renewed, and for changes in costs of the work. The companies, therefore, are fully protected against capital depletion, but, if they are unable to spend their full standard allowances, the difference (representing arrears of maintenance) will be invested, and paid out to the undertakings when control ends—if necessary, on a valorised basis to offset changes in costs which have occurred meanwhile. This is a simple and sensible method of dealing with a problem which caused such acute controversy after the last war.

CAPITAL ISSUES JANUARY-SEPTEMBER, 1941.

TABLE I—TOTAL BORROWING (MILLION £)

First Nine Months of Each Year	British				Empire	Foreign	Total Issues	Indices
	Government	Home Corps.	Others	Total Home				
	By Direct Public Offer (Old Basis)							1928=100
1928	84.3	10.0	117.3	211.6	52.2	26.9	290.7	100
1939	Dr. 4.1	12.1	26.5	34.5	15.9	0.3	50.7	190
1940	768.2	Nil	1.3	769.5	0.1	Nil	769.6	17
1941	1114.1	Nil	0.3	1114.4	2.9	Nil	1117.3	265
	Including "Permission to Deal" (new Basis)							1935=100
1935	1.8	51.5	151.8	205.1	19.6	1.4	226.1	100
1939	Dr. 4.1	12.1	50.2	67.2	25.3	2.2	85.7	38
1940	768.2	Nil	16.0	784.2	1.0	Nil	785.2	347
1941	1114.1	Nil	2.9	1117.0	3.5	0.1	1120.6	495

* Including County and Public Board Loans.

TABLE II—TOTAL COMPANY ISSUES (MILLION £)

First Nine Months of Each Year	Old Basis				New Basis			
	1938	1939	1940	1941	1938	1939	1940	1941
Debentures	16.1	10.1	Nil	1.5	24.3	16.5	1.2	1.9
Preference	9.2	2.7	0.1	0.1	15.4	8.1	1.5	0.5
Ordinary	19.5	10.9	1.2	2.9	64.6	32.6	14.2	5.2
Total	44.8	23.7	1.3	4.5	104.3	57.2	16.9	7.6

Third Quarter's Capital Issues

The tables at the foot of the page furnish the usual quarterly analysis of new capital issues, excluding conversion, for the first nine months of 1941. The main features of the third quarter have been the decline in Government loans, which fell from £438,626,200 in the second quarter to £348,140,265, and the increase in the total of non-Government issues from £3,309,000 to £6,465,176, calculated on the "New Basis," which includes issues by "permission to deal." Of the total of Government issues, £157,284,860 was yielded by the sale of 2½ per cent National War Bonds, 1945-47 and 1946-48, and a total of £107,591,687 from the sale of the two series of 3 per cent Savings Bonds. Issues by public utility companies have been the main feature of the new issue market outside the sphere of Government loans. Of £565,800 raised by gas and water undertakings, Bristol Waterworks was responsible for £170,000 in 4 per cent debentures, Bournemouth Gas and Water for £100,000 in 3½ per cent debentures and Luton Water Co. £50,000. Cawnpore Electric Supply issued £118,500 of ordinary capital. Two notable conversions have taken place during the quarter, that of the Port of London Authority of £260,000 3½ per cent preference stock to repay 4½ per cent stock, and that of Pearson and Dorman Long of £1,404,400 3 per cent debenture stock to repay 5 per cent debenture stock, both carrying the Treasury guarantee. Despite the moderate awakening in the new issue market in recent weeks, it is clear that new savings are, with very few exceptions, flowing inescapably into Government issues. It remains to be seen whether a new Government medium term issue will be launched before the close of the year.

Investors' Confidence

The extent of the reaction, in so far as all established securities are concerned, may be judged from the chart of weekly averages of the *Financial News* indices, opposite. This carries the picture up to Friday, September 26th, and since then the market has been consistently firm. This is further evidence that the really big movements were in securities which have in recent years only spasmodically attracted any considerable attention. Once the moderate volume of selling had ceased, the chronic state of shortage of stock reassured itself and the firmness which now invariably persists when markets are idle is once more in evidence. This firmness, the opposite of the pre-war condition in times of slack markets, is an outcome of the closed economy. It seems that, with the supply of money continuously ahead of increasing tax payments, there is usually more money "automatically" seeking investment than is needed to counteract the steady trickle of realisations, always in evidence in good times and bad. This feature is by no means restricted to Great Britain. In a recent article on the French bourses, it was pointed out that special

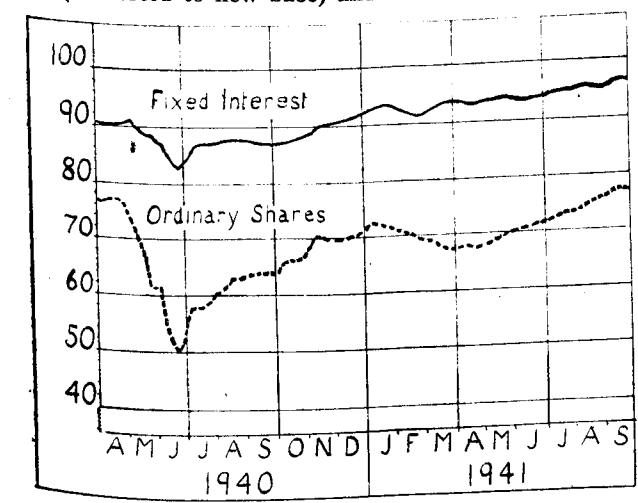
TABLE III—ANALYSIS OF NEW CAPITAL APPLICATIONS (EXCLUDING CONVERSIONS)

	First Nine Months Old Basis		First Nine Months New Basis	
	1940	1941	1940	1941
British Government Loans	768,213,500	1114,110,765	768,213,500	1114,110,765
South African Mines	Nil	Nil	227,500	Nil
Australian Mines	Nil	400,000	Nil	400,000
Other Mines	Nil	2,573,200	62,600	2,803,855
Exploration, Financial	Nil	Nil	19,100	786,500
Breweries & Distilleries	99,000	Nil	336,400	Nil
Stores & Trading	Nil	Nil	142,400	Nil
Estate & Land	742,400	Nil	1,250,000	159,007
Rubber	Nil	Nil	116,100	343,200
Iron, Coal, Steel, &c.	201,900	93,200	305,700	292,101
Elec. Light, Power & Teleg.	Nil	Nil	556,400	Nil
Tramway & Omnibus	Nil	Nil	754,500	Nil
Motor Traction, &c.	Nil	Nil	80,900	Nil
Gas & Water	Nil	Nil	1,481,400	565,800
Hotels, Theatres, &c.	Nil	Nil	60,100	530,000
Docks, Harbours and Shipping	22,500	Nil	530,600	Nil
Manufacturing and Miscel.	908,900	150,000	11,012,900	584,713
Total	769,588,200	1117,327,165	785,160,100	1120,575,941

steps had to be taken to restrict the rise in quotations for equities, and the sole reason why such measures are unnecessary here is the extreme effectiveness of EPT in transferring the equity in British industry to the Treasury, thus throwing a very large part of the impact of investment on to the huge body of fixed interest stocks. While the market is firm, it is still too early for a resumption of the

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



marked improvement in equities, which has suffered no major interruption for almost six months, to be healthy. In the circumstances, it is in line with reasonable expectations that the rise should commence in the Funds, and long-dated stocks are, in fact, well on the way to regaining the peaks recently touched.

Company Notes

Unilever Accounts

The full report of *Lever Brothers and Unilever, Ltd.*, for 1940 shows that the preliminary figure of profit was reached after making even larger provisions in the accounts of associated companies than in 1939. The total profit of the *Limited* group, after all expenses and EPT, and such taxation as was provided by associates, rose from £10,250,000 to £12,443,000 in round figures. From this, there is provided a further sum for partial funding of staff pensions, war damage contributions and £1,400,000 to establish an income-tax reserve toward meeting payments on the profits of 1940, to be met during the current period. After meeting all taxation of *Limited* interest and preferential dividends, there remained earnings equivalent to

	Years to December 31.		
	1938	1939	1940
Group profits†	7,287,888	10,249,923	12,442,573
Income Tax Reserve	—	—	1,400,000
War Damage Contributions	—	—	274,446
Funding Staff Pensions	—	1,379,657	120,631
Retained by suby. & allied cos.	409,990	906,591	892,529
"Limited" profits	6,877,898	7,963,675	9,754,967
Income Tax & N.D.C.‡	323,603	992,102	2,543,727
Deb. Interest (gross)	235,051	229,520	224,110
Preferential divs. (gross)	4,328,777	4,337,777	4,346,779
Ordinary stock—			
Earned (gross)§	1,990,467	2,404,276	2,640,351
Paid (gross)	1,141,879	1,320,288	660,535
Earned %	19.6	22.4	30.3
Paid %	10	10	5

Contingencies brought in 1,399,088. Carried forward 1,490,382. 1,716,849. 2,944,502. † After all E.P.T., and Income Tax found by suby. and allied cos. ‡ Other than tax on interest and dividends. The gross figures are: 1938 £2,182,066, 1939 £3,067,889, and 1940 £4,812,213. § On ordinary, pref. certificates and deferred. Includes £600,000 written off subs.

some 30.3 per cent on the ordinary capital, compared with 22.4 per cent last year. That, despite this rise, the dividend is halved at 5 per cent is due, as explained in *The Economist* of September 20th, to the provision against the possibility of having to meet dividends on all classes of NV capital. The dividend on the ordinary capital is the equivalent of the *Limited* ordinary payment at the fixed rate of 12 guilders to the pound. The preference payments are a guilder liability, to be settled at the rate ruling when it has to be met, if ever. These preference dividends cost some £900,000 in 1938, with the guilder at nine to the pound. During the year, the operating companies came more and more under Government control and, in consequence, some of the profits are partly estimated, always on a conservative basis. No allowance has been made for profits or losses in occupied territories, but, if losses are made, these are backed by the reserves of *Limited*. The figures are reached after providing £3,885,000, against £3,485,000, for depreciation and repairs and £150,000 for ARP, against £123,000. The balance sheet of *Limited* shows a rise of £1,025,533 in debtors, associated with a fall of £1,352,878 in cash, while creditors, including the transfer to contingencies, are up by £495,560. Excluding inter-company items, current and near liabilities exceed liquid assets by almost £2,000,000, but *Limited* has net claims on its associates of over £16 millions. Holdings in these, at over £70½ millions, have increased by £1,221,137 owing to the taking over of interests previously financed by loans to subsidiaries.

"Limited" Reserves and NV

No reliable information is available as to the position or prospects of NV. The general background is that Germany is rapidly acquiring interests in undertakings in occupied countries, while it is known that Dutch companies have been ordered to pay dividends to shareholders in Holland. But, so far as is known, only subsidiaries of NV have followed this rule, and then only on preference shares. What the legal position is between *Limited* and NV remains doubtful, but the directors intend to abide by their agreement, doubtless in the hope that eventually the matter will be one for inter-Government, rather than inter-company settlement. This is, however, only conjecture, and until definite news of dividend payments is available from NV, they will continue to call for appropriations from the profits of *Limited*. At the moment, that company has reserves and carry forward of £12,944,502, exclusive of £1,500,000 set aside for NV ordinary, and held under the omnibus item, creditors. Meanwhile, *Limited* has no amount at risk on account of indebtedness with NV, the sum £2,846,328, shown as due, being offset by a debt to a subsidiary of NV on account of the purchase of a French affiliate. Losses in occupied territory, mentioned above, also seem to be a matter for inter-Government agreement. No comment is or will be made on the working of 1940 or on the outlook. In view of the incidence of EPT, it would seem that the increase in the figure of profit given must be far less than the total expansion. Higher prices have doubtless played some part in this rise, but possibly the determining factor has been the possession of numerous factories overseas in which it has been possible to carry on without disturbance, and to replace, in part, the products of less fortunate competitors, possibly by agreement. None the less, demand at home must be in some sense an overriding consideration, and, with the stabilisation of prices of most products and the urge to restrict consumption, the group will probably do well if it maintains its gross earnings. Some costs, including war damage contributions, are likely to increase. Others, such as pensions, are definitely on the decline. From the standpoint of the shareholder, however, the amount of these is a matter of rather academic importance. The EPT cushion must be a very large one, and his earnings are likely to be stabilised at or about recent levels. What the actual dividends will be, must depend on a number of contingencies, and in particular upon developments with regard to NV. The yield of some £3 16s. 2d. on the ordinary shares of £1, standing at 26s. 3d., suggests the expectation of a material improvement within a reasonable period.

Cunard Group Accounts

Since the entire fleets of both *Cunard Steam Ship* and *Cunard White Star* came under Government requisition during 1940, the accounts for that year show results hardly

comparable with previous earnings. In fact, income of *Cunard Steam Ship* improved from £387,573 to £595,339, the highest level since 1933, the company profiting by good trade between Liverpool and northern France prior to the collapse of that country, and by a rise of £26,000 in income from subsidiaries. With an increase of £21,644 to £89,024 in general expenses, and a decline of £3,588 in depreciation to £20,833, the surplus earned for dividends is up from £63,443 to £146,111, which is added to the carry forward, making a total of £423,639. These figures take no account of the company's liability for income tax, and possibly for EPT, the amount of which is not yet determined. Consequently, £175,000 has been transferred direct from reserves to reserve for taxation to provide against tax liability for 1939 and 1940. The profit position of *Cunard White Star* in 1940 was affected by the fact that the *Queen Elizabeth* was in commission, and trading results are said to have been satisfactory in the period before Government requisition became complete. The accounts show a fall in operating revenue from £7,577,084 to £5,640,013, and in operating expenses from £5,956,374 to £3,065,209. Depreciation claims £1,182,375, against £1,032,211. The Treasury decision that interest on first mortgage debenture stock is due at 3½ per cent accounts for the rise in this item from £30,948 to £61,250, while £31,557 is due in respect of the *Queen Elizabeth*. The balance of £1,284,094 is transferred straight to the carry forward, which is raised from £130,257 to £1,414,351. The spectacular feature of the accounts of the two companies is the decision, already announced, drastically to modify the capital structure by repaying Treasury loans to the total of £7,950,000 in the case of *White Star*, and debentures of £3,683,615 in the case of *Steam Ship*. For this purpose, the group intends to utilise reserves, including depreciation resources, and, in the case of *Cunard Steam Ship*, loans raised from the newly acquired subsidiaries, *Port Line* and *Thos. and Jno. Brocklebank*, which seemed nine and twelve months ago respectively in a position to provide some £2,750,000. The balance-sheet valuation of fleet for the S.S. company is down by some £9,000 to £67,962; that for *Cunard White Star*, including payments on account of new ships, stands at £14,629,251, against £15,631,172. There is a substantial rise in cash and voyage accounts, accompanied by an accumulation of over £2,000,000 in ships replacement reserves. The balance-sheet figures for both concerns are some nine months out of date, and these movements have probably been carried further this year.

The Post War Problem

The decision to repay to the Treasury all outstanding debenture stock, with the exception of £1,000,000 second mortgage debentures of *Cunard Steam Ship*, is discussed at considerable length in the statement of the chairman, Sir Percy Bates, which accompanies the accounts. Sir Percy considers that the repayments will in no way prejudice the ability of the group to undertake an adequate programme of construction after the war. He estimates that on the basis of foreseeable earnings during 1941, as governed by the terms of the Liner Requisition Scheme, *Cunard White Star* should have by the end of 1942 between £2,600,000 and £2,800,000 in cash available for new building. This estimate assumes the absence of further shipping losses, which is of course improbable, but it is pointed out that further losses, under the terms of the Government scheme, while reducing income, would make additional cash available for replacement of vessels. There is a suggestion in Sir Percy's speech that he is more anxious about the possible embarkation on an ill-judged and grandiose replacement scheme after the war than about the ability of the group to make good material losses. Consequently, the decision to repay debentures represents a highly conservative device to put a brake on pressure for post-war building. Sir Percy is no doubt right to be cautious. What type of ships ought to be built after the war, and how many of them, depends upon the answers given to problems in the field of domestic and international politics which will largely determine the shape

of the post-war world. The programme must also take account at every step of air transport—a field not closed to the *Cunard* group. It will be as well to start modestly, and even a start may be considerably delayed. Meanwhile, the group will not be paying a higher rate of interest than it can earn on some £11½ millions of liquid resources. As Sir Percy suggests, if liquid resources are found to have been unduly depleted, the credit position of the group will have improved sufficiently for new money to be easy to raise for the right project. There is, however, little evidence that it will be any easier to estimate demand in the twenty years after the end of the war than it was in 1919, and the decision to keep the programme moderate, though excellent in itself, is no guarantee that distributable profits will be earned. None the less, the chairman's optimism inspired a considerable rise in the preference and ordinary stock. The 5 per cent cumulative preference stock now stands at 97½ and the £1 ordinary stock at 10s. 1½d. against figures of 82½ and 7s. prior to the news of the repayments.

Molasses-Tankers Deal

The *United Molasses Company* has made an offer to holders of all capital in *Tankers, Limited*, to purchase for cash the whole of each class or such less proportion as they may decide to accept. The terms are 120 per cent of face value for holders of 8 per cent preference, 50 per cent to ordinary shares and 10 per cent on the cumulative funding certificates. If all holders accept, this will involve a payment of over £1,000,000 for securities valued in the market, immediately prior to the offer, at about two-thirds of this figure. The object of the transaction from the standpoint of the buyer is, presumably, mainly to add to its tanker fleet. That of *Tankers* was valued at £270,000 at the end of March last, or little more than half the figure of the year before. But at that date investments, at market value plus the excess of cash assets and debtors over creditors, amounted to £845,000, including £265,000 recoverable under War Risks Insurance. There was, in addition, a sum of £47,500 in Government tonnage replacement account, only withdrawable for that specific purpose. It is impossible to say what has happened in the past six months, but up to March last the company's fortunes were on the mend. Judged by market valuation and past performance, the offer seems generous, but the directors of *Tankers* have decided to defer making any recommendation until they have fully considered the matter. Probably they will make their decision known in circulating the full details of the offer towards the end of the month. They will presumably then give shareholders some guidance as to the current position and the present value of the assets they are being invited to sell. Meanwhile, it seems that a sale on reasonable terms should be accepted, as the probable alternative is a further reconstruction of capital; possibly, a wholesale replacement of the fleet after the war and a fresh venture in a field which in the past has given even preference shareholders only a negligible return.

Two Oil Company Results

Attock Oil and *Lobitos Oilfields*, operating outside the field of actual hostilities in India and Peru respectively, show substantially higher gross earnings in 1940. The rise in total income of *Attock* from £467,589 to £772,566, a record for the past decade, is due, according to the statement of the chairman, Mr. L. Dane, to increased production from the new field found in 1937 and to the performance of the new refinery. *Lobitos* shows a rise in total income from £254,713 to £303,272, a figure which was, however, surpassed in 1937 and 1938, although the profits of the parent from its own operations create a record. With a rise in taxation from £50,000 to only £70,000 and other expenses strictly controlled, equity earnings are up from £180,698 to £209,655, which grossed up at 10s. represents a rate of 31.9 against 24.0 per cent. The total payment for the year remains at 10 per cent, enabling £100,000 to be placed to general reserve and the carry forward to be raised from £269,828 to £279,484. Profit on the sale of investments, amounting to £5,519, is transferred straight to investment reserve. Owing to the necessity of providing two years' income tax and estimated EPT liability to a total of £500,000 and retrospective tax on transfers to Indian benevolent fund amounting to £1,977, *Attock* equity earnings are down from £305,044 to £105,150, providing 5.8 per cent toward the ordinary dividend, which is

raised from 7½ to 10 per cent. Consequently, the carry forward is down from £189,209 to £114,359. Mr. L. Dane indicates that the EPT position has not been finally clarified, and points out that the burden on the currently accruing profits from the new oilfield will be very heavy, unless some modification is secured. The balance sheets of both companies show increased holdings of crude oil, that of *Attock* rising from £170,912 to £187,760 and that of *Lobitos* from £154,819 to £286,369. In both cases, cash holdings are moderately reduced, while debtors are strikingly higher, the item for *Lobitos* amounting to £601,063 against £312,653. For *Attock*, creditors and contingencies are up from £216,566 to £707,119. Trade prospects for both companies are good, at least during the war, but in the case of *Attock* the outlook is clouded by the demands of the Exchequer. The £1 ordinary shares at 40s. ex dividend yield £5 per cent. The *Lobitos* £1 stock yields £5 14s. 4d. per cent at the current price of 35s. ex dividend.

Covent Garden Properties

In the year to June 30, 1941, *Covent Garden Properties* show a further drop in total income from £294,597 to £237,495. In consequence, the company is unable to meet the service on 8 per cent cumulative preferred ordinary capital, and the directors have decided to make no distribution on 7 per cent cumulative preference shares. Taxation claims £131,766, against £120,792, so that after meeting fees and debenture charges, the available balance amounts to

THE STOCK EXCHANGES

London

Note: all dealings are for cash

BOTH before and after the week-end markets were somewhat subdued and price changes generally trendless and insignificant. There is no doubt that, while uncertainty regarding the course of military events in Russia prevents real buying, the undertone is firm over a wide area. Selling predominated on Friday before the week-end until immediately before the close, when some late purchases mainly eliminated price movements. In the industrial market, general stagnation was relieved by a strong demand for *Cunard* issues and a tendency to unload cement stocks on news of the halving of the Associated Portland Interim. Business was generally on a small scale, though the Funds showed a small improvement, and the Prime Minister's speech exerted an encouraging influence towards mid-week.

In the gilt-edged market, prices hardly moved on balance before the week-end, the sole change being a gain of ½ point in 2½ per cent National War Bonds, 1945-47. This week, daily fractional changes in the order of ¼ predominated. Thus, on Monday, 4 per cent Consols and Victory Bonds, and, on Tuesday, 2½ per cent Consols and 3½ per cent Conversion and War Loan rose by this amount. There was also some demand for Local Loans and 3 per cent Conversion and War Loan. In mid-week, quiet but steady support continued to raise prices.

The foreign bond market attracted no great volume of business, the main features being alternative pessimism and optimism regarding the prospects of Brazilian and Japanese issues. Brazilian stocks were generally sold on Monday, as were Japanese bonds, many of the latter losing 1 point. The next day counter rumours prevailed, Japanese issues mainly gaining 1 point and Brazilian issues partially recovering previous losses. Elsewhere, there was moderate selling of the Dawes and Young loans, 4½ per cent Austrian stock and 8 per cent Czech loan. Greek 6 and 7 per cent issues lost ½ point on Tuesday.

The home rail market showed little immediate response to the publication of the Government White Paper on the rail agreement, it being widely felt that many vital questions still remained unsettled. In general, there was mild support for ordinary stocks, Southern deferred gaining ¼ on Monday and LMS ordinary the same amount the next day, when Great Western ordinary improved ¼. There was occasional selling of marginal issues, but losses rarely exceeded ½ point. London Transport "C" and Great Western ordinary reacted in midweek losing ½ and ¼ point respectively. Among foreign rails, Canadian Pacific ordinary and preference were fairly steady in demand, and most Argentine issues registered small gains on balance.

Price changes were generally moderate in the industrial market. Breweries proved to be out of favour, Charringtons losing 1s. and Barclay Perkins 9d. before the week-end, while, in the current week, Bass, Courage and Mitchells and Butlers all lost ground. The motors and aircraft group were moderately in demand, many issues, including Austin, Bristol, Ford and Raleigh Cycle Holdings, gaining 3d. on Tuesday, when Blackburn Aircraft rose by 6d. Price changes in the iron and steel group were slight and trendless. Stores attracted some attention, Woolworths, Marks and Spencer and Harrods all improving a few pence. Building and cement issues suffered from the halving of the Associated Portland Interim, which stock lost ¼ at the beginning of the week. Leading miscellaneous industrials, including ICI, Dunlop, Boots, and Murex, were all fractionally higher, and Harrisons and Crosfield put on ½ on Tuesday. *Cunard* went ahead in all classes of capital on the news of the debenture stock repayment, the ordinary issue gaining 1s. on Monday. Tobacco issues were also steadily in demand, the market being led by BAT and Imps.

Apart from some Cape support for Blyvoors, interest in *kaffirs* was at a low ebb. Turnover was rather higher on Tuesday than immediately before or after the week-end, but, apart from a rise of ½ for E. Geduld, price changes were

only £24,300, against £63,526. The carry forward is reduced from £29,285 to £19,585 in order to transfer £34,000 to contingencies reserve. The chairman, Mr. Philip E. Hill, points out in his statement that £34,715 of the fall in income was due to the lower revenue obtainable from Covent Garden Market. In this and in other cases, there is a fair prospect that receipts will be restored to normal after the war, but then, unfortunately, ordinary shareholders, who received no dividend in the previous year, will find their claims preceded by accumulated arrears on preference and preferred ordinary capital. The liability for War Damage Insurance to the date of the balance-sheet amounts to £125,000, for which so far no provision has been made apart from a nominal payment of £1,125. Moreover, damage to the property of the company's mortgagors has reduced the security of loans on mortgage amounting to a total of £313,244. Consequently, the directors have transferred £16,000 from dividend equalisation to contingencies reserve, bringing this fund, with transfers from profits, to a total of £100,000, which is specifically placed against loans on mortgage. Despite the improvement of recent months, the market value of investments, valued at cost at £367,659, is down from £147,014 to £128,944. Debtors and creditors have both been reduced, while cash, other than cash in the hands of debenture stock trustees, is down from £57,131 to £36,897. Both the profit and the capital of the company have suffered during the past year, but there is a reasonable probability that post-war conditions will provide a fair return on the preference capital, at least. The £1 7 per cent cumulative preference shares stand at 10s; the £1 ordinary shares at 5s.

mainly for the worse, Nourse and Union Corporation losing ½. In the rubber market business was at a minimum, but oil shares enjoyed a moderate boom. There was good support for Mexican and Canadian Eagles, and substantial rises were realised by *Burmah* and "Shell" Transport, which on Tuesday gained ½, compared with rises of ¼ for *Lobitos*, *Trinidad Leaseholds* and *VOC*. The market on that day was, however, led by Anglo-Iranian ordinary, which jumped ¾. On Wednesday, *Burmah* put on ¼ among lively buying.

"FINANCIAL NEWS" INDICES

	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices. 30 Ord. shares*	20 Fixed Int.†
Sept. 25...	2,819	11,169	79.2	130.7
" 26...	2,798	11,517	78.7	130.7
" 29...	3,237	11,113	78.5	130.7
" 30...	2,850	11,446	78.8	130.8
Oct. 1...	3,158	11,341	79.1	130.7

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941 highest, 79.7 (Sept. 12); lowest 66.8 (Apr. 24). 20 Fixed Int., 1941; highest 130.9 (Sept. 12); lowest 126.1 (Jan. 2). ‡ Excluding "Stop Press" bargains.

New York

At the end of last week, markets began to recover from the shock caused by Mr Morgenthau's announcement of his intention to introduce legislation limiting excess profits. After heavy selling on the Thursday, the Friday before the week-end saw steadier trading, partially due to recognition that the projected taxation would be severely disputed in Congress. Later markets hardened, ending the week with many gains up to ½ point. On Tuesday of the current week a genuine improvement was staged and gains were widespread for the first time for several days, the upward movement including steel, aircraft, motor and chemical issues. Buying was still cautious, but markets closed steady. In midweek trading was slow and price changes narrow.

ESTABLISHED 1824
SCOTTISH UNION AND NATIONAL
 INSURANCE COMPANY
 ASSETS EXCEED £17,500,000
 FIRE LIFE ACCIDENT MARINE
 Edinburgh: 35 St. Andrew Square.
 London: 5, Walbrook, E.C.4 (Temporary Address: 5, Leithbury, E.C.2)
 and 45, Pall Mall, S.W.1.

Industry and Trade

The Management of Wartime Labour

With economy in man power the most pressing problem of the time, much discussion is being devoted to both the physical and the psychological aspects of labour management. The annual conference of the Industrial Welfare Society brought forth several very interesting papers on this subject. Running through many of the papers is the theme that, in so far as developments forced upon industry by the war are, *per se*, improvements, they should not be allowed to disappear with the conditions which gave rise to them, and should, even now, be planned on permanent lines. The dispersal of industry, for example, which has been rendered necessary by air raids, might prove the beginning of a rearrangement of Britain to the great improvement of the health of its working population. More than one speaker, in dealing with education, touched on the importance of educating for leisure as well as for vocation. This is an urgent need which comes home to the community particularly in wartime, when the "lost" appearance of men and women in the forces during their free time bears eloquent testimony to the failure of our educational system in this respect. The paper on health by Dr Norris, chief officer of the Metropolitan Water Board, is both disquieting and stimulating in its revelation of the great gaps which still exist in the nation's provision for sick and injured workpeople. The personnel manager of the Lockheed Hydraulic Brake Company, Mr James Smith, contributes an exceptionally interesting paper on "Works Discipline." He stresses particularly the importance of an organisation "well planned by men whose knowledge and capability inspires confidence," and again touches the core of the matter when he says: "All members of the management force should continually remind themselves and be reminded to handle necessary human adjustments with as calm and patient and reasonable an approach as their temperaments and urgent production problems will permit." He has many detailed suggestions to make, which are of considerable interest, but most of them follow from these essential premises of a capable management with a human attitude to its employees. The same general tone informs the paper of Mr Beresford, of Frigidaire, on "The Employment Department in Wartime." He, too, has suggestions to offer which should be very helpful to other employment managers, but here again the important thing for them to learn from him is not his technique, but his general attitude

of readiness to put himself in the employee's place. Since this is by no means easy, the problem of works discipline seems to resolve itself very largely into the very careful selection of all members of the management who come into close contact with the workers.

Essential Work Order in Cotton Spinning

The application of the Essential Work Order to all nucleus mills in the spinning branch of the cotton industry is the latest step of many intended to improve yarn supplies. The loss of labour in the process of concentration and the absorption of men by the armed Forces left spinners unable to process the cotton ration allocated by the Controller. Apart from the application of the Order, it is expected that three months' deferment of military service will be granted to key men who become derelict at stage "C." Nucleus mills will be allowed to build up their labour force to the level necessary to spin the cotton allocated to them, but when that position is reached they must fulfil the obligation of substituting older operatives from closed units for their own younger operatives who could be transferred to munition works. The need for more workers in the spinning mills is urgent, and married women who have once worked in the industry and are now able to remain at home through improved family circumstances could perform a valuable national service by returning to the trade. Spinning operatives will be guaranteed "their appropriate weekly wage," and in return must be willing to perform outside their usual occupation any service they can reasonably be asked to undertake when their usual work is not available. The appropriate weekly wage has not yet been determined in all cases because the system of pay in spinning is very complicated. It is expected, however, that trade unions and employers' organisations will be able to apply the Order without friction. A sectional agreement has been reached for a minimum wage for ring jobbers and other adult male workers in the ring-rooms. Ring jobbers will get 63s. 11d. a week and adult male ring-room operatives 56s. 5d. a week. Adjustments are provided to meet special circumstances. The swift application of the Order is to be welcomed, for the outflow of labour from spinning to munitions and other industries had assumed embarrassing proportions.

Starving Out the Black Market

Rat poison, rat traps, rat virus and gas all have their uses in keeping down vermin, but the only way to keep premises completely clear of rats is to keep them in a condition that offers no attraction to these pests. War conditions are, unfortunately, extremely favourable for the activities of the food racketeer, and it is by no means easy to render the food trades proof against his depredations. Nevertheless, it remains the duty of the Ministry of Food to do all in its power, not merely to catch the individual, but to remove the incentives to the existence of the class, and its opportunities. In so far as the operator in the black market is dealing in stocks which were accumulated before that particular article was controlled, which must often be the case, his activities will die a natural death as the stocks give out. The problem is to prevent his turning his attention to the next commodity which he expects to come under control. The system of licences for traders in all important foodstuffs should go a long way to prevent this, since these licences are only granted to people already genuinely in the trade. Thus, if the system is effectively operated, they prevent speculation by outsiders, while the fear of losing their licences should prevent *bona fide* traders in any particular commodity from engaging in illegal transactions. To what extent supplies in the black market are obtained by means of theft from Government stocks is very uncertain. Startling allegations are, from time to time, made and as promptly denied, and it seems scarcely likely that anything of this sort is possible on a large scale. The enforcement of measures against illicit trading cannot be expected to prevent shortages, however, for since catering establishments are allowed to pay the full maximum retail price for commodities, their custom enables the producer to pocket the distributors' profits. On purely economic grounds, therefore, they are bound to remain preferred customers, and it is difficult to see a safe remedy for this. When all has been done that can be done to remove the incentives, there will still be scope for the activities of a few unscrupulous persons. They and their customers should be hunted down mercilessly and, when caught, not fined a ridiculous sum which goes no way towards offsetting their illicit profits, but clapped into gaol without option. Not until a purchase on the black market is regarded as a cause of shame and reproach, instead of, as it too often is now, a rather clever joke, will this particular form of vermin be exterminated.

Cheaper Fish

The contention that when a trade has to be controlled the authority is best exercised by somebody right outside it, has received some support from the experience of fish control. Mr J. Adamson, who, before his appointment as Fish Controller, was an accountant, has achieved, after a relatively short period of friction, the difficult task of reducing the retail price of fish without causing a serious shortage. After almost three months' experience of the working of his arrangements, he is of opinion that a further reduction in the prices of certain fish is practicable. The price of lemon sole is to be reduced from 1s. 7½d. to 1s. 6d. per lb.; that of hake from 1s. 7½d. to 1s. 1d.; and the price of haddock from 1s. to 11d. The net maximum returns to the producer will be: for flat fish, including lemon soles, 14s. 6d. per stone; hake, 9s. per stone; haddock, cod, etc., 6s. 6d. per stone. Part of the smooth working of the scheme, so far, must be attributed to the elimination, owing to a temporary arrangement by which the Government bore the cost of transport, of distance as a cause of local scarcity. This temporary arrangement is now to be replaced by a scheme by which transport charges will be met from a levy of 6d. per stone on all white fish. The producer will receive 6d. per stone more than he would if this arrangement were not operative. The carriage on herrings is to be paid from the general fish fund. During the first year and a half of war it was said to be impossible to bring the fish trade under control on account of the peculiar difficulties involved. The event has proved the unsoundness of this pusillanimous attitude.

Wages and Hours in the Drapery Trade

The National Joint Industrial Council for the Retail Drapery, Outfitting and Footwear Trades is the second joint industrial council under the auspices of the Retail Distributive Trades Conference to reach agreement on wages and conditions. The first agreement, that of the Retail Food Trades Joint Council, has been in operation since July 27th. Rates of wages agreed for the drapery sections of the distributive trades are largely similar to those in the food trades. In London, male sales staff, cashiers and clerks are to receive not less than 21s. 6d. a week at the age of 16, rising to 65s. at 25; female employees' rates rise from 19s. 6d. at 16 to 43s. at 24. In the provinces, minimum rates are 3s. a week less for both male and female staff of all ages. Male employees, other than those specified, begin at 20s. in London and 17s. 6d. in the provinces, reaching 60s. and 57s. respectively at 24 years of age. A 48 hour week has been agreed, exclusive of meal times, and subject to an allowance for clearing up of 30 minutes on not more than two days a week, and 15 minutes on the remaining days of the week. Two weeks' holiday with pay is provided for, as well as 12 days' sick leave on not less than the minimum rate of pay. The agreement is to operate from November 3rd. Before the war, 300,000 to 400,000 workers would have been affected by the agreement. Although there have previously been agreements between individual employers and employers' organisations and trade unions, these have only covered sectional interests. The present agreement does not override any more advantageous ones in force, and better rates and conditions are not prejudiced by its terms. This is the first time that agreement has been reached on a national scale, which is counted a milestone in industrial relationships in a trade which is particularly difficult to organise, on both the employers' and employees' side.

North-East Coal Trade

Durham colliery owners have applied for an increase in the price of coal shipped coast-wise on the ground that the margin between rail-borne and coast-wise trade was too wide. The claim has been accorded, and from September 22nd, the prices of Durham coal for coast-wise shipment were raised by 1s. per ton, but those for large and partially screened coals were increased by only 6d. per ton. Domestic demand for coal from this district remains heavy, and exports have been severely curtailed. At a recent meeting of the Durham District Coal Production Committee, it was stated by the miners' representatives that it was the intention to aim at a weekly output of 526,000 tons, compared with current production of about 500,000 tons per week. In view of the fact that the output in the Durham coalfield averaged some 650,000 tons per week in 1938, this target does not seem very ambitious. Like other dis-

New York Prices

STANDARD STATISTICS INDICES
(1926=100)

WEEKLY AVERAGES

	1941		Sept. 10, 1941	Sept. 17, 1941	Sept. 24, 1941
	Low	High			
47 Industrials	83.6	89.0	93.0	95.4	93.9
12 Rails	425.4	428.5	27.0	27.5	26.9
10 Utilities	67.0	78.7	69.5	69.6	69.1
119 Stocks	11.9	182.1	78.4	80.1	79.0
Av. yield*	6.80%	6.11%	6.46%	6.23%	6.36%

* 50 Common Stocks. (a) July 30. (b) Jan. 8.
(c) Feb. 11. (d) Feb. 18. (e) May 28.

DAILY AVERAGE OF 50 COMMON STOCKS

Sept. 18	Sept. 19	Sept. 20	Sept. 22	Sept. 23	Sept. 24
103.4	102.3	101.9	102.3	102.7	102.1

1941 High: 105.8, January 10. Low: 90.7, April 30.

Total share dealings: Sept. 25, 1,170,000;
Sept. 26, 490,000; Sept. 27, 190,000*;
Sept. 29, 400,000; Sept. 30, 460,000;
Oct. 1, 370,000.

* Two-hour session.

	Close Sept. 25, 1941	Close Sept. 26, 1941
1. Railroads		
Balt. & Ohio	23.36	23.30
Gt. Nthn. Pt.	24.4	24.4
Illinois Cent.	8.8	8.8
N.Y. Cent.	12.11	12.11
Norfolk Pac.	6.6	6.6
Pennsylvania	22.2	22.2
Southern	17.1	17.1
2. Utilities, etc.		
Amer. Tel.	155.153	153.153
Amer. Wkks.	4.4	4.4
Pac. Light	38.37	37.37
Pub. Sv. N.J.	20.19	19.19
Sth. Cal. Ed.	23.23	23.23
United Gas	7.6	7.6
3. Commercial and Industrial		
Amer. Metal	21.1	20.1
Am. Roll. Mf.	14.13	13.13
Am. Smelting	43.41	41.41
Anaconda	28.28	28.28
Briggs	20.20	20.20
Celanese of A.	26.25	25.25
Chrysler	58.58	58.58
Curt. Wr. "A"	27.27	27.27
Eastman Kdk.	144.144	142.142
Gen. Elec.	32.32	31.31
Gen. Motors	41.41	41.41
Inland Steel	76.76	75.75
Int. Harvest	54.54	53.53
Int. Nickel	29.29	29.29
Liggett Myers	87.87	82.82
Nat. Dairy	16.16	15.15
Nat. Distillers	24.24	24.24
Nat. Steel	54.54	53.53
Proct. Gamble	58.58	58.58
Sears Roebuck	73.73	73.73
Shell Union	14.14	13.13
Socony Vac.	9.9	9.9
Std. Oil N.J.	42.42	42.42
20th Cen. Fox	9.9	8.8
U.S. Steel	57.57	55.55
West. Union	88.88	85.85
Woodworth	31.31	30.30
Yngstr. Sheet	37.37	36.36

Nature of Borrowing (Conv. Excl'd.)

Year	Debt	Prof.	Ord.
41 (New Basis)	1,115,974,765	477,460	5,429,790
40 (New Basis)	779,747,164	1,513,755	14,166,560
41 (Old Basis)	1,115,666,109	150,000	2,900,000
40 (Old Basis)	778,810,343	132,500	1,209,132

* Includes Government Issues to Sept. 23rd only.
† "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

Northern Ireland Treasury Bills.—£700,000 three months' Treasury bills were offered by tender on September 25th. Applications amounted to £5,450,000. The minimum price to obtain allotment was £99 14s. 10d. Applicants at this price obtained 12½ per cent of their applications. The average rate of discount was £1 os. 5.98d. per cent. The whole £700,000 was allotted.

CONVERSIONS AND REPAYMENTS

Metropolitan and Ipswich Water Supply and Sewerage Board (Brisbane).—The £894,300 6½ per cent debentures outstanding will be repaid on November 1st, 1941. £1,000,000 of stock was issued at 96 in September, 1921. In 1928 the powers of the Board were transferred to the City of Brisbane, Queensland.

Nova Scotia 3½ per Cent. Stock.—The £650,000 outstanding of Nova Scotia 3½ per cent stock is being repaid in sterling at par, with accrued interest, on October 1st, 1942.

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
October 4, 1941			

Particulars of Government issues appear on page 428

Year	Including Conversions	Excluding Conversions
1941 (New Basis)	1,175,489,297	1,121,882,015
1940 (New Basis)	1,148,352,612	795,397,479
1941 (Old Basis)	1,169,592,953	1,118,716,109
1940 (Old Basis)	1,132,907,108	780,151,975

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
41 (New Basis)	1,118,330,614	3,481,401	70,000
40 (New Basis)	794,412,807	984,672	N/A
41 (Old Basis)	1,115,816,109	2,900,000	N/A
40 (Old Basis)	780,009,519	142,456	N/A

tricts, Durham is suffering from a shortage of labour. Since June 3,700 men, of whom 2,239 were "face" workers, have returned to the coalfield.

Salvage of Lubricating Oil

In *The Economist* of August 9th (page 181) attention was drawn to the need for fostering the recovery of used lubricating oil to save shipping space. Pre-war consumption of this oil, imported either as a finished product or in the form of crude oil, was at the rate of 600,000 tons per annum, and it has been estimated that between 150,000 and 200,000 tons of used lubricating oil could be recovered each year by an efficient system of collection and treatment. The Petroleum Department's decision, on August 26th, to issue a general licence for the purchase and recovery of used lubricating oil is therefore a step in the right direction. The products obtained by recovery are at least equal in quality to the original lubricant, but in most cases the physical properties are slightly different, that is to say, the oil may be somewhat thinner after treatment; it is necessary, therefore, to readjust the viscosity by blending with new finished products. The amount of oil required for adjustment of viscosity is comparatively small, probably averaging 5 per cent to 10 per cent, and it will be necessary to make such oil available to firms operating recovery plants. The average waste oil yields over 80 per cent of first-class finished lubricant. Several petroleum refineries in this country which have hitherto been employed on the manufacture of finished lubricant possess equipment suitable for lubricating oil recovery without modification. In addition, new equipment specially designed for lubricating oil recovery is being installed by private enterprise in various parts of the country. It remains to be seen whether the Petroleum Department's decision will provide the necessary stimulus to the reclaiming of used lubricating oil. If not, additional measures will have to be taken.

Aviation Petrol

At a Press conference early in August, Mr Harold L. Ickes, Federal Petroleum Co-ordinator, expressed fears concerning the adequacy of America's capacity to produce 100-octane aviation petrol, and he criticised Dr R. E. Wilson, formerly oil consultant to the Office of Production Management, for not foreseeing that existing capacity was "inadequate" for future needs. A shortage in 100-octane aviation petrol would be disastrous, for this grade of fuel is neces-

sary if the maximum performance is to be secured from the latest types of military aircraft—and requirements are rising steeply. Besides covering the growing needs of the American air forces, manufacturers of this valuable product have been making regular shipments to Britain and are now being called upon to supply Russia as well. Indeed, at a further Press conference on September 25th, Mr Ickes stated that the "emergency" in 100-octane petrol had been intensified materially by the needs of Great Britain and Russia. In view of the unforeseen character of part of this demand, and the fact that the manufacture of fuels of this quality is a costly business, it is not surprising that the Government should now be facting the possibility of a shortage; and it is good news that the Petroleum Co-ordinator has begun to "think big" on the subject of aircraft fuel supplies. Present capacity of the industry to produce 100-octane fuels (apart from lower-grade petrols) is in the neighbourhood of 40,000 barrels a day—a quantity sufficient to keep 11,000 aircraft of 2,000 hp each in the air for one hour daily. When Mr Ickes became aware that this capacity was insufficient, early in August, he promised refiners first-rank priorities if they would undertake to build new capacity or to expand their existing plant. The target aimed at was the doubling of existing facilities and there was a suggestion that independent refiners would be granted financial assistance if they cared to co-operate. Several of the major companies—including the Standard Oil Company of California, Humble Oil (another Standard concern) and Sinclair Refining—announced that they would be spending large sums to increase their capacity for the production of 100-octane fuel, and it is believed that plant now under construction will be capable of turning out 6,000 barrels daily. Last weekend, however, Mr Ickes told the Press that plans are being studied to treble the existing capacity at a cost of approximately \$150,000,000. He stated that 50 new plants would be needed to raise the output from 40,000 to approximately 120,000 barrels daily. Bearing in mind the extent of American commitments, this programme certainly does not appear over-ambitious, though it is hardly to be expected that private enterprise will foot the bill. The sooner it is put in hand the better. Meanwhile, it may be noted that the Administration's policy of accumulating stocks of all aviation petrols is meeting with fair success, the quantity of such fuels in storage on June 30th having amounted to 7,341,000 barrels (equal to almost seven months' domestic requirements) against 5,268,000 barrels a year earlier. It is impossible to say how much of this was 100-octane material, but it suggests that, if Mr Ickes' plans are carried into effect promptly, an actual shortage may be avoided.

COMMODITY AND INDUSTRY NEWS

THE price of tin, standard cash, recovered on September 25th from the low level of £255 15s.-£256 per ton on the day before, to £256-£256 5s., and it remained there until October 1st. Three months tin was £260 5s.-15s., compared with £259 5s.-10s. a week earlier. Separate licences were required for the importation from Eire of "Hides and skins (excluding fur skins), raw, dried, salted or pickled, but not further treated," from September 30th. The Board of Trade added 310 names to the "Black List" of traders in neutral countries on October 1st.

Tin Statistics.—According to the Tin Research Institute's estimates, world production of tin in August was 21,300 tons, compared with 18,100 tons in July and 18,400 in August, 1940. Production for the first eight months of 1941 was 168,600 tons, against 143,500 in the same period of 1940. World stocks of tin, including smelters' stocks and carry-over, decreased by 5,438 tons during August to 50,864 at the end of the month, compared with stocks of 51,232 tons at the end of August, 1940. Consumption of tin in the United Kingdom was 2,418 tons in July, compared with 2,426 tons in June and 2,756 tons in July, 1940. United States deliveries totalled 13,625 tons in August, against 12,575 tons in July. Deliveries from January to August were 106,572 tons, compared with 70,404 tons in the corresponding period of 1940.

"Utility" Underwear.—Maximum margins and prices for women's underwear

and nightwear of general utility, on the lines of the Order dealing with men's and boys' outer clothing and with women's and children's knitted underwear, have now been fixed. The garments concerned must be made from certain cloths specified in the Limitation of Supplies (Cloth and Apparel) Order, and must bear the Board of Trade's mark. The object of the Order is to ensure an adequate supply of cheap clothing. Actually, scheduled retail prices vary from 4s. for women's size panties to 18s. 10d. for O.S. women's size nightdresses. Margins of profit to makers-up, wholesalers and retailers are the same as those announced in the first Order. These were discussed on page 364 of *The Economist* of September 20th. Certain amendments have been made to the first Utility Apparel (Maximum Prices) Order, the most important being the lowering by a few pence per yard of many of the minimum prices for linings to be used for men's, youths' and boys' outer wear specified in the earlier Order.

Loose Coupons.—A notice declaring that it is illegal to offer or accept loose coupons, except for orders by post or in circumstances expressly authorised by the Board of Trade, and that offenders are liable to prosecution, must be on display at all places where rationed goods are supplied to retail customers, by October 19th.

Cotton.—Owing to the limited production and the fact that spinners of yarn cannot sell their output for more than twelve weeks ahead, business has been

generally difficult. Manufacturers of cloth have refused to accept fresh contracts as a result of not being able to cover in yarn. The undercurrent of demand has been of considerable dimensions, but very little of it has been satisfied. Spinners are still waiting for some reply from the Controller to the application for increased margins. From October 1st the acquisition, treatment, use or consumption of cotton lint, whether in the raw or bleached form, and whether imported or produced in the United Kingdom, was made subject to licence. To avoid interference with production, the Cotton Control will issue licences forthwith, without application, in respect of a proportion of the estimated requirements for October. Applications for licences are, however, asked for immediately.

Flour Production Control.—Certain amendments were made on September 29th to the Flour (Control and Prices) Order. The most important is the provision of an upper limit to the rate of extraction prescribed for national straight-run flour, which must be at least 75 per cent and not more than 85 per cent. Straight-run flours of 85 per cent or more extraction will either be national wheat-meal or specialty flours for the production of which individual licences will be required. From October 27th individual licences will regulate the production and sale of proprietary brown flours.

(Continued on page 427)

COMPANY MEETINGS

THE CUNARD STEAM SHIP COMPANY, LIMITED

SIXTY-FOURTH ORDINARY GENERAL MEETING TO BE HELD AT LIVERPOOL
ON WEDNESDAY, THE 8TH OCTOBER, 1941

(ADJOURNED FROM THE 23RD APRIL, 1941)

STATEMENT OF THE CHAIRMAN, SIR PERCY E. BATES, BART., G.B.E.

I am again sending a statement with the annual accounts, as the procedure proved convenient on the last occasion. I do not propose to make a speech at the annual meeting, but simply to move the adoption of the accounts.

As stated in the report, three new directors have joined the board, the first additions for 12 years. Two of the new directors come from the company's own subsidiary companies, and their appointments are due to the very strong desire to strengthen the working ties between the parent company and the subsidiaries. The third new director comes from outside the group. I think it will be a great advantage to the company to receive advice from a new director who can bring to our deliberations a completely fresh mind. All three appointments will be submitted for confirmation at the general meeting of stockholders to be held in 1942.

The Cunard Company's profit and loss account for the year 1940 shows somewhat better results than in the previous year. The company's own steamers have been under Liner Requisition during almost the whole year, but up till the collapse of France the results of the old trade between Liverpool and Havre, which was run with small chartered steamers not under requisition, were quite good. Dividends, too, from subsidiary and other companies were £26,000 higher. Since the close of the year the permanent rate of interest on the second mortgage debenture stock has been fixed by the Treasury at 3½ per cent., and as this decision has retrospective effect to January 1st, 1940, provision for this increase has been made in the profit and loss account.

The Excess Profits Tax situation of the group is still very far from clear, though it seems certain that Cunard White Star is not earning enough to attract a liability. The true effect of the Finance Act in the case of the rest of our group has not been easy to discover in the comparatively short time since the Act was passed. To provide against possible but undetermined liability in respect of 1939 and 1940, a transfer to profit and loss account of £175,000 has been made from reserves which have become free, and this figure appears on both sides of the profit and loss account, the balance for 1940 being shown at £146,110 13s. against £63,443 for 1939.

The usual depreciation has been written off the company's ships and properties, and provision has been made in the accounts for the final £10,000 which stood in the last balance-sheet representing discount and commission on the 5 per cent. mortgage debenture stock. The debit side of the balance-sheet in the item "deposits with the company" shows the continued progress in the reduction of the superannuation fund deposit. "Creditors," etc., at £597,298 show an increase of £152,000 due to open items of current business.

The increase in the balance carried forward shows the effect of the year's profit and loss account balance. On the credit side no change has been made in the valuation of the shares in subsidiary companies, the increase in the figure being due to the purchase of the outstanding shares in Thos. and Jno. Brocklebank, Limited, which was mentioned in the report for 1939.

"Loan and balances due from subsidiary companies" shows a higher figure at £94,302, owing to items of current business. "Shares in other companies" shows no change; they have returned 4.61 per cent. on their book value. "Debtors," etc., at £163,080 reflect the increase in open items of current business.

With the accounts are enclosed for the first time the latest balance-sheets of the Port Line and Thos. and Jno. Brocklebank, Limited, both companies being now wholly-owned subsidiaries of the Cunard Company.

It is to these companies that the board turned when about to make a decision to repay on February 2nd next the £3,683,615 5 per cent. mortgage debenture stock, and arranged to borrow from them the major portion of the total required. A substantial

sum will be provided by the parent company. The proceeds of the loans are already lodged with the trustees. I might perhaps explain that the money came partly from War Risk insurance received for ships sunk, which is not presently capable of being employed in the construction of tonnage suitable for their trades, and also from the sale of some of the investments representing the accumulation of reserves over more than a pre-war decade. Subject to there being no further losses of ships, this operation without any increase in dividends from the two companies named, or the receipt of any dividends from Cunard White Star, Limited, should provide margin for the full annual service of our two preference issues. The terms of issue, however, require that the 5 per cent. first preference stock ranks for arrears of dividend ahead of any payments to the 6 per cent. second preference stock.

The accounts and report of Cunard White Star, Limited, are also enclosed. As I forecast in my last statement, the results for 1940 are better than those for 1939. Any real comparison, however, is impossible, owing to the changes in accounting due to Liner Requisition and to other factors. 1939 would probably have shown much better results if the war had not started in September. In 1940 the *Queen Elizabeth* was commissioned, and in the early part of the year prior to the full incidence of Liner Requisition there was some satisfactory trading. 1941 results under universal requisition will somewhat exceed half the 1940 figure.

In the profit and loss account full provision for the depreciation of the fleet has been made, and now includes depreciation on the *Queen Elizabeth*. The increase in the amounts paid for interest on the first mortgage debenture stock (£750,000 and £1,000,000) reflect the recent decision of the Treasury as to a 3½ per cent. permanent rate. The item "interest on £2,500,000," £31,557, appears for the first time and is due in respect of the *Queen Elizabeth*. The balance shows a credit of £1,284,094, which I believe to be well within the company's standard for EPT so large is the value of the assets engaged in the business. In the balance-sheet, on the debit side, creditors are higher at £2,070,701, due to a large increase in open items of current business. (The corresponding item on the credit side—debtors, etc.—shows a larger increase, and for the same reason.)

On the credit side the fleet stands at the figure of £14,629,250, reached by continuance of the basis of depreciation described in my last statement.

Plant, etc., have borne their usual depreciation.

Investments in the name of the trustee for first mortgage debenture stock and income debenture stock (Class A and Class B) £1,156,828 represents the sums paid to the Treasury in respect of depreciation on the *Queen Mary*, bringing that depreciation up to date at the end of 1940. The figure also includes an unallocated sum—£178,485—for 1941 depreciation. The smaller figure, £189,115, represents the 1940 depreciation for the *Queen Elizabeth*. Both items are now represented by Government stocks. The cash figure, £3,573,611, is higher, mainly because of sums received in respect of ships lost.

Interesting though these Cunard White Star accounts for 1940 must be to all Cunard stockholders, the implications of the Cunard White Star directors' recent decision to repay the whole of the company's debenture debt, amounting to £7,950,000, must be even more so. During the war the company will not be allowed to build new ships for the North Atlantic passenger trade. At the proper time a cautious survey of the post-war world must be made before embarking on any shipbuilding, as nothing is so disastrous for any shipping company as to build ships, especially at high prices, which are other than carefully suited to their times. After the last war our Cunard building programme, based on the known desire of many inhabitants of the British Isles and Europe to leave home and, among other destinations, to go to Canada and the U.S.A., was turned into a handicap when the U.S.A. put

severe restrictions on to immigration, and Canada and the rest of the world perforce followed suit.

But for these restrictions, which started in the U.S.A. and which the rest of the world had to follow, there would by 1939 have been about 20 million people fewer in Europe. Perhaps there would not have been enough steam in Europe for Hitler to have been able to cook up this war at all. If there is to be free migration, we want one class of ship; if there is not, either we want a different class or perhaps no new ships at all. It would be madness for Cunard White Star to start building ships until it can see clearly the function of the ship to be built.

Let us consider the post-war ability of Cunard White Star to build ships after repayment of its debenture debt of £7,950,000 when the time should come for them to consider signing contracts. I have indicated earlier that 1941 results for this Cunard White Star Company will be of the order of £7,800,000 after providing depreciation of about £1,000,000-£1,200,000. If we said £1,800,000-£2,000,000 in new cash, of course subject to the effect of further ship losses, we would not be very far out. More losses under requisition reduce the annual revenue but add to the cash available for new building. In the absence of further losses Cunard White Star should have at the end of 1942 £2,600,000-£2,800,000 in cash with which to think about shipbuilding if the war had ended in 1941. This seems to me quite enough money with which to consider a moderate building programme and any programme ought to be moderate. To-day I would sooner be without more money in prospect than maintain for the Cunard White Star unusable resources which, in whatever form they might be kept, must be a temptation to extravagance. On all counts it is better for Cunard White Star to pay off what it owes. Cunard White Star will be very credit-worthy, and if it had difficulty in securing any marginal amounts it might think it needed to build ships, it would mean that suppliers of credit did not share the Cunard White Star Company's ideas as to the profit they might make.

To sum up my own view, the shipbuilding situation appears to be safe after this debenture debt repayment.

I return to the Cunard S.S. Company, Limited. The double transaction of debt repayment now in sight, repayment by Cunard S.S. Company, Limited, of £3,683,615 5 per cent mortgage debentures and repayment by Cunard White Star, Limited, of £7,950,000 of debenture stock of various kinds will remove capital charges ahead of the Cunard preference and ordinary stockholders amounting to £11,633,615. It will also result in about £6,600,000 being available to the Treasury for immediate war expenditure.

The no doubt inevitable delay in passing the Finance Bill into a Finance Act, and the consequent continued uncertainty in respect of EPT, has proved hampering to decisions on policy in more than one direction, but I hope to be able, either when submitting the 1941 accounts, or perhaps sooner, to make proposals for dealing with the arrears of preference dividend—thus giving the ordinary stockholders a prospect of ultimate dividend. Obviously it is impossible for me to be precise in the face of so many uncertainties, and there are many things which might happen to affect the situation or its background. We must proceed one step at a time, giving the stockholders the true picture possible as we go on. In my last statement I concluded with the following paragraph:—

"To sum the matter up in an attempt to put the stockholders in possession of my own thoughts, I would say that the figures before you, together with this statement, indicate that the time is approaching when it may be possible with some reason to hope for an improvement in our individual fortunes as stockholders, which years of careful conservation both of trade and assets have, I think, fully deserved. I do not base this expectation on war revenue; I have already said that the terms arranged for our largest subsidiary—Cunard White Star, Limited—are lower than those of other companies. Shipping can get a fair return in war and a fair return in peace, but for years before September, 1939, we have had a condition of no-peace and a species of near-war which produced a steadily increasing frost on international movement, commerce and trade. This condition, which was disastrous for shipping, has been ended, and will not be revived by any peace that we shall make. Consequently, I feel as confident for the future of our company as I do for the future of our country."

I think this paragraph is even more true than when I first wrote it.

PERCY E. BATES, Chairman.

September 24, 1941.

GAUMONT-BRITISH PICTURE CORPORATION, LIMITED

STEADY IMPROVEMENT IN BUSINESS

MR. MARK OSTRER'S STATEMENT

The fourteenth annual general meeting of the Gaumont-British Picture Corporation, Limited, was held, on the 30th ultimo, in London.

Col. H. A. Micklem, C.B., C.M.G., D.S.O., presided in the absence through indisposition of Mr Mark Ostrer, the managing director.

The secretary (Mr W. B. Robinson) read the notice convening the meeting and the report of the auditors.

The following is the statement by the managing director, which had been circulated with the report and accounts for the year ended March 31, 1941:—

The returns of business in the spring and summer months of 1940, although not up to pre-war level, showed satisfactory progress. Then followed the period of heavy attacks from the air by the enemy, and theatre earnings suffered severely during that time. A steady improvement in business took place after the cessation of these intensive air raids, and I am pleased to say that this improvement has been maintained up to date.

The film distribution and news-reel business administered by our subsidiary, Gaumont-British Distributors, Limited, has proved distinctly satisfactory, the profits being higher this year. In regard to film production and film printing, the favourable position enjoyed last year has been fully maintained throughout the year under review, and there is no indication of any reduction in the activities of these branches of our business. The other interests of the corporation are progressing favourably.

STRENGTHENING OF RESERVES

The profit for the year from all sources at £617,182 is slightly higher than last year, and this outcome is regarded with satisfaction by your directors, having regard to the dangerous period through which we have been passing. War Damage Insurance premiums applicable to the year under review, amounting to £30,313, have been charged against general reserve, reducing it from £242,500 to £212,187. The amount added to this reserve out of profit will bring it back to £290,000.

The further sums added to reserves out of profit are £87,329 16s. 6d. to debenture stock sinking fund reserve, bringing it up to £510,804 11s. 6d., and £28,755 10s. 10d. to reserve for amortisation and depreciation of properties, which now stands at £480,517 14s. 8d. These various reserves have benefited to the extent of £193,898 out of the year's profit, which figure compares with £157,763 last year. The balance of profit to be carried forward will be slightly higher than last year at £79,080 2s. 11d.

The balance-sheet reflects this improvement in our reserves and shows a substantial fall in our liabilities. First mortgage debenture stock redeemed during the year amounts to £178,137, bringing the total of redeemed stock at March 31st last to £803,520. Further redemptions have been effected by subsequent purchases of stock, and the total now redeemed is in the neighbourhood of £1,000,000.

Bank overdraft has been further reduced, as also have mortgage loans and creditors, the total reduction in these liabilities representing a sum of £85,788. Changes in current assets are for the most part due to the normal trend of business.

SUBSIDIARY COMPANIES

Subsidiary company debtor accounts show considerable reduction and sundry debtors are higher. Shares in subsidiary companies are lower, and the debenture stocks of subsidiary companies reflect the redemptions effected by the operation of sinking funds. The book value of properties is higher, owing to the addition of a theatre taken over from a wholly owned subsidiary company in voluntary liquidation.

No part of the corporation's profits up to March 31, 1941, is subject to Excess Profits Tax. For obvious reasons it is not possible to make any forecast of the probable outcome of the current year. All that can be said on the subject at this moment is that the figures available show substantial improvement over the corresponding period of last year.

Colonel Micklem paid a tribute to the work of the whole of the staff and employees of the company and moved the adoption of the report and accounts, which, after questions had been answered was carried.

THE SECOND ALLIANCE TRUST COMPANY LIMITED

REQUISITION OF AMERICAN HOLDINGS

PROBLEM OF REPLACEMENT

MR JAMES PRAIN'S SPEECH

The annual ordinary general meeting of the Second Alliance Trust Company, Limited, was held, on the 26th ultimo, in the company's 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 read the auditors' report to the shareholders.

The Chairman, in moving the adoption of the annual report, said:—

I have now to submit for your approval the directors' report and accounts for the year to July 31, 1941.

During the past year we have had considerable sums available for investment as a result of the requisition by the Treasury of the company's holdings of American securities, an experience common in a greater or less degree to other financial institutions with interests in the United States and Canada. The influx of these funds into the market, in addition to those normally seeking investment, has helped to create a situation in which buyers have predominated. Other factors and influences coinciding with a period in the war when the threat to our own country was not so immediate and direct, have served to stimulate this pressure of money, and we have seen, therefore, a steady and quite substantial recovery throughout the year in Stock-Exchange quotations in general. It is not at such times that one would hope to acquire suitable securities to replace the American stocks which have been taken from us, and which in the aggregate were yielding us a highly remunerative income. We have, indeed, found it impracticable to replace more than a portion of these funds on a basis which does not involve some sacrifice of revenue at the present time and in the immediate future. I might mention in passing that we have given substantial support to the issues of Savings Bonds and War Bonds, a step which you will no doubt approve of on general grounds.

ORDINARY DIVIDEND 21 PER CENT.

I must not exaggerate, however, the effect of these matters on the company's position. It is after all a question of degree. You will see from the accounts that although the gross revenue of £213,000 is some £14,000 less than that of a year ago, the net income remains ample to meet all our outgoings with a comfortable margin of safety. The interest and dividends on our debenture debt and preference stock are very adequately secured, and our ordinary stockholders, who now receive a dividend of 21 per cent.

for the fourth year in succession, may consider the results not unsatisfactory in the circumstances.

We have again transferred to contingent reserve fund the sum of £30,000, of which approximately £26,500 represents the surplus for the year, and £3,500 is taken from the revenue balance brought forward. You will observe that we propose to carry forward £14,300, which sum, in accordance with our usual practice, is subject to directors' remuneration for the past year. The sum to be set aside for this purpose falls to be fixed at this meeting, and a word of explanation is called for on this occasion. Hitherto, the fees voted by the stockholders from time to time have provided for a sum to be paid to the directors free of income-tax. With the rate of tax rising to a figure which was not in mind when the arrangement was entered into, this method of remuneration is generally regarded as unsuitable, and indeed legislation has now been passed to prevent hardship arising from the fulfilment of contracts drawn up on that footing. Here, the simplest solution is that the stockholders should vote a gross figure for our services during the past year and such sum will be subject to tax in the hands of the directors. Accordingly, a motion to that effect will be submitted at this meeting.

CURRENT YEAR'S OUTLOOK

The outlook for the current year continues to be relatively unpromising. With a large and varied list of investments we must expect in any year to have our quota of disappointments and defaults, while under present wartime legislation there is, of course, little or no opportunity of recouping ourselves from these industries which have prospered. The dice are loaded against the investor. Apart from this aspect, however, our hope is that the revenue from the bulk of our investments will be maintained, in which case our statement next year should be reasonably satisfactory.

Before moving the adoption of the report and accounts, I shall take the opportunity to acknowledge the valuable services of the staff, whose numbers, as you can imagine, are much reduced, and whose duties are correspondingly heavier. With your permission also I shall convey your good wishes to those members who are serving with the Forces.

I now beg to move that the directors' report and accounts for the year ended July 31, 1941, be adopted and approved and that the final dividends be declared at the rates therein recommended—on £800,000 preference stock at the preferential rate of 4½ per cent. per annum, and on £400,000 ordinary stock at the rate of 12 per cent. actual, making 21 per cent. for the year, both subject to income-tax.

The report and accounts were adopted and resolutions were passed providing for the re-election of the retiring director, the remuneration of the directors and the reappointment of the auditors.

COMMODITY AND INDUSTRY NEWS—continued from page 424

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week Ended		From Apr. 1 to	
	Sept. 13, 1941	Sept. 20, 1941	Sept. 21, 1940	Sept. 20, 1941
Argentina	79	54	5,171	408
Atlantic America	158	86	1,346	756
Danube region	...	...	678	...
S. and E. Africa	...	...	926†	...
Indo-China, etc.	...	...	91	...

* Not received.

† Incomplete.

Source: The Corn Trade News.

"THE ECONOMIST" SENSITIVE PRICE INDEX (1935=100)

	Sept. 25, 1941	Sept. 26, 1941	Sept. 29, 1941	Sept. 30, 1941	Oct. 1, 1941
Crops	113.3	113.1	113.4	113.4	113.5
Raw materials	170.5	170.5	170.5	170.4	170.4
Complete Index	138.0	138.9	139.1	139.0	139.1

	Mar. 31, 1937	Aug. 31, 1939	Oct. 1, 1940	Sept. 1, 1941	Sept. 24, 1941
Crops	147.9	92.2	104.7	112.8	113.0
Raw materials	207.3	122.9	165.5	170.3	170.5
Complete Index	175.1	106.4	131.6	138.6	138.8

* Unobtainable.

Source: The Corn Trade News.

* Highest level reached during 1932-37 recovery.

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

	Home		Export		Total	
	Index	% Change from 8 th Year ago	Index	% Change from 8 th Year ago	Index	% Change from 8 th Year ago
1935	96	83	96	83	96	83
1936	99	90	99	90	99	90
1937	100	100	100	100	100	100
1938	94	82	93	85	93	85
1939	105	80	103	77	103	77
1940	116	83	114	77	114	77
1940 July	82	94	83	94	82	94
" Aug.	124	74	122	74	122	74
" Sept.	148	54	143	74	143	74
" Oct.	157	73	152	74	152	74
" Nov.	81	88	81	88	81	88
" Dec.	76	71	76	71	76	71
1941 Jan.	63	67	63	67	63	67
" Feb.	106	68	105	68	105	68
" March	124	102	123	102	123	102
" April	102	93	101	93	101	93
" May	88	109	88	109	88	109
" June	122	105	122	105	122	105
" July	75	130	77	130	77	130
" Aug.	83	105	84	105	84	105

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

Purchase Tax is included; figures are therefore comparable throughout.

Source: Board of Trade Journal.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the ten days ended Sept. 30, 1941, total ordinary revenue was £49,899,000, against ordinary expenditure of £52,550,000 and issues to sinking funds of £260,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £1,504,050,000 against £1,162,936,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	April 1 to Sept. 30, 1940	April 1 to Sept. 30, 1941	Nine days ended Sept. 30, 1940	Ten days ended Sept. 30, 1941
ORDINARY REVENUE					
Income Tax	756,000	95,111	177,517	4,083	11,043
Sur-tax	80,000	11,690	12,994	289	950
Estate, etc.	82,000	40,840	46,110	220	2,026
Duties	14,000	7,528	6,321	638	1,120
Stamps	210,000	10,930	9,695	540	410
N.D.C.	26,382	99,495	1,512	7,220	
E.P.T.	1,000	220	185	10	14
Other Inld. Rev.	114,300	192,701	352,317	7,283	22,783
Total Inld. Rev.	1,786,360	452,518	737,452	25,506	49,899
Customs	310,700	144,868	174,659	5,731	8,825
Excise	266,660	85,100	157,600	13,497	16,200
Total Customs & Excise	577,360	229,968	332,259	19,228	25,025
Motor Duties	39,000	9,493	9,346	...	273
P.O. (Net Receipts)	3,300	6,600	4,250	Dr 1050	Dr 250
Crown Lands	1,100	550	530	10	...
Receipts from Sundry Loans	2,600	645	1,974	...	...
Miscell. Receipts	20,000	12,561	36,776	35	2,068
Total Ord. Rev.	1,786,360	452,518	737,452	25,506	49,899
SELF-BALANCING P.O. & Brdcastg.	99,346	40,850	48,650	2,600	2,950
Total	1,885,706	493,368	786,102	28,106	52,849

Expenditure	Estimate, 1941-42	April 1 to Sept. 30, 1940	April 1 to Sept. 30, 1941	Nine days ended Sept. 30, 1940	Ten days ended Sept. 30, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	114,937	132,557	1,481	1,278
Payments to N. Ireland	9,200	3,749	3,614	430	361
Other Cons. Fnd. Serv.	7,800	3,440	3,809	55	567
Total	272,000	122,126	139,980	1,966	2,206
Supply Services	393,497	148,810	209,576	97,970	130,344
Total Ord. Exp.	420,697	161,013	223,586	99,936	132,550
SELF-BALANCING P.O. & Brdcastg.	99,346	40,850	48,650	2,600	2,950
Total	430,043	165,098	224,506	102,536	135,500

After decreasing Exchequer balances by £215,641 to £2,431,216, the other operations for the week (no longer shown separately) raised the gross National Debt by £79,642,179 to about £12,874 millions. An analysis of the approximate position of the National Debt on September 30th appears on page 432.)

MONTH'S CHANGES IN DEBT

£ thousands	Net Increases
Treasury Bills	81,747
Nat. Sav. Certs.	15,750
3% Def. Bonds	12,050
Nat. War Bonds, 1945-47	581
Sav. Bonds, 1955-65	56
"Other Debt"	30,268
Ways & Means Advances	8,245
Treasury Deposits	87,000
	267,982

NET ISSUES (£ thousands)	57
Overseas Trade Guarantees	...
NET RECEIPTS (£ thousands)	2,400
P.O. and Telegraph	...
Under War Damage Act	688
	3,088

AGGREGATE ISSUES AND RECEIPTS

Aggregate issues and receipts from April 1, 1941, to September 30, 1941, are:

Ordinary Exp.	2,235,856	Ord. Revenue	737,452
		Gross bor.	1,474,821
		Sinking fds.	5,646
		Net borrowing	1,469,175
		Miscell. Receipts	29,033
		Dec. in balances	196
			2,235,856

FLOATING DEBT (£ millions)

Date	Tender	Tap	Public Depts.	Bank of Eng. Fund	Treasury Bills	Ways and Means Advances	Treasury Debt	Total Floating Debt
1940								
Sept. 30, 1940	835-0	1085-1	91-5	...	124-0	2136-7		
June 21, 1941	935-0	2357-0	158-7	28-2	519-0	3053-0		
July 5, 1941	955-0	...	...	...	...	...		
July 12, 1941	960-0	...	...	...	...	...		
July 19, 1941	965-0	...	...	...	...	...		
Aug. 2, 1941	960-0	1491-7	174-3	12-0	515-5	3153-5		
Aug. 9, 1941	960-0	...	...	...	...	...		
Aug. 16, 1941	960-0	...	...	...	...	...		
Aug. 23, 1941	960-0	...	...	...	...	...		
Sept. 6, 1941	970-0	1525-3	213-9	1-0	513-0	3223-2		
Sept. 13, 1941	970-0	...	...	...	...	...		
Sept. 20, 1941	970-0	...	...	...	...	...		
Sept. 27, 1941	2577-2	246-5	0-7	620-0	3424-4			

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Applied	Allotted	Average Rate of Allotment	Per Cent Allotted at Min. Rate
1940					
Sept. 27, 1940	65-0	131-9	65-0	20	6-33
June 13, 1941	75-0	166-5	75-0	19	11-88
" 20, 1941	75-0	158-5	75-0	19	11-83
July 27, 1941	75-0	163-1	75-0	20	0-15
July 4, 1941	75-0	153-0	75-0	20	0-69
" 11, 1941	75-0	155-7	75-0	20	0-54
" 18, 1941	75-0	146-8	75-0	20	0-35
Aug. 1, 1941	75-0	163-6	75-0	19	11-84
" 8, 1941	75-0	165-2	75-0	20	0-14
" 15, 1941	75-0	159-1	75-0	20	0-16
" 22, 1941	75-0	151-8	75-0	20	0-31
" 29, 1941	75-0	133-2	75-0	20	0-95
Sept. 5, 1941	75-0	152-3	75-0	20	3-17
" 12, 1941	75-0	148-6	75-0	20	3-46
" 19, 1941	75-0	165-8	75-0	20	2-73
" 26, 1941	75-0	186-5	75-0	20	2-63
					19 10-65

On September 26th applications at £99 15s. per cent for bills to be paid for on Monday, Tuesday and Saturday of following week were accepted as to about 37 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Wednesday, Thursday and Friday were accepted in full. £75 millions of Treasury bills are being offered on October 3rd. For the week ending October 4th the banks will be asked for Treasury deposits to a maximum amount of £70 millions.

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

Week ended	N.S.C.	3% Defence Bonds	New 2½% Bonds	3% Savings Bonds
Aug. 19, 1941	3,813	2,860	59,874	3,335
" 26, 1941	3,201	2,805	94	3,446
Sept. 2, 1941	3,473	3,206	23	3,343
" 9, 1941	3,689	2,212	1	5,653
" 16, 1941	4,664	2,496	Nil	8,910
" 23, 1941	4,724	2,010	Nil	7,927
" 30, 1941	...	...	Nil	6,399
Totals to date	364,882	340,420	493,611	322,282

* 96 weeks. † 39 weeks.
Including series "A," £38,968,537 to date.
Interest free loans received by the Treasury up to Sept. 30th amounted to a total value of £36,779,140. Up to Sept. 30th, principal of Savings Certificates to the amount of £46,022,000 have been repaid.

BANK OF ENGLAND RETURNS

OCTOBER 1, 1941

ISSUE DEPARTMENT

Notes Issued	11,015,100
In Circulation	715,414,815
In Bank of Eng.	2,063,256
In Poss. of Pub.	506,831
Gold & Silver	730,000,000
Gold & Silver	241,575
Gold & Silver	730,241,575

BANKING DEPARTMENT

Proprietary Capital	14,553,000	Govt. Sec.	124,582,838
Reserves	3,520,047	Other Sec.	3,608,212
Public Depts.	12,427,439	Advances	25,247,210
Other Depts.	122,316,771	Securities	28,915,422
Bankers' Balances	54,611,278	Gold & Silver	52,467,582
Other Assets	175,980,612	Commodities	1,515,256
	207,481,098		207,481,098

THE WEEK'S CHANGES (£ thousands)

Both Departments	Amount, Oct. 1, 1941	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	677,774	6,381	72,519
Deposits: Public	12,427	1,790	8,841
Bankers	122,536	11,580	21,063
Others	4,644	2,405	1,289
Total outside liabilities	807,181	1,004	86,630
Capital and Reserves	18,073	22	53
COMBINED ASSETS			
Govt. debt and securities	852,013	4,511	82,386
Discounts and advances	3,068	935	872
Other securities	27,510	4,589	1,363
Silver coin in issue	507	9	499
Gold and silver bullion	1,757	115	858
Reserves			
Res. of notes and coin in banking department	53,983	6,497	1,666
"Proportion (reserve to outside liabilities in banking dept.)	28-5%	2-2%	14-0%

COMPARATIVE ANALYSIS (£ millions)

	1940	1941
Issue Dept.		
Notes in circulation	605-3	669-7
Notes in banking department	25-0	60-5
Government debt and securities	627-1	727-4
Other securities	2-9	2-1
Silver coin	0-0	0-5
Gold, valued at s. per fine oz.	0-2	0-2
Deposits:		
Public	21-3	10-8
Bankers	101-3	127-6
Others	53-4	51-5
Total	176-0	189-9
Banking Dept. Secs.		
Government	142-6	120-2
Discount, etc.	2-8	5-1
Other	23-0	20-6
Total	168-4	145-9
Banking dept. res.	25-6	62-0
"Proportion"	14-5	32-6

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £680 millions to £730 millions on August 30, 1941.

THE REVENUE

I.—AN ACCOUNT OF THE TOTAL REVENUE OF THE UNITED KINGDOM, in the undermentioned periods of the Year ending 31st March, 1942, as compared with the corresponding periods of the preceding Year.

Quarter from 1st July to 30th September, 1941, compared with the corresponding Quarter of the preceding Year.					Estimate for the Year 1941-42	Period from 1st April to 30th September, 1941, compared with the corresponding Period of the preceding Year.			
	Quarter ending 30th Sept., 1940.	Quarter ending 30th Sept., 1941.	Increase.	Decrease.		Period ending 30th Sept., 1940.	Period ending 30th Sept., 1941.	Increase.	Decrease.
ORDINARY REVENUE.									
	£	£	£	£	£	£	£	£	£
Inland Revenue									
Income Tax	71,812,000	97,920,000	26,108,000	—	756,000,000	95,111,000	177,517,000	82,406,000	—
Sur-tax	5,170,000	5,135,000	—	35,000	80,000,000	11,690,000	12,994,000	1,304,000	—
Estate, &c., Duties	17,890,000	22,395,000	4,505,000	—	82,000,000	40,840,000	46,110,000	5,270,000	—
Stamps	3,958,000	3,610,000	—	348,000	14,000,000	7,528,000	6,321,000	—	1,207,000
National Defence Contribution	6,620,000	5,691,000	—	929,000	210,000,000	10,930,000	9,695,000	—	1,235,000
Excess Profits Tax	19,722,000	58,900,000	39,178,000	70,000	26,382,000	99,495,000	185,000	73,113,000	—
Other Inland Revenue Duties	130,000	60,000	—	—	1,000,000	220,000	—	—	35,000
Total Inland Revenue	125,302,000	193,711,000	69,791,000	1,382,000	1,143,000,000	192,701,000	352,317,000	162,093,000	2,477,000
Customs and Excise									
Customs	74,231,000	93,009,000	18,778,000	—	310,700,000	144,868,000	174,659,000	29,791,000	—
Excise	48,700,000	100,800,000	52,100,000	—	266,660,000	85,100,000	157,600,000	72,500,000	—
Total Customs and Excise	122,931,000	193,809,000	70,878,000	—	577,360,000	229,968,000	332,259,000	102,291,000	—
Motor Vehicle Duties	3,955,000	4,448,000	493,000	—	39,000,000	9,493,000	9,346,000	—	147,000
Post Office (Net Receipt)	3,750,000	2,650,000	—	1,100,000	3,300,000	6,600,000	4,250,000	—	2,350,000
Crown Lands	270,000	250,000	—	20,000	1,100,000	550,000	530,000	—	20,000
Receipts from Sundry Loans	222,567	1,167,086	944,519	—	2,600,000	645,527	1,973,947	1,328,420	—
Miscellaneous Receipts	7,918,394	22,258,479	14,340,085	—	20,000,000	12,560,884	36,775,606	24,214,722	—
Total Ordinary Revenue	264,348,961	418,293,565	156,446,604	2,502,000	1,786,360,000	452,518,411	737,451,553	289,927,142	4,994,000
			£153,944,604 Net Increase.					£284,933,142 Net Increase.	
SELF-BALANCING REVENUE.									
Revenue required to meet expenditure on Post Office and Broadcasting	20,600,000	24,150,000	3,550,000	—	99,346,000	40,850,000	48,650,000	7,800,000	—
Total	284,948,961	442,443,565	159,996,604	2,502,000	1,885,706,000	493,368,411	786,101,553	297,727,142	4,994,000
			£157,494,604 Net Increase.					£292,733,142 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; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Mellie, of Nov. 23rd; Lithuania, of Nov. 30th; Egypt, of Nov. 10th; Jugoslavia, of June 7th; Bulgaria, of August 9th; Greece, of August 23rd; Prague, Reichsbank, of August 30th; Hungary, of Sept. 13th; International Settlements, Japan and Sweden, of Sept. 20th; New Zealand, Argentina, Australia, Portugal, India and U.S. Reporting Member Banks, of Sept. 27th.

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS	Sept. 26, 1940	Sept. 11, 1941	Sept. 18, 1941	Sept. 25, 1941
RESOURCES				
Gold Certs. on hand and due from Treasury	18,843	20,297	20,297	20,362
Total reserves	19,203	20,576	20,580	20,647
Total cash reserves	2,434	2,184	2,184	2,184
Total U.S. Govt. secs.	2,447	2,207	2,204	2,204
Total bills and secs.	22,462	23,816	24,206	23,932
LIABILITIES				
F.R. notes in circn.	5,406	7,130	7,147	7,164
Securities on hand	6,542	5,110	5,250	5,200
Govt. deposits	13,703	13,158	13,328	13,273
Total deposits	19,651	25,398	25,725	25,637
Total liabilities	26,158	32,548	32,472	32,367
Reserve ratio	89.6%	91.1%	90.2%	91.1%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	21,166	22,733	22,742	22,749
Treasury & bank currency	3,041	3,185	3,188	3,194
LIABILITIES				
Notes in circulation	8,090	10,036	10,046	10,070
Treasury cash and dep.	3,091	2,853	2,742	2,729

BANK OF CANADA
Million Can. \$

ASSETS	Sept. 4, 1940	Aug. 20, 1941	Aug. 30, 1941	Sept. 3, 1941
Reserve: Gold	14.3	4.89	40.6	67.3
Other	555.6	651.1	661.1	663.5
LIABILITIES				
Note circulation	312.9	415.6	422.2	426.7
Deposits: Dom. Govt.	16.9	27.5	60.7	75.3
Chartered banks	225.8	211.9	212.9	231.7

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

SWISS NATIONAL BANK

ASSETS	May 31, 1940	Aug. 23, 1941	Aug. 30, 1941	Sept. 6, 1941
Gold	2168.3	2278.3	2273.2	2267.6
Foreign Exchange	360.4	1269.6	1267.0	1274.2
Discounts, etc.	174.3	70.3	94.6	92.0
Advances	143.8	20.3	19.4	19.8
Securities	86.9	69.8	69.8	69.9
LIABILITIES				
Notes in circulation	2245.6	2047.7	2105.7	2083.3
Other sight liabilities	565.1	233.0	233.7	232.2

SOUTH AFRICAN RESERVE BANK

ASSETS	Aug. 16, 1940	Aug. 1, 1941	Aug. 15, 1941	Aug. 15, 1941
Gold coin and bullion	37.48	52.49	52.54	52.62
Bills discounted	1.26	0.97	0.98	0.99
Invest. and other assets	35.50	42.53	41.86	42.26
LIABILITIES				
Notes in circulation	21.58	27.17	25.49	24.36
Deposits: Government	39.61	54.64	57.01	60.06
Bankers' deposits	6.43	4.87	5.11	2.89
Others	53.2%	57.7%	57.8%	57.8%
Reserve Ratio	53.2%	57.7%	57.8%	57.8%

CENTRAL BANK OF TURKEY

Million Turkish pounds

ASSETS	June 8, 1940	May 17, 1941	May 24, 1941	May 31, 1941
Gold	110.6	120.0	120.3	120.3
Clearing and other exch.	23.5	46.2	46.7	45.0
Treasury bonds	139.4	137.5	137.5	137.5
Commercial bills	241.7	274.9	276.8	275.8
Securities	56.3	54.1	54.1	54.1
Advances	10.4	152.9	154.5	166.5
LIABILITIES				
Notes in circulation	337.4	505.5	505.5	513.5
Deposits	111.2	142.3	144.6	148.1
Clearing and other exch.	28.2	25.5	25.1	25.7

NATIONAL BANK OF ROUMANIA

Million lei

ASSETS	June 1, 1940	May 10, 1941	May 17, 1941	May 24, 1941
Gold and gold exchange	31,545	32,383	32,416	32,436
Foreign exchange	3,913	5,615	6,274	6,774
Commercial bills	18,987	23,119	23,519	23,541
Treasury bills issued agst.				
Losses on credits	4,470	4,149	4,149	4,149
Advances on secs.	5,308	5,865	5,826	5,749
State debt	3,566	3,548	3,548	3,548
Secs. and Participations	2,377	4,436	4,436	4,436
LIABILITIES				
Notes in circulation	52,467	71,816	69,774	69,853
Other sight liabilities	18,903	18,092	20,170	20,292
Long-term liabilities	2,449	3,194	4,332	4,288

MONEY MARKET

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between Sept. 27th and Oct. 3rd. (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 (11-45) 17-30-40. Sweden. Krona (18-159) 16-85-95. Argentina. Peso (11-45) 16-95-17-13; mail transfers 16-95-17-15. Dutch East Indies. Florin (12-11) 7-58-62; 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 (25-22½) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Lira (110) 520. Italy. 71-25 lire.

Market Rates

The following rates remained unchanged between Sept. 27th and Oct. 3rd.
Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½.
Hongkong. 14½-15½d. per \$ Japan. Yen (24-58d. per yen) July 25th, 13½-14½.
July 26th-Oct. 3rd. Unquoted. Singapore. \$ (28d. per \$) 28½-29.
Columbia. Peso 6 (sellers). Belgian Congo. Francs 176½-1. Shanghai. 2½-3½d.

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. 3 cent pm-par. Canada. 1 cent pm-par. Switzerland. 3 cents pm-par. Japan. 3 ore pm-par. Dutch East Indies. 1½ cents pm-par.

MONEY RATES, LONDON

The following rates remained unchanged between Sept. 27th and Oct. 3rd:—

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, 1½-1½%; Treasury Bills, 2 months, 1½%; 3 months, 1½%. Day-to-day money, 1½%. Short Loans, 1½% Bank deposit rates 1½%. Discount deposit at call 1½%; at notice 1½%.

AMERICAN WHOLESALE PRICES

GRAINS (per bushel)—	Sept. 23, 1941	Sept. 30, 1941
Wheat, Chicago, Dec.	120½	123½
Winnipeg, Oct.	72½	73½
Maize, Chicago, Dec.	80½	81½
Oats, Chicago, Dec.	51	53½
Barley, Winnipeg, Oct.	74½	76½
MEATS (per lb.)—		
Copper, Connecticut	11-00	12-00
Tin, N.Y., Straits, spot	52-00	52-00
Lard, N.Y., spot	5-85	5-85
METALS (per lb.)—cont.	Sept. 23, 1941	Sept. 30, 1941
Spelter, East St. Louis, spot	7-25	7-25
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accra, Oct.	7-62	7-89
Coffee, N.Y., cash—		
Rio, No. 7	9½	9½
Santos, No. 4	13½	13½
Cotton, N.Y., Am. mid., spot	17-39	17-48
Am. mid., Oct.	16-62	16-69
Cotton Oil, N.Y., Oct.	13-53	13-92
Lard, Chicago, Oct.	10-57½	10-67½
MISCELLANEOUS (per lb.)—cont.	Sept. 23, 1941	Sept. 30, 1941
Petroleum, Mid-cont. crude, per barrel	117	117
Rubber, N.Y., smkd. sheet spot	22½	22½
Oct.-Dec.	22½	22½
Sugar, N.Y., Cuban Cent., 96 deg. spot	3-50	3-50
Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Dec.	2-21	2-57
Moody's Index of staple commodities, Dec. 31, 1931=100	214-3	...

* Official rate 29-78.

† Commercial bills.

‡ Nominally quoted.

THE WEEK'S COMPANY RESULTS

THE WEEK											Preceding Year		
Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Total Profit	Net Profit	Ord. Div.
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward			
		£	£	£	£	£	%	£	£	£	£	%	
Breweries, &c.													
Tennant Bros.	June 30	136,449	...	42,495	58,913	4,263	26,354	12½	10,000	+ 1,878	97,939	42,463	12½
Coal, Iron and Steel													
Neepsend Steel and Tool	Mar. 31	149,083	...	166,703	119,570	1,698	79,902	50	25,000	+ 103	173,708	104,186	50
Ransome & Marles Bearing	June 30	111,995	...	73,295	151,030	...	74,725	20	...	+ 1,430	129,800	90,038	20
Financial, Land, &c.													
Ceylon Estates Investment	Mar. 31	6,661	1,134	816	2,882	...	943	7½	34,000	— 127	7,376	1,948	15
Covent Garden Properties	June 30	237,495	...	24,300	53,585	...	...	...	...	+ 9,700	294,596	46,647	Nil
Ideal Building & Land	Dec. 31	23,745	...	1,950	5,522	...	...	...	10,000	+ 1,950	37,332	17,925	Nil
United City Property Trust	June 30	87,496	...	13,918	26,411	...	...	...	...	+ 3,918	113,320	33,100	Nil
Shop Investments	June 30	100,537	...	18,443	25,102	5,638	9,575	6	...	+ 3,130	113,989	28,530	10
Motor, Aviation, &c.													
Perfecta Motor Equipments	June 30	15,131	2,962	8,163	17,289	...	5,250	17½	2,500	+ 413	31,928	9,075	17½
Oil													
Attock Oil Co.	Dec. 31	757,125	150,000	105,150	294,359	...	180,000	10	...	+ 74,850	454,603	304,602	7½
Lobitos Oilfields	Dec. 31	308,791	...	209,655	479,484	...	100,000	10	100,000	+ 9,655	254,713	180,691	10
Rubber													
Amalgamated Rubbers	Mar. 31	26,302	...	11,225	12,725	1,200	9,999	9	...	+ 26	15,619	8,736	6
Cicely	Mar. 31	42,950	2,500	12,874	20,312	900	13,343	10	...	+ 1,369	28,224	16,954	10
Dava Plantations	Dec. 31	15,926	5,318	8,810	8,392	4,941	...	...	...	+ 1,869	8,130	513	Nil
Lambak	Dec. 31	47,265	1,500	15,333	27,013	...	15,000	7½	...	+ 333	28,613	15,453	7½
Malacca Plantations	Dec. 31	102,127	6,300	41,827	74,756	8,625	32,665	4	...	+ 537	50,823	21,323	2½
Merchiston	Mar. 31	14,921	...	5,479	6,916	...	4,875	7½	500	+ 104	7,900	5,587	7½
Shipping													
Cunard Steamship	Dec. 31	505,379	20,833	146,110	423,639	...	...	...	...	+ 146,110	387,573	63,443	Nil
Cunard White Star	Dec. 31	2,374,804	1,196,718	1,284,094	1,414,351	...	...	...	...	+ 1,284,094	1,620,710	421,499	Nil
Shops and Stores													
Maynards Ltd.	June 30	32,387	...	16,473	50,821	3,390	31,168	8	...	+ 18,085	73,321	39,982	8
Tea													
Assam Co.	Dec. 31	431,354	5,500	57,925	85,291	...	60,000	6	...	+ 2,074	531,988	86,139	7
Galaha Ceylon	Dec. 31	68,599	5,500	21,072	23,996	3,600	17,520	6	...	+ 48	59,973	21,171	6
Jorehaut	Dec. 31	296,625	...	42,436	45,406	...	40,000	10	...	+ 2,436	298,646	40,073	10
Tea Corporation	Jan. 31	85,278	798	6,479	11,233	...	6,501	6	...	+ 178	70,149	7,676	7½
Textiles													
Aire Wool Co.	Aug. 31	12,092	...	11,458	18,387	3,000	6,875	12½	...	+ 1,563	17,818	16,633	20
Trusts													
Capital and National	July 31	44,110	...	10,959	25,602	7,937	...	...	...	+ 3,022	47,865	13,471	Nil
City & International	Aug. 31	65,175	...	18,237	59,583	16,125	4,000	2	...	+ 1,888	78,671	26,106	3
Other Companies													
Aspro Ltd.	June 30	285,121	7,940	139,632	158,661	14,094	66,250	25	60,000	+ 712	283,231	154,350	25
Boniss Combustion	April 30	36,105	1,179	14,833	18,049	6,000	7,500	10	1,000	+ 333	35,195	19,371	10
Berry, Wiggins & Co.	Dec. 31	48,306	...	52,026	124,530	20,825	25,825	(a)	...	+ 5,576	59,512	56,012	(b)
Blakelrough (J.) & Sons	June 30	119,258	...	14,504	26,351	2,892	12,139	20	...	+ 527	82,080	25,853	10
Budgett (H. H. & S.)	Feb. 28	117,484	...	5,001	5,001	...	...	...	5,001	...	108,118	23,468	Nil
Lever Bros. & Unilever	Dec. 31	975,1967	...	6,934,967	8,651,816	1,346,779	660,535	5	700,000	+ 1,227,653	7,963,675	6,690,532	10
London Express Newspaper	June 30	246,876	70,198	174,578	267,462	105,000	61,200	5	...	+ 8,378	361,807	301,609	Nil
Packer (H. J.) & Co.	Dec. 31	57,628	7,519	27,154	40,392	...	...	...	10,000	+ 17,154	32,969	9,684	5
"Triplex" Safety Glass	June 30	191,268	17,269	11,698	25,938	32,356	10	125,500	4,342	110,732	349	Nil	
Totals (000's)													
Week to Oct. 1, 1911	26	17,189	1,498	9,688	12,861	4,557	1,584	...	933	+ 2,614	14,073	8,909	...
Jan. 1 to Oct. 4, 1911	1,361	312,618	25,201	116,833	225,252	34,542	90,357	...	14,359	+ 7,575	299,838	165,987	...

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				TEXTILES—continued				MISCELLANEOUS			
Sept. 23, 1941				Sept. 23, 1941				Sept. 23, 1941			
GRAIN, etc.				COTTON—continued				CEMENT , best Eng. Portland, London area, in paper bags or jute sacks (25 cwt. to ton)			
Wheat	s. d.	s. d.		Cloth 38 in. ditto, 38 yards	s. d.	s. d.		6-ton loads and upwards per ton	s. d.	s. d.	
No. 1 N.Mt. 496 lb. l.o.b. Mont.	30 9	51 4		18 x 16, 10 lb.	14 10	14 10					
Eng. Gaz. av. per cwt. (e)	14 8	14 8		39 in. ditto, 37½ yards							
Flour per 280 lb.				16 x 15, 8½ lb.	13 9	13 9					
Straights d/d London	25 6	25 6		FLAX (per ton)				CHEMICALS			
Barley Eng. Gaz. av. per cwt. (e)	28 7	28 11		Livonian ZK	Nom.	Nom.		Acid, Oxalic, per ton	60 0/0	60 0/0	
Oats (e)	13 10	13 10		Pernau F.D.	Nom.	Nom.		Tartaric, English, 55% ab.	3 3	3 3	
Maize, La Plata, 480 lb., l.o.b.	13 9	13 10½		HEMP (per ton)—Manilla, spot				Ammonia, Sulphate	9 11 6	9 11 6	
MEAT —Beef, per 8 lb.				12	30 0/0	30 0/0		Nitrate of Soda	13 10 9	13 10 9	
English long sides	4 8	4 8		JUTE (per ton)				Potash, Sulphate	11 0 0	11 0 0	
Imported hinds	6 0	6 0		Dusse 2/3 C.I.F. Dundee	46 10 0	44 0 0		Soda Bicarb.	5 0 0	5 0 0	
Mutton, per 8 lb.—English	4 4	4 4		Common 8 lb. cops. (per spindle)	s. d.	s. d.		Soda Crystals	5 5 0	5 5 0	
Imported	8 0	8 0		10/40 Hessians, per yd.	4 6	4 6					
Pork, English, per 8 lb.	4 4	4 4		8/40 Hessians, per yd.	0 4	0 4					
BACON (per cwt.)—Wiltshire, cut side	126 0	126 0		10/40 Calcutta Hessians, Nov.	0 4	0 4					
HAMS (per cwt.)—Green	132 0	132 0		Dec. 100 yds.	46 4	48 9					
				71/40	34 2	45 5					
OTHER FOODS				Sisal (per ton)—African, Sept.	s. d.	s. d.					
First hand—All Grades	142 0	142 0		Oct. No. 1	30 0	30 0					
CHEESE (per cwt.)				WOOL (per lb.)							
Home Produced	99 2	99 2		Lincoln wethers, washed	19 1	19 1					
Imported	99 2	99 2		Selected blackfaced, greasy	14	14					
COCOA (per cwt.)				Australian scrd. fleece 70's	37	37					
Accra, g.f.	45 0	45 0		Cape scrd. average snow white	39 1	39 1					
Grenada fine	81 6	81 0		N.Z. scrd. 2nd pieces, 50-56's	24	24					
COFFEE (per cwt.)				Tops							
Santos sup. c. & f.	Nom.	Nom.		64's warp	45 5	45 5					
Costa Rica, medium to good	175 0	185 0		56's super carded	39	39					
EGGS (per 120)—English	20 0	20 0		48's average carded	31	31					
LARD (per cwt.)—Imported	64 0	64 0		44's prepared	29 1	29 1					
POTATOES (per cwt.)											
English, new	8 0	7 0		COAL (per ton)							
SUGAR (per cwt.)				Welsh, best Admiralty	31 7	31 7					
Centrifugals, 96%, prpt. shipm.				Durham, best gas, l.o.b. Tyne	27 10 1	27 10 1					
C.I.F. U.K./Cont.				IRON AND STEEL (per ton)							
REFINED LONDON				Pg. Cleveland No. 3, d.d.	128 0	128 0					
Granulated, 2 cwt. bags	49 10	49 10		Bars, Middlesbrough	312 6	312 6					
Granulated, 2 cwt. bags, domestic consumption	31 2	31 2		Steel, rails, heavy	290 6	290 6					
West India Crystallised	50 10	50 10		Timplates (home, L.C. 14 x 20)	29 9	29 9					
TOBACCO (per lb.)				NON-FERROUS METALS (per ton)							
Indian stemmed and unstemmed	0 8	0 8		Copper (e) Electrolytic	62 0 0	62 0 0					
Rhodesian, stemmed and unstemmed	2 2	2 2		Tin—Standard cash	256 0 0	256 0 0					
stemmed	0 10	0 10		Three months	259 5 0	260 5 0					
	2 4	2 4		Lead (d)—Soft, foreign, cash	25 0 0	25 0 0					
TEXTILES				Speiter (d)—G.O.B., spot	25 15 0	25 15 0					
Raw, Mid-American	9 24	9 24		Aluminium, ingots and bars	110 0 0	110 0 0					
Giza, F.G.F.	12 05	12 05		41% Conversion Loan	190 0 0	190 0 0					
Yarns, 32's Twist	16 81	16 81		Nickel, home delivery	195 0 0	195 0 0					
40's Twist	18 12	18 12		Antimony, English, 99%	110 0 0	110 0 0					
60's Twist (Egyptian)	25 95	25 95		Wolfram, Empire	2 10 0	2 10 0					
Cloth, 32 in. Printers, 116 yards	s. d.	s. d.		Platinum, refined	9 0 0	9 0 0					
16 x 16, 32's & 50's	28 0	28 0		Quicksilver	48 15 0	48 15 0					
36 in. Shirtings, 75 yards	28 0	28 0		GOLD (per fine ounce)	168 0	168 0					
19 x 19, 32's & 40's	40 3	40 3		SILVER (per ounce)							

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	175-45 pesos per 100 U.S. \$	on August 20th.
Ecuador.*	Sight selling rate	15-00 sucres per U.S. \$	on August 15th.
Guatemala.	Sight selling rate maintained at one quetzal per U.S. \$, plus commission of 1 per cent. to Centra Bank	July 23rd.	
Nicaragua.*	Sight selling rate for payment of imports fixed at 5-54½ cordobas per U.S. \$ (incl. 10 per cent. tax), July 23, 1941.		
El Salvador.	Sight selling rate New York	2-50½ colones per \$	on August 30th.
Venezuela.*	Sight selling rate New York	3-35 bolivares per U.S. \$ since August 4th, 1941; free market 3-70 bolivares per dollar.	
* Official exchange controls are operative in these countries.			

OVERSEAS BANK RATES

Changed	From	To	Changed	From	To
Amsterdam	Aug. 28, '39	2 3	Madrid	July 15, '35	5 4
Antwerp	July 26, '41	6 5	Montreal	Mar. 11, '35	2 1
Batavia	Jan. 14, '37	4 3	Oslo	May 12, '40	4 3
Belgrade	Feb. 1, '35	6 4	Paris	Mar. 17, '41	2 1 1/2
Bombay	Apr. 4, '40	4 3 1/2	Pretoria	June 2, '41	3 1/2
Buenos Aires	Jan. 25, '40	2 1/2	Tallinn	Oct. 1, '35	4 1/2
Calcutta	Sept. 17, '40	3 1/2	Riga	Feb. 17, '40	4 1/2
Canton	Oct. 22, '40	4 3	Rio de Janeiro	May 31, '35	5 1/2
Cebu	Nov. 28, '35	3 1/2	Rome	May 18, '36	5 1/2
Colon	June 13, '35	4 1/2	Sofia	Sept. 16, '40	6 1/2
Copenhagen	Oct. 15, '40	4 1/2	Stockholm	May 29, '41	3 1/2
Hankow	Dec. 3, '34	4 1/2	Zurich	Nov. 25, '36	2 1/2
Kobe	May 14, '39	5 7	Tokyo		3-285
London	Mar. 31, '41	4 1/2	Wellington	May 27, '40	3 2
N.Y. Fed. Res.	Aug. 26, '37	1 1/2	Dublin	Oct. 26, '39	4 2

(a) For banks and credit institutions. (b) For private persons and firms.

NATIONAL DEBT

(Million £)

	Aug. 1, 1941	Dec. 31, 1940	Mar. 31, 1941	June 30, 1941	Sept. 30, 1941	Dec. 31, 1940	Mar. 31, 1941	June 30, 1941	Sept. 30, 1941
2½% Cons. & Annuities	573	300	300	300	300	300	300	300	300
4% Consols	401	401	401	401	401	401	401	401	401
2½% Conversion Loan	206	207	207	207	207	207	207	207	207
3½% Conversion Loan	302	302	302	302	302	302	302	302	302
4½% Conversion Loan	353	353	353	353	353	353	353	353	353
5% Conversion Loan	323	323	323	323	323	323	323	323	323
Terminable Annuities	30	20	15	15	15	15	15	15	15
Debts to Banks	15	15	14	14	14	14	14	14	14
3½% War Loan, 1932	63	1911	1911	1911	1911	1911	1911	1911	1911
Other Great War Issues	3,569								
2½% Funding Loan	200	200	200	200	200	200	200	200	200
2½% Funding Loan	101	101	101	101	101	101	101	101	101
4% Funding Loan	144	140	140	140	138	139	139	139	139
2½% N. Defence Bonds	409	345	341	341	336	340	340	340	340
3½% N. Defence Bonds	100	100	100	100	100	100	100	100	100
4% Victory Bondst	300	195	193	193	193	190	190	190	190
National Savings Cts.**	20	323	100	100	100	190	190	190	190
3½% Defence Bonds	267	385	434	515	558	606	670	709	709
3½% War Loan				154	201	201	307	340	340
2½% N. War Bds. '45-47				99	300	300	303	303	303
2½% N. War Bds. '46-48					227	439	444	444	444
3½% Sav. Bds.						148	143	143	143
Other Debt						89	219	77	77
External Debt	1,357	1,032	1,032	1,032	1,032	1,035	1,035	1,035	1,035
Treasury Bills	15	1,107	892	1,420	1,921	2,212	2,357	2,577	2,577
Temporary Advances	1	243	28	61	136	172	187	247	247
Treasury Deposits by Banks						124	338	429	519
Other Cap. Liabilities	654	8,033	8,163	8,932	10,103	10,902	11,399	12,156	12,874
Total Liabilities*	711	8,079	8,301	9,084	10,103	11,399	12,156	12,874	12,874

* Estimates, which do not allow for sinking fund allocations, accrued interest on Savings Certificates, and the State's debt from Exchange Equalisation Account, and including holdings of Public Departments.
 ** Includes National Savings Bonds (about £5 millions). †† Not available.

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COMPANY MEETINGS

CURRENT STATISTICS

Ships in Strategy

THE pundits expected, on good grounds, that if Hitler had failed by September to hit his eastern targets, including Moscow as well as beleaguered Leningrad and Odessa and Kiev, which in fact has fallen, he would need to revise his famous timetable. This he has done; but, instead of slowing it down, he has speeded it up. Probably the most massive, and certainly the most mobile, assault in

The chief gap in fighting ships was in small vessels to protect merchantmen; and for this purpose the "corvette," a small vessel which can be built more quickly and easily than the modern destroyer, has been found suitable. The navy required hundreds of small vessels to keep the sea lanes clear of mines, and has been able to use fishing vessels in large numbers. The navy needed very many auxiliaries, such as tankers for refuelling and cargo ships for provisioning. There was a good deal of improvisation to begin with, such as the conversion of passenger liners into armed "merchant cruisers" of limited fighting capacity, which offered a large target to enemy craft. Now, because of the rapid construction of new vessels, the navy is in a position to carry out its duties with very much greater efficiency, even in spite of the losses it has sustained and the grave defection of the French navy. At a critical moment, it was assisted by the fifty American destroyers put at its disposal and by units of the fleets of countries occupied by Germany. Nevertheless, it has long been plain that the British navy was not able, single-handed, to fulfil all its tasks; and the American Government's decisions, first, to form an Atlantic fleet, then to patrol defence zones, and, finally, in September, to assist in actively policing the Atlantic, are long steps towards full collaboration.

The deficiency of the merchant fleet has been its vulnerability at sea and in port. Great Britain entered the war with 6,722 steamers and motor ships of all kinds of a gross tonnage of 17.9 millions. Something like 7.6 million gross tons, or 80 per cent of the combined fleets of steamers and motor ships owned by Norway, Holland and Greece, numbering 4,117 vessels of an aggregate gross tonnage of 9.6 millions before the war, some of them already chartered for Allied use, have been transferred to the Allies. French, Belgian, Danish and Polish vessels, of a total gross tonnage of about 1.5 millions, have been transferred; the tonnage captured from Germany, Italy and Finland amounts to some 530,000 gross tons; that bought and leased from America and chartered from neutrals may be estimated at 1.5 million gross tons. If to these estimates is added the tonnage of the new vessels which have left the shipyards in this country during the past two years—perhaps some 1.5 million gross tons—the aggregate gross tonnage of vessels accruing to the Allies must have been in the neighbourhood of 30.5 millions.

This total, however, very far from measures ocean-going carrying capacity. It includes many coasting vessels and passenger ships—though none of them is entirely redundant in war; coastal vessels still ply a limited trade, while many passenger ships are used as "merchant cruisers" or as troop carriers. But, of Great Britain's pre-war tonnage of 17.9 millions gross, only some 10 millions were ocean-going and concerned mainly in general cargo trade. Moreover, even statistically, the merchant fleet now at the disposal of the Allies is nothing like 30.5 million gross tons. The gross tonnage of British, Allied and neutral vessels lost through enemy action during the first two years of war amounts to the enormous total of nearly 8 millions. If other marine losses of some 750,000 gross tons are added, the total drain must have exceeded 8.5 millions gross. The Allies now possess barely three-quarters of the gross tonnage they would have had; and only a part of their fleet of some 22 million gross tons can sail the high seas for the war effort. Twenty-two million gross tons is considerably in excess of the tonnage owned by Great Britain alone before the war. But the effective carrying capacity, even of the proportion that is ocean going, must be appreciably smaller than before the war; the convoy system and the need for avoiding the normal sea lanes, and port delays have materially slowed down the speed and time-tables of ships, while a very appreciable tonnage must have been transferred to, or be held at the disposal of, the fighting forces.

The adequacy of the merchant fleet is a function of the tasks it has to perform in order to maximise Allied staying and striking power. The provisioning of the people of this country was only one of these tasks which became

increasingly onerous when the loss of continental food supplies compelled the Government to draw food supplies from more distant sources of supply. Where one ship had been employed in the transport of a given quantity of food from Denmark, about five vessels are needed to bring the same quantity from America. The munition factories must be fed with a growing volume of raw materials, and transport must be provided for the increasing stream of supplies from the United States, for the essential trade with the Dominions and Colonies, for the provisioning of overseas theatres of war, in the Middle and Far East and in Russia, and for many other purposes. The practical difficulty of using the direct route through the Mediterranean has immensely added to the strain of supplying the Near and Middle East, for the distance between this country and Egypt by the Cape route is the same as that between Great Britain and its farthest Dominion.

At present, the number and tonnage of the merchant fleet are insufficient. The United States, it is true, is now shipping supplies and military stores direct to the Middle East, Russia and other countries. But America's ocean-going merchant fleet is nothing like so large as Great Britain's was before the war, and a large part of it is required for essential imports and coastal traffic. In June, 1939, it numbered 2,345 steamers and motor ships of a gross tonnage of 8.9 millions, while 445,000 gross tons of new ships were launched in 1940, and a further 1.0 million gross tons is expected to be produced this year. The combined tonnage of the Allies and America is not yet equal to the next task of bringing the maximum striking power to bear upon Germany; and only by ships can mobilisation be made effective.

The way to victory by sea is threefold. First, every ingenuity must be exercised to economise shipping. It is in the nice balance between the needs of the Ministry of Supply and the Ministry of Food, between production and diet, that the test of strategy in its siege stage between mere defence and planned attack comes; in the devising of a food policy that will employ as few ships as possible and use every sea-going ton to the maximum effect; and in the maintenance of sufficient import capacity, at any cost and in any circumstances, to keep up and expand the production of weapons and munitions. And these considerations have never been absent from the Cabinet's mind. There is some suspicion that, in the dark days of heavy sinkings, the requirements of the war factories and the armed forces had to yield some way to a food policy which still rests too much, perhaps, upon livestock farming. Instead of the milling ratio for bread being increased, the official has still been held to be converted by beef cattle into protein of between 1/7 and 1/15 of its original quantity. The campaign to save ships by having wholemeal bread has been a slogan, not a fact. But, in food and in production, the Government's plans are based upon a careful allocation of shipping space; and policy cannot do all. The second path is to spare no effort to reduce shipping losses and to repair damaged vessels with all speed. Lately the net loss sustained by British, Allied and neutral shipping has probably been small. But it will be rash to assume that losses will be kept down to a level at which they can be conveniently replaced by British and American shipyards at the present rate. A new U-boat campaign in the Atlantic is already heralded.

Losses or not, the third means will be decisive, the construction of new ships with all possible speed in the United States, which alone can provide the many millions of tons that will be required to defeat Germany. The United States has been alive to its responsibility. The tonnage launched is expected to increase from one million gross tons this year to about 3.7 millions in 1942; if the experience of the last war is any guide, this programme should not be impossible of fulfilment, for output (excluding lake vessels) was then raised from 821,000 gross tons in 1917 to 2,600,000 gross tons in 1918. America now realises fully for the first time the necessity of playing the leading rôle in the battle for supplies; and American ships may write the final chapters of the war.

Australia's Choice

THE Australian political situation reached yet another crisis at the end of last week, when Mr Fadden's Government was defeated on the new Budget by 36 votes to 33, both Independent members voting with the Opposition. The protagonists thereupon followed the orthodox course. Mr Fadden resigned; the Governor-General asked Mr Curtin, leader of the Labour party, to form a Cabinet; and Mr Curtin accepted.

Unfortunately, it still cannot be said that this latest crisis is the last. It is not clear whether the coalition between the United Australia and Country parties will be maintained now that they are out of office. If it does, then the Labour Government, like its predecessor, will be dependent on the votes of the two Independents. Mr Fadden has assured Mr Curtin of the Opposition's support in the prosecution of the war, and Mr Curtin intends to retain the Advisory War Council on which all parties are represented. But a similar pledge of support from the Labour party did not prevent it from challenging and defeating the late Government over the Budget, which cannot possibly be distinguished from the war effort; and there is no guarantee that, in similar circumstances, the new Opposition will respect a self-denying ordinance. Moreover, there is a new anomaly in the position of Sir Earle Page. Mr Curtin has asked him to continue his mission; but it is an extraordinary situation for a Government's official envoy to be the leader of one of the Opposition parties, however united all parties are alleged to be on matters relating to the war.

So far, Mr Curtin's Government has received a good press, but, unfortunately, his determination not to tax low incomes will probably throw his administration of the war effort completely out of gear. It was only with great difficulty that, in last year's Budget, Mr Menzies was able to reduce the exemption from tax liability for single persons from £A250 a year to £A200, and Mr Curtin now apparently proposes to restore the higher figure. Thus, while in Great Britain in the current financial year, a single person earning £200 sterling (the equivalent of £A250) pays £32 10s. in tax, of which £10 16s. 8d. is a post-war credit, Mr Curtin wants Australian taxation only to begin at this level. The financial position is very complicated by the existence of state taxation, which is high in some states and low in others, and which makes direct comparisons with Great Britain rather misleading. Nevertheless, it can be said that Mr Curtin holds as a general proposition that incomes below £A250 a year should pay for the war neither by taxation nor by compulsory loans, but by voluntary saving alone.

If he persists in this proposition, it is very possible that his purely financial problem—it is apparently not suggested for a moment that war expenditure should be below Mr Fadden's figure of £A217 millions—will, contrarily enough, be made easier by under-spending. For the output of munitions, remarkable though it is, is almost certainly below official hopes and estimates; and this lag can with equal certainty be attributed to the shortage of manpower. There are other more immediate obstacles such as the lack of machine tools, but Australia's total population is so small that full use for the war effort can only be made of the country's economic resources if the employment of labour for civil purposes is cut to the utmost. There is no sign, however, that this is being done. Total employment in Australia had risen by 153,000 from August, 1939, to May of this year; and of this increase munition work accounted for 40,000 and private factories for 71,000, most of which was due to contracts for war work placed with these factories. Nevertheless, "other employment" had also risen from 1,579,000 to 1,621,000; and, since this accounts for by far the greater part of the total employed population of 2,278,000, considerable transfers of labour will be

necessary if the war programme is to be expanded, especially as the reserve of unemployed had virtually been used up by last May. But very little has been done to expedite transfer or to draw the unoccupied into employment. There has been no registration for war work, either general or special; no rationing, except of petrol and newsprint; no limitation of supplies, except for certain restrictions on the use of aluminium, tinplate and a few other materials in civil production; and no concentration of civilian industry.

The only method that the Australian Government has attempted to use, to restrict civilian consumption and manufacture, has been the financial one of taxation; now Mr Curtin proposes to make this ineffectual by exempting low incomes from its scope. It is quite true that he has pronounced himself in favour of rationing—but as a means of achieving a fair distribution of consumption goods rather than as a means of curtailing their production. What he—and for that matter Mr Fadden, too—evidently does not realise is that neither rationing nor taxation is enough in itself to secure the maximum transfer of resources for war purposes. Taxation, rationing, limitation and concentration are all necessary. Without them, but particularly without the first, Mr Curtin may well find that the moneys to be voted by Parliament for the war will again be under-spent—unless there is a considerable rise in prices, which will hit most severely the very people he is now trying to protect from the inescapable demands of war finance.

If a general election takes place, which seems very possible since the Labour party, as the Australian press is pointing out, has no mandate for a Labour programme, the present signs are that Mr Curtin will be returned. In three state elections this summer Labour has done well; it has remained firmly in power in Queensland and won a big victory over the coalition parties in New South Wales, while in South Australia, though it is still in a minority, it has now eleven seats against nine. Moreover, it is in a stronger position than at the general election last year because the split in its front has been closed, and Mr Beasley, leader of the six so-called non-Communist Labour members in the Federal House of Representatives, has been given a place in Mr Curtin's War Cabinet. But it is not likely that an election will be fought on the issue of a Labour programme, although to satisfy the extremer members of his party Mr Curtin may have to put certain parts of one in the foreground. It is more probable that, like the last one, it will be fought on the more general issue of which party will best direct the war effort, and there are no signs that the Australian people realise that this party will be the one which asks them to make the biggest sacrifices.

With one exception, there has been no attempt since the war began to warn the Australians that their very real military sacrifices must be reinforced by civilian sacrifices, or to give them details of what these sacrifices will involve. The one exception was Mr Menzies' broadcast last June, but he was not popular enough to carry the people with him. Mr Curtin, whether there is an election or not, now has the opportunity to succeed where Mr Menzies failed. He can place the real issue squarely before the people, at the same time offering seats in his Government to the Opposition parties, since the programme that total war demands can only be directed by a National Government. If he does this, last week's events may prove to have been well worth while. However else he acts—whether he tries to enforce a Labour policy or merely serves the mixture as before, with a few additions such as soldiers' bonuses to improve the taste—it can only be at the expense of Australia's potential war effort. If this issue is plainly put to the Australian people, they will surely not hesitate to choose the harder path.

Report on America

(From a member of the editorial staff of THE ECONOMIST who has travelled over 25,000 miles in North America since early June this year.)

1.—War or Peace?

THE night was dark and very warm. The wheat harvest in this farming county of western Iowa was in, but the maize was still ripening, so that the farmers had leisure for talking. The County Agricultural Forum was meeting in the gymnasium of the cross-roads high school, and the English visitor congratulated himself on the fact that here, at last, he was getting down to the grass roots. He did not himself broach the subject of American policy in the world crisis—Americans take to foreigners' preachments no more readily than Englishmen—but the farmers themselves insisted on discussing it at full length. The remarks—speeches would be too grandiloquent a term—were shrewd, sincere and astonishingly well informed; and some were very moving.

After more than an hour's talk, the chairman said he would take a vote: "Which of the three following propositions best expresses your view: (a) that the President has gone too far; (b) that the policy of supplying material aid, short of war, is right and will remain right; (c) that the United States ought to fight?" But they would not accept this set of choices and, after further discussion, the third proposition was amended to "that the United States should do whatever is necessary, short of nothing, when it is proved to be necessary, to get rid of Hitler." On this basis the vote was taken. Not a single vote was cast, in this meeting of over a hundred Middle Western farmers, for the first proposition, the Isolationist doctrine. For the second opinion, there was a scattered dozen of hands put up. All the remainder, an overwhelming majority, voted for the amended third proposition. And there was no doubt they meant it. The feeling was summed up by the cashier of the local bank. "I fought in the last war," he said (and the audience knew that he lost a lung in it), "and I vowed that I would be a pacifist for life. But if Hitler can't be defeated any other way, I'll go back myself."

This is the mood of the American people, of that vast central mass that is neither Isolationist nor Interventionist. They will do what is necessary, but they demand proof. All but the most rabid Isolationists now recognise the mood and adjust their propaganda to it. Mr Lindbergh still says that America can be indifferent to the Nazi peril and that there is more danger in British imperialism. But his shrewder team-mate, Mr Hoover, sings another tune. Hitler, he says, is already doomed; it is not necessary for America to do anything more; let her keep her powder dry and her hands clean. And any traveller in the United States can observe for himself that, while Mr Lindbergh offends ten for every one he converts, the Hoover line of argument is effective and dangerous. The average American has made up his mind that he hates Hitler, and that America will not be able to live in peace until the Nazi system has been smashed. But he wants the smashing to be done at the least possible cost to himself.

This attitude—this questioning, not of the objective of Mr Roosevelt's policy, but of the degree of effort that will be necessary to attain it—explains much that would otherwise seem illogical and inconsistent in the events of the last few months. It explains, for example, the phenomenon that has been described as the "drop in morale" since May and June. There has been no drop in morale if that element is measured by the degree of distrust of Hitler or of emotional support for the democratic cause. The reaction to the German attack on Russia was a proof of that; for all the violent anti-Communist feeling among Americans of all classes, it was

difficult to find, or even to hear tell of, anyone who had been converted to isolationism by Hitler's anti-Bolshevist "Crusade."

The "drop in morale" of these last few months has nothing to do with the emotions and aspirations of the American people, which are fully and irrevocably committed. It is simply a reflection of the fact that, to the man in the street, the war has looked as if it was winning itself without further American efforts being necessary. The closeness of the vote in the House of Representatives on the extension of service of the draft is to be explained in the same way (though it was also influenced by considerations of domestic politics as far removed from its real significance as the impending mayoral election in New York City). Both Mr Roosevelt and Mr Churchill have given assurances that an American army will not be needed in Europe, and the prospect of having to fight in America is distinctly less than a year ago, when twelve months was set as the length of training.

The same feeling of relief from urgency is also responsible for the recrudescence of the traditional habit of carping at British actions; the utilisation of Lend and Lease materials has been the target of planned pro-Axis propaganda, and it has met with a surprisingly large response, even in quarters (such as those for which the *New York Times* speaks) that are basically the most pro-British. But the other side of the medal is given by the fact that these same summer months which have witnessed the "drop in morale" have also seen a growing volume of criticism directed against the progress of armament production in the United States itself, against the inadequacy of the programme, the timidity of its execution and the small scale of the flow of supplies to Britain. There has also been the miracle of a taxation Bill whose provisions were actually tightened up as it passed through Congress. That America should be the arsenal of democracy, and that the taxpayer should foot a large part of the bill, are taken as proved necessities, and there has been no relaxation of the pressure of public opinion behind them.

The state of American opinion appears complex or illogical, only if the mistake is made of applying to it the criteria of simple logic. The great size of the country and the nature of its constitutional arrangements nearly always make for a certain lack of cohesion. But the regional differences in opinion have been greatly exaggerated; with the exception of the South, which traditionally loves a fight, the differences between the East, the Middle West and the Pacific Coast are no more than shades of emphasis. Broadly speaking, the American people will do whatever is proved to them to be necessary to see that the war is won. If they are polled on some hypothetical question about their future action, they will give a negative answer. When the President says he hopes to avoid war, they answer Amen. But when he takes definite action, even when, as with the occupation of Iceland or the order to the Navy to shoot, it breaks all the accepted rules of American policy, the people are very ready to accept his assurance that it is necessary. It is not a very heroic attitude, or very long-sighted; but it is very human, and by that token very democratic.

A Declaration of War?

If the American people are to do more than they are doing—specifically, if they are to declare war—then they will have to be convinced, through the mysterious processes of democratic leadership, that it is necessary. And is it necessary? Desirable, yes; but is a formal declara-

2.—The Pace of Production

In the United States, as in Great Britain, the programme of defence production was planned before the war. And in the United States, as in Great Britain, the strange effect has been to limit and delay the production of munitions. This is not, of course, a criticism of fore-sighted planning. In both countries, the plan was inadequately conceived, both as to scale and to method; and nothing can be more cramping than a detailed and pre-arranged, but inadequate, plan. In Great Britain, the designs and the industrial methods first worked out survived to plague the very much larger programme that became necessary when the war arrived. Similarly, in the United States, the War Department had worked out, in great detail, a plan for raising and equipping an army of two million men, and the industrial facilities necessary for accomplishing this plan had been earmarked. But the actual necessities have turned out to be far larger. Measured by numbers of men, it is true, the present plan is still within the limits of size (though not of time) of the old. But the scales of equipment are very considerably larger than were anticipated; \$13 billions' worth of Lease-Lend material has been added to the programme; and the time-schedule for the whole effort is considerably more urgent.

The old plan, however, has for years been the pride of the War Department, and great efforts have been expended to try to make it fit entirely different circumstances. But the changes in scale required consequential changes in industrial method. It was no longer possible to achieve the necessary production by placing orders with a pre-selected list of specialist producers; something of the nature of a mobilisation of the whole industry of the country was required. And if there were to be such an effort of industrial engineering, it could hardly be carried out by the professional soldiers of the War Department.

All the administrative changes that have been made in the munitions programme have been efforts to solve these two problems. But they have largely misfired because of the mistake that was made in believing that practical industrialists would automatically see the problem more clearly than the soldiers. Some of them (Mr Donald Nelson and Mr W. L. Batt have been outstanding examples) have been quick to see the necessities of the situation, and have been preaching the solution for months past. But, if the soldiers had a vested interest in their pre-conceived plan, the average industrialist has an unconscious bias towards Business As Usual. The Office of Production Management, from its Director-General downwards, has been dominated by the desire, not to mobilise the resources of civil industry as rapidly as possible, but to interfere as little as possible.

This attitude has been shown over and over again. In the matter of steel supplies, for example, the attitude of the business men in the OPM was, first, to deny that there would be any shortage, and to maintain this denial until it was too late to instal any new capacity; and then, when the need for priorities did, after all, arise, to resist or limit the curtailment of operations in civil industries such as automobiles. To say this, is not to single out the business men for particular criticism, but simply to controvert the belief, tenaciously held in Britain as well as in America, that industrialists are necessarily more far-sighted and clear-thinking than any other classes.

The latest administrative change, the appointment of the Supply, Priorities and Allocation Board, with Vice-President Wallace as its chairman and Mr Donald Nelson as its Executive Director, may prove to be a long step forward, since its members are believed to be a team that can work together without the personal antagonisms that have crippled previous agencies; a clear majority, if not quite all, of them are convinced adherents of

tion of war by the United States a necessary step on the way to victory? It may legitimately be asked whether the effects of the formal step have not been exaggerated in anticipation. It is true that American belligerency could be expected to have a profound psychological effect in Germany and in occupied Europe; but if its psychological effect in England were to relax tension and diminish the urgency of effort, the balance of advantage might not be large. The decisive factor would be the effect of a declaration of war in the United States. Declared American policies, as they now stand, without formal belligerency, will lead the United States to do everything that used to be accounted war with the sole exception of sending the army overseas; and as for the aggressive use of land forces, it must not be thought that a declaration would carry with it the decision to prepare an army for despatch to Europe. The two questions are, at least, separate and distinct in the American mind.

The effect of a declaration on the volume of American production is difficult to gauge. As is discussed in the next section of this survey, the country already stands before the crucial decision whether its civil resources shall be mobilised or not. If the right decision is taken now, there would be correspondingly less effect for a declaration of war to produce; and if the resistance to a curtailment of the standard of living is too strong now, it might remain too strong after the legal step had been taken. No one who lived in England from September, 1939, to May, 1940, should yield to the temptation of exaggerating the effect, as a stimulant, of a war in which no bombs fall and no lives are lost. Moreover, there is another factor to be considered. Criticism of the inadequate equipment with which the American forces themselves are being trained is already considerable, and would be much louder then. It would be much more difficult for the Lease-Lend Administration to starve the American admirals and generals, as it is now doing. Though a declaration of war might lead to higher production, it would probably lead to a smaller proportion of the output being sent to the theatre of war.

In Search of Proof

Even after all these arguments have been taken fully into account, however, an American declaration of war remains desirable for the purpose of winning the war—the best proof is the trouble that Hitler is taking to avoid it. But far too much importance has been attached to it in popular thought, both in America and in England. When it comes, it will almost certainly prove to be a step of less importance than several others—the passage of the Lease-Lend Act, for example. Between the pure white of innocent neutrality and the full scarlet of total belligerency, there are many intermediate shades—and America is already moving through the deep pinks.

In particular, it would be well if it could be understood that British appeals for a declaration of war by statesmen, by editorial writers or by propagandist organisations, do rather less than no good at all. They prove nothing—except that the British people would like to see America in the war, which everybody knows already. And what the American people require now is proof—with the closest approximation to facts and figures that wartime conditions permit—of the necessity of their making greater efforts, irrespective of the legal state in which those efforts are to be made.

In recent weeks, there have been many notable signs that the American people are finding the proof they are seeking. The vote of the American Legion against the ban on overseas expeditions was a most significant reversal of attitude; and Congressmen, after visiting and testing their constituencies, are changing their attitude, too. More and more it is evident that the necessity for the United States to play not simply a part, but the leading rôle, in winning the war against Hitler is widely appreciated; and the corollary, that the rigours of economic mobilisation must be squarely faced, is gaining ground with gathering speed.

"total mobilisation," and they carry fully enough political authority to enforce their decisions. This is a great improvement; but two obstacles still remain. The SPAB, like the OPM, is not an executive body. Its functions will be less purely advisory than OPM's; but the actual work of negotiating contracts and placing orders will still be done by the soldiers in the War Department and the sailors in the Navy Department (unlike the British War Office and Admiralty, the two Departments employ no civilians of administrative rank).

The second obstacle is the continuing inertia, if not opposition, of industry in the face of anything like general mobilisation. Civilian demand for products of every sort is booming as it has not boomed for twelve years; and it is only natural that, at such a time, troublesome and unremunerative defence orders should be rather less than fully welcome. American business is doing its patriotic duty—but as a duty; and each firm is watching carefully to see that it does not accept a heavier burden of duty than its competitor. It is true that the growing shortages of certain raw materials have begun to create the threat of idleness in some industries, and a consequential demand for the spreading of contracts among small firms. But this situation is certainly not general, and its public discussion must be regarded as a diversion from the real argument, since it is entirely conducted on the assumption that it is the contracts that are the scarce factor and the productive facilities that are in surfeit.

If there is to be an industrial mobilisation, it is, of course, the opposite that is true. What is needed is not a relief scheme to keep small businesses in the metal-using trades alive, but a mobilisation plan to bring into the production of munitions as much as possible of the productive equipment and facilities of all firms, large and small, in every industry. As much as could be done by the method of utilising the existing munitions and near-munitions industries, and by building special new plants, had already been done by the end of 1940. The full capacity of the machine tool industry was by then engaged for a long time ahead, and this fact by itself put a stop to any further progress by the old methods. If there were to be a further increase it could only be achieved by finding means of using the existing facilities of civilian industry.

Plans and Performance

It has taken eight months for this fact to be given its administrative expression. The programme, as measured by the amount of money appropriated or asked for, has increased enormously since January 1st. There have been additional appropriations for the domestic programme as well as the whole Lease and Lend policy. The amount of material needed to be produced has at least doubled, and possibly trebled. Unfortunately, the habit of thinking in monetary terms, and of doing so without any time limit, has obscured what has been happening. The appropriations have been allocated and the allocated sums have been "obligated" (i.e., contract relationships have been entered into). The financial figures have increased rapidly—but it is questionable whether the production schedules of the next eighteen months have been significantly altered. What has happened is that the new orders have been added on at the end of the old, and that the stream of production has been extended in time rather than broadened. The President's insistence on the rapid placing of orders has itself contributed to this end.

Nothing that has been written here must be taken as an unfavourable comparison of the policy pursued in America with that of any other country—or at least of any other democracy. There have been unforgivable muddles, confusions, timidities, delays; but, if there had been no more muddle, confusion, timidity and delay than this in Great Britain in the days when it, too, was only a near-belligerent, it would be possible for an Englishman to be prouder of his country's achievements. In any country where the people's welfare is the supreme law, the transition to total mobilisation is painful to decide upon, and in any country where democratic processes survive, it is difficult to achieve. But it is the crucial point

in any armament programme. It is the stile that separates spare-time from full-time effort. Without such a mobilisation, the potential of a country is measured by the size of its specialist munitions industry—a test which leaves the United States well down on the list of Great Powers. With a total mobilisation, the full economic strength of a country can be brought into play.

There is evidence that this stile is being surmounted in these weeks. There is certainly no battle of the war whose outcome will be more decisive. As in Britain, it has been learnt by experience that the establishment of broad priorities in the use of vital materials is not enough to ensure precedence in supplies for essential contracts. Mr Nelson, of SPAB, proposes to substitute the system of allocation, earmarking actual materials for specific uses. Before Christmas, it will be possible to say whether all those proudly paraded columns of figures, the tons of steel, the barrels of oil, the bushels of wheat, the millions of skilled workers, are going to be brought into relevance to the war. Democracy is on the point of acquiring an arsenal.

3.—Guns or Butter?

THE average American has been told until he is weary of the phrase that war poses a choice between guns and butter. But it is symptomatic of his attitude that he can still be electrified by a factual description of the curtailments of their standard of living to which the inhabitants of Great Britain are submitting themselves. The theoretical argument is one thing and is fully accepted; its practical application to himself is a subject with which the average American has never bothered himself. He has been encouraged in this attitude by the strange way in which the first practical examples have been handled. The first sacrifice that the citizen was asked to make was to surrender his domestic aluminium ware. A considerable amount of enthusiasm went into local collecting campaigns. But the citizen (as in Great Britain a year earlier) soon observed that he was still free to buy new aluminium pots and pans, and the piles of scrap aluminium that had been collected were allowed to lie where they had been dumped.

Then there was the strange story of the shortage of petrol in the states of the Atlantic seaboard. Mr Harold Ickes, perhaps because this was his only contact with the defence programme, showed the most urgent anxiety to convince the public that the diversion of tankers to the British service made it necessary to curtail consumption. There were appeals for voluntary economy, curfew agreements, limitations of supplies to retailers, threats of rationing and talk of building a new pipe-line half across the continent. Only after this had been continuing for some time did a representative of the railways make the statement, which has not been contradicted, that the railways could easily carry all the oil that was needed, if only agreement could be reached between them and the oil companies and, among the latter, about the freight rates to be charged. Occurrences like this only tend to confirm the man in the street in his suspicion that all the talk about "guns or butter" is little more than a smoke screen.

Moreover, even if the aluminium and petroleum difficulties had been more skilfully handled, they would hardly establish the general case. It is obvious that, if there is to be a munitions programme of any size at all, there will be shortages of many varieties of materials. But that is a very different thing from establishing that there is a necessity for reducing civilian consumption in general. The American consumer knows that he will have to do without most metals, some chemicals and a few things like silk; he is prepared, even perhaps willing, to consume other things instead. But it has hardly even been suggested that he may not be able to consume other things instead, and that the famed American standard of living may have to suffer a temporary abridgement in defence of the American way of life.

Serious discussions still take place in Washington about

the best way of stimulating production in some consumer industries (such as cotton), so that they can accommodate the purchasing power that will be displaced from the refrigerator and automobile industries. The real debate over "guns or butter," for all the familiarity of the phrase, has hardly yet been joined.

It may indeed be that a general reduction of the standard of consumption may never be necessary. From the deadlock that has overtaken the programme of production, it is clear that the public will have to consume less of all products that emerge from the engineering industry or involve the use of the most essential metals and chemicals. But the United States may perhaps be so rich that nothing more than a diversion of expenditure will be needed; and this important question certainly deserves a preliminary investigation.

There are two sources, other than the reduction of civilian supplies, from which a nation can draw the material and human resources that are needed to build up a war industry. The first of these is the unemployed margin—that proportion of the nation's manpower that, in peacetime, is idle, either through enforced unemployment or through deliberate preference for leisure—and the corresponding fraction of its material resources that is incompletely exploited in normal times. If this unemployed margin is put to work, its product can be devoted to war purposes without any encroachment on the previously existing volume of production for civilian consumption. Secondly, any drafts that a nation succeeds in making on its accumulated capital resources, at home or abroad, are similarly net additions to the sum total of resources available, and their diversion to war industry consequently lays no present burden on the consumer. The figures given in the British White Paper entitled "An Analysis of the Sources of War Finance" make it possible to estimate roughly how large a contribution has been made in Great Britain by these two sources. Without detailing the calculation (or claiming close accuracy for it) it can be said that the unemployed margin and drafts on capital have together been responsible for providing physical resources equal to about a quarter of the pre-war national income, or perhaps even slightly more.

American circumstances, of course, differ widely from British. For example, the extent to which the unemployed margin can be drawn on is considerably larger. There is a greater proportion of unemployment of labour; hours of work are shorter; raw material supplies can be more easily expanded; there would be none of the dislocation due to blockade and bombing. But, in the sphere of overseas capital, the possibility of drawing on capital would certainly be considerably lower than in Great Britain. Since these two major differences offset each other, it may not be very far from the truth to suggest, as a preliminary hypothesis, that the contribution that could be expected from the two sources together would be about the same as in Great Britain—namely, between 25 and 30 per cent of the pre-war national income. In monetary terms, this means that something like \$20 billions a year of additional defence expenditure could be met without entrenching on the general standard of civilian expenditure.

This does not, however, mean that as soon as defence expenditure exceeds \$20 billions a year—which it is scheduled to do within the next twelve months—drastic restrictions on popular consumption will be necessary. Many forms of civilian expenditure will be cut out painlessly and almost automatically. Civilian capital expenditure, for example, amounts to several billion dollars, and expenditure of the most undeniably luxury character could also be cut out without the ordinary man being aware of any restriction on his standard of living. Estimates of the amounts that would be available from these sources naturally vary with the definition of luxury. But in the broadest general terms, it may perhaps be guessed that the United States could spend something like \$30 billions a year on defence before it became necessary significantly to reduce below its pre-emergency level the standard of consumption of the ordinary man.

"Below its pre-emergency level"—but, left to itself, the standard of consumption is rising rapidly under the double stimulus of the sums being paid out in the defence industries and of the threat of shortages to come. The point at which a reduction of consumption below the present or immediately prospective level will be necessary will arise long before a \$30 billion rate of expenditure is reached, and the necessity for limiting the further increase even earlier. At present, the rate of defence expenditure is creeping up from \$12 to \$15 billions, but by next spring it ought to be up to or above \$20 billions.

The problem, in its real form, may therefore be considerably nearer than at present appears. The form in which it will show itself will, in all probability, be that of a general shortage of labour, and to a country which for a dozen years has suffered from sellers' markets and chronic unemployment this prospect is difficult to credit. But, as Great Britain now knows, the transition can be very rapid and the awakening very painful. There is at least the fullest justification for the laying of detailed plans for this ultimate stage of a war economy—the stage of a general reduction in consumption, as distinct from a reduction in the consumption of particular things—which may yet become necessary even in America.

Inflation Ahead?

There is a great deal of public talk in America about the menace of inflation and the necessity of avoiding it. But there is painfully little willingness to face the steps that will have to be taken to achieve that end. Public opinion is still attached to what may be called the Canute theory of price-control, and the chief controversy that has arisen during the Congressional hearings on the pending price control bill is whether the fiat against price rises should be issued industry by industry (as Mr Henderson proposes) or by the fixation of a "blanket ceiling" (as Mr Baruch has reminded the Committee was done in the last war). There is very little realisation that inflation is simply one means by which demand can be cut down to the available supply. If inflation is to be avoided, some means must be found of ensuring that the amount of money that is offered for the available goods is no more than their value at current prices. It is a political problem, not an economic one.

Some progress has been made this summer in mopping up purchasing power by taxation. But, though the Revenue Act which became law in September was the product of considerable political courage and included sharp increases in the Federal tax structure, the increased revenue it will bring in is no more than some \$3½ billions, which is hardly large enough to be significant in the present context. As an anti-inflationary measure, it is likely to be more than offset by the increase in farmers' incomes, which the same Congress assured by pegging the prices of farm produce at 85 per cent of "parity." The pending price control Bill forbids the fixing of maximum prices for farm products at less than 110 per cent of "parity," and as "parity" itself is a movable concept, the sky is clearly the limit. There is also no attempt, in law or in fact, to limit the rise in wages. Indeed, the rising demand for labour, with two rival federations of unions competing for the workers' favour, virtually guarantees a rapid rise.

If the war is to be won, American defence expenditure will have to rise, as rapidly as may be, until it is nearer \$40 than \$30 billions a year. That is well within the economic capacity of the country. But it would involve a definite encroachment on the level of consumption, which must be brought about either by direct methods or else by inflation. American democracy is already giving convincing proofs that it will survive many of the tests by which any system of government must be judged. Given the proof of necessity, it will survive the test of resolution. Given time, it will demonstrate its productive efficiency. Only on this third matter of economic temperance and self-control is doubt called for. It is the least important of the tests, and not essential for military victory; but there will be plenty of opportunity for regret if the extra effort for success is not forthcoming.

NOTES OF THE WEEK

The War Plan

Wednesday's manpower debate in the Commons came at a grave hour. Mr Bevin was no doubt right when he said that in the essential things—invasion, in the air and at sea—Britain has made great strides forward since the darkest days. No one should underestimate the great quickening in awareness and resolution in the United States; and in the Atlantic, in the factories and in the scale and organisation of aid and output, it is on the brink of decisions that will recognise the leading part that America must play in beating Hitler. But the last land power has been thrust into mortal peril in the past week; and the deep anxiety of the Commons about the use of men reflects the sloughing off of the over-hopefulness that overtook some even of the most cautious when the Russian war began. The debate did not answer the questions that many Members were asking. It could not, for at bottom the Government's manpower plan is determined by its grand strategy which was not under discussion. The relevant speeches, within these bounds, were about the alleged waste of manpower in the forces, in war industry or in non-essential work—that is, about the efficiency or otherwise of the plan that could not itself be debated. They lacked the reference to specific problems of military training, on the one hand, and industrial rationalisation, on the other, that would have been both apposite and useful; and Mr Bevin's reply was uneven. His belief that he has now got women workers almost to the number required was a surprising revelation either of the inadequacy of the requirements or of an under-estimation of the present need. But he also made it plain that, after long and careful preparation, it was now proposed to extend the practice of reserving individuals on account of their actual jobs, instead of groups on account of their grade or qualification; and he declared that manpower policy was in the process of expert reorganisation and revision. The Beveridge committee is at work; and a new survey of manpower is nearly completed. The critics who have asserted that manpower was being distributed according to no plan at all were speaking without the book—and might have known it. Those who claim that the plan is a bad one have had no chance to argue the point; and, because it must be based upon the way in which the Cabinet proposes to fight the war in the coming months, can hardly do so—unless the rumoured secret session of the House is held. The strategic plan for manpower has had a chequered record. When the war started, it aimed at a handful of divisions and a dribble of munitions; and it relied upon the War Office and a few specialised war factories to deliver the goods. After the fall of France, it was scaled up perforce, and both direction and production had to pass, slowly and reluctantly, into the hands of industry at large. Twice there has had to be a stocktaking, last spring and in the summer; and the pains of many transitions still linger.

The Fuehrer's Survey

Was Hitler's speech at the opening of the Winter Help Campaign—his first speech since June 22nd—the outpourings of a frustrated and uneasy man? If all that has been said or written about the German campaign in the last three months were strictly true, Hitler should be tottering to his fall, borne down by the weight of resentment and sabotage at home and by the fantastic losses of men and material on the Eastern front. The Fuehrer's speech should be read carefully by all who still, in this third year of war, believe a German collapse—from internal or external pressure—to be imminent. There was a certain grim justification in Hitler's taunt: "They have better tanks, better cannon, greater speed, and are running on no petrol, but so far we have destroyed them everywhere." The tremendous fact that the speech underlines is the vastness of Germany's mobilisation for war—not the strains on the German economy, but the gains of conquest; not the losses, but the speedy reorganisation—for example, the repairing and relaying of 40,000 kilometres of Russian railways; not the falling reserves, but the types of armament which are not even being manufactured, the Fuehrer alleges, so great is the accumulated stock. Is it all one gigantic bluff? Perhaps.

Yet Mr. Churchill and Hitler give an almost identical survey of the German supply position. Both are agreed that the *Luftwaffe* cannot maintain a full scale war on two fronts. Both are agreed, however, that, apart from this shortage, the military supplies at Germany's disposal are sufficient for campaigns in many quarters of the globe. "We have put a whole continent into the services of the state," says Hitler, and Mr. Churchill does not gainsay him. Perhaps they are both wrong; but the only safe assumption for the British and American peoples is that they are telling the truth. And if war shortages are not likely to embarrass Hitler in a foreseeable time, neither will internal dissension. The British public are so hypnotised by the Frau Kremer who did not get her fur coat from Russia that they forget the important psychological factor that she expected to get one. There are thousands of Frau Kremers whose husbands have not been killed—who are still hoping for their coats. And as long as Hitler's armies are victorious, they can continue to hope. After all, he is promising them the most stupendous loot that ever fell to a single people. The mask was off when Hitler spoke of his organisation of victory. Europe is to be ruled not "by the principle of equal rights for all, as in the Soviet Union, but by the principle of justice." And what is this justice? That those who are "best" shall rule and exploit. And who does he rate the "best"? The Germans.

The Moscow Road

Whether or not Hitler has "staked all" on the fourth great offensive in Russia—he has been reported to have staked all so many times in his career—it is undoubtedly the most serious challenge the Russians have had to face so far. While the line holds firm round Leningrad and the local initiative there has even passed to the Russians, the new attack appears to have made progress in the north of Marshal Timoshenko's sector towards Toropets and in the south Orel has fallen and the Germans have cut the Moscow-Kharkov railway—a very dangerous thrust which takes them to a point only 140 miles from Moscow. In the Ukraine, Kharkov is threatened, and the German armies above the Sea of Azov are thrusting on towards Rostov. In the Crimea, however, they have made little headway and in their turn have suffered severe casualties. The weight of this new offensive is a striking reminder of the resources and reserves of Hitler's war machine, but if the Russians can hold a line west of Moscow until the offensive is spent it is likely that their position may be eased, though not restored, by the coming of winter—the first snows are already reported from the Moscow area. The crux is whether they can keep control of the industrial regions of Leningrad, Moscow and the Donetz Basin. If they can, they may be able to refit and repair. If all the materials and all the industrial capacity are swallowed by Germany, then once again the "lull" will operate in Hitler's favour.

Mr. Lyttelton Reports

The expatriated Members of Parliament do come home. Last week, Mr Oliver Lyttelton, Minister of State in the Middle East, described his departmental organisation; and it is reported that Sir Samuel Hoare, Ambassador in Madrid, will tell the Commons about the situation in Spain. Mr Lyttelton's account was very straightforward. At the head of his organisation, there is the Middle Eastern War Council, which consists of the British Ambassador in Cairo, the three Commanders-in-Chief and the Intendant General; the Ambassador in Baghdad, the High Commissioner of Palestine and the Governors of Cyprus and Aden attend when they are able to; and a representative of the Government of India will shortly be appointed. It is this Council which deals with policy as laid down by the British Government. In addition, there are sub-committees, of which the sub-committee on supply and transport, like the main Council under Mr Lyttelton's chairmanship, is the most important—and the most revealing of the sort of tasks which Mr Lyttelton's office was set up to carry out. This sub-committee deals with communications, and supervises

the work of the Middle Eastern Supply Centre which, in close touch with the Eastern Supply Group at Delhi, administers a wide range of military and civil supplies over the whole area. The process of "lightening" the duties of the Commanders-in-Chief has been carried a long way. General Wavell's view that military movement, supplies and administration are the real foundations of military skill, and not strategy and tactics, would, if applied to this organisation in Cairo, suggest that the process of "lightening" has reduced the Middle Eastern Commanders to less than military leaders in the full professional sense. On the other hand, the Commanders, with the Intendant General, whose main concern is with supplies, are members of the Cairo Council, and Mr Lyttelton holds regular meetings with them to deal with what he calls "purely Service matters"; and the Minister assured the Commons that he and the Commanders work in the greatest harmony and accord. The Minister's own view is indicated in his statement by the reminder that it is his task to relieve the Commanders of as many "extraneous responsibilities" as possible. Obviously, the test of this division of functions will be its success, not simply in administrative organisation, but in winning battles. To help the Minister, there is an office similar to the War Cabinet Office in London and with that office are associated three departments, one of the Intendant General, one to administer occupied enemy territory and a third to co-ordinate the various propaganda bodies operating in the Middle East. All this co-ordination is plainly a virtue. The test will be of leadership in the crucial task of imposing the Allies' will upon the enemy wherever contact is made; and the result will depend not on organisation but on personality, for it is only by persons and not by plans or machinery that the clash which is always inherent between soldiers and civilians can be resolved. There are some people who regard Mr Lyttelton as the ablest and strongest member of the War Cabinet. He has in Cairo—always, of course, under the dictates of his Government at home—the opportunity to make good his promise.

Conservative Candidates

The Tory caucus has met and has officially approved a resolution damning its own policy in the selection of candidates in the last twenty years. The actual wording of the resolution was that the final selection of a candidate rested with the constituency association, but that it was contrary to the interests of the party that the choice should be determined by any promise to contribute to association funds or election expenses. The standing advisory committee would be justified in withholding approval of a candidate in any case where these general principles were being ignored, or where unreasonable financial conditions had debarrd candidates. This resolution, if put into effect, could put an end to the worst forms of election jobbery. It would no longer be possible for rich men to buy safe seats and for local Conservative associations to choose their candidates by financial considerations alone. The chief importance of the resolution is that it is a confession of error, and a statement of right principle. It is not a binding directive; and there is still no certainty that the average ability of members of Parliament will be raised. Even if the new views of the caucus, pressed upon them by public opinion, are listened to, it will still be possible for the associations to choose men of birth or athletic prowess, if not of wealth; and, in any case, not even the most willing local association in the world can pick an able candidate if one is not forthcoming. Financial considerations will still militate against young and able men entering Parliament, because they will not be able to afford the time when the prospects of promotion, even to junior Government posts, are so uncertain. The sanctions against their selection as candidates may or may not be eased, now that the deplorable results of this latter-day jobbery have become so painfully evident. But the incentives to tempt them into the political field will still be lacking, and these are outside the purview both of the local associations and of the Central Council. No party resolution can create a New Jerusalem in Westminster, for at bottom this is a problem of society. The qualities that have been picked out to flood the Commons with mediocrity and stupidity are the hallmark of social status—and of economic advancement—outside of politics. It is a good thing that the jobbers-in-chief may now have been driven to restrain their sordid bargains. But, though Parliament's personnel does not represent the people, it does represent

Society with a capital letter, with its educational exclusiveness, its standards of wealth and its modern ramifications into the upper strata of business. For the state to pay the expenses of elections, as it probably should do, might open the way more to real talent in politics; but that talent will only be forthcoming, available and accepted if this clogging crust upon the community can be broken and dissolved by new methods and new values in education and in the choice of leaders and managers in every branch of the community's activities.

The Oxford Group

The manpower debate, in which the House of Commons showed its anxiety that the Minister of Labour should mobilise the country's manpower in the most effective way possible, was preceded on Tuesday by a heated debate on the adjournment when the same Minister was urged to reconsider his decision not to exempt members of the Oxford Group. It is very odd at any time, but especially in the middle of a war, that the one subject which can be counted upon to arouse strong feelings both in and outside Parliament is, not religion itself—the House has shown itself curiously apathetic on current issues such as the religious basis of education—but what may be called the incidentals of religion, Sunday theatres and now the Oxford Group. Tuesday's debate, like the one on Sunday theatres, showed the House at its worst; once again, most of the speeches were completely irrelevant, emotional and interlarded with texts. The true object of the debate was not to prove that members of the Oxford Group are either fifth columnists or fifth monarchists, but simply to decide whether a certain number—eleven in all—should have their deferment from calling-up extended for a further period and whether the Minister of Labour should not have included them in the Schedule of Reserved Occupations. It will come as a surprise to most people to learn from Mr Bevin, who, in spite of attempts to drag him into controversy on the merits of the Group, stuck to the point manfully, that some deferment had in fact been granted. From the fuss that has been made, an outsider was entitled to think that the eleven men were being dragooned into the army without their employers being given any chance to replace them. It now appears that they have had six months—which is as much as most men receive on hardship grounds. Moreover, Mr Bevin made it quite clear that, in deciding whether the work done by the men was covered by the Schedule, the line was not drawn at the Oxford Group; the YMCA and TóC H are among the 32 religious organisations whose members are excluded from reservation. The issue is a manpower, not a religious, one; and if Mr Bevin and his colleagues in the Government have decided that the men concerned are more usefully employed in the Forces, their decision must be respected.

No Change

The first feeling aroused by the War Office's statement that the sailing of the two hospital ships for repatriating prisoners of war has been cancelled is one of

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intense sympathy for the prisoners and relatives on both sides. The second is one of curiosity about responsibility for the breakdown in negotiations. Fortunately, Captain Margesson's statement made it quite clear that it lies with the German Government. Article 68 of the International Convention requires belligerents to repatriate prisoners of war who are seriously ill or seriously wounded, without regard to rank or numbers. The German Government must have known, when negotiations first began, that the numbers it would repatriate would far exceed the numbers repatriated to Germany; and as early as September 9th it announced that British prisoners approved for repatriation numbered 1,200. The last-minute requests to the British Government to include the mutual repatriation of, first, civilian internees, and then sick and wounded combatants in third countries, could not, therefore, have been based on a sudden realisation of the disproportion of the exchange. It seems much more likely that they were attempts, by getting the British Government gradually to reduce the margin, to obtain the repatriation of all the people the German Government wanted back. In any case, the British Government was willing to agree to the two suggestions; what it could not agree to was the final proposal from Germany that the exchange should be carried out on a numerical basis. This would have been acting outside the bounds of the International Convention, and would thereby have seriously prejudiced the chance of repatriating the remaining British sick and wounded. In cancelling the sailing of the ships, the Government took the only possible course; but its attempts to reach a last-minute understanding by wireless, instead of through the "usual diplomatic channels," were probably a mistake. The BBC appears to have used the occasion for "V" propaganda; moreover, the broadcasts gave the hitch an unfortunate publicity which was almost bound to turn it into a breakdown.

Consolidation in the Far East

The widespread campaigning in Hunan and Honan is still in progress, and it is not yet possible to verify the Japanese claim to have captured Chengchow. Changsha is securely under Chinese control, and the Japanese, caught in the Chinese army's successful encircling movement, are either retreating or fighting their way through the ring. Even if this major defeat is offset by the fall of Chengchow, these have been vexatious weeks for the Japanese. The Chinese commanders have shown a far more skilful handling of the military situation than at any previous point in the campaign, and the fresh Chinese armies are better disciplined and equipped than their earlier brothers in the field. Thus the renewed Japanese offensive, whose reported purpose it was to convince Britain and the United States that China is not worth helping, has had exactly the opposite effect. China's significance as a great ally in the Far East is growing monthly plainer, and it can have been no consolation to the Japanese to see Brigadier-General Magruder and the other officers of the United States Military Mission to Chungking arrive on the morrow of Changsha. British and Chinese officials were at Hongkong when the Mission arrived, and the conferences which were held completed earlier discussions between Sir Robert Brooke-Popham, the Commander-in-Chief, Far East, and General MacArthur and Admiral Hart at Manila. Quietly and unostentatiously, a system of consultation and co-operation is being built up round the poles of Singapore and Manila. If the Japanese hoped to strike in this area before the democracies had concerted their defence, they may well have delayed too long. The point that Germany would probably welcome a Japanese embroilment at this point has little direct bearing on Japan's reactions. Japan has yet to see an adequate *quid pro quo*.

Sterling, Gold and Dollars

Last week's debate on the supplementary vote of credit focused itself for a time on the future monetary policy of this country. In particular, a member asked the Chancellor of the Exchequer for an assurance that the Government was not contemplating any agreement with the United States which would tie sterling either to gold or to the dollar. The Financial Secretary to the Treasury, in replying to the debate, repeated previous assurances given to the House that no undertaking to relink sterling with gold or the dollar had been given, and pointed out that, if the

question did arise in the future, any decision would require legislation and therefore the consent of Parliament. The requests in this vein which have been made to the Government spring from painful memory of the consequences which attended a previous post-war effort to relink sterling with gold, and to "look the dollar in the face again," and from the fervent hope that no such mirage as a conventional dollar or gold parity will again tempt this nation along the stony, barren path of deflation. The ultimate criterion of monetary policy will in future, it is hoped, be no longer provided by a metallic parity, but by the objective of optimum employment and productivity—monetary policy alone can not achieve this, but it must be either a lubricant or grit in the economy. It is, however, unfortunate that this very understandable aversion to any prospect of the penitential deflation which led to exchange stability after the end of the last war should, by a curious twist of logic, be extended to the conception of exchange stability itself. It has yet to be proved by the most vehement of gold haters that a state of anarchy in the exchange markets is preferable to order and stability. If exchange stability can be reconciled with the demands, recognised in effect by the Atlantic Charter, for economic expansion and reasonable price stability—as it was over long periods of the gold standard's operation—it must surely be welcomed and defended. In any case, it is difficult to conceive of any effective Anglo-American co-operation after the war which would not involve as close a relation between the two currencies as is, in fact, being maintained during the war. And the people who protest so loudly against any link between sterling and gold might usefully remember that the British Empire still provides some 60 per cent of the current output of gold.

The Limit of Taxation

Last week the Chancellor of the Exchequer introduced the new £1,000 millions vote of credit by suggesting that "the limit of taxation" had been reached. Two-fifths of the £7,000 millions spent in the first two years of the war had been met out of current revenue—£2,785 millions, or just under £60 for every man, woman and child in the country. To raise taxation so that nobody in the country had more than £1,000 a year, or his present income after taxation, would yield another £106 millions in a year; and this, Sir Kingsley Wood said, would precipitate very acute problems. Two generations or more ago, Mr Gladstone's greatest opponent said that an income tax of 11d. in the pound might be ruinous; and Mr Disraeli had no doubt some good grounds to go upon. To-day the standard rate of income tax is 10s. and direct taxation rises on the highest incomes to 19s. 6d.; EPT is at 100 per cent with a 20 per cent (less income tax) post-war drawback. What the "limit of taxation" means is worth examining. Obviously, it means different things in war and peace economy. In peacetime, when business depends almost entirely upon private enterprise and private risk, direct taxation has a plain relation to productive activity. Profits are taxed; losses are borne by the entrepreneur; and the "limit" of income taxes comes when a further rise will so reduce the willingness to venture, and risk losses, that, on the one hand, taxation receipts will go down, and, on the other, the national income will shrink. This point was probably reached in the United States at the height of the New Deal. Similarly, rising taxes on labour, in war or peace, may impair production, but for rather different reasons. Workers may not be willing to work harder if their extra effort will yield them a disproportionately low net income, after taxation; they may prefer extra leisure. In wartime, the effects of taxes on entrepreneurs' incomes approximate to those of taxes on labour. Productive activity is mainly based, in wartime, not on private enterprise, but on Government orders; it is the war production plan that sets the size of the national income. There is a fringe of unco-ordinated activity and uncompensated risks which raises quite serious social problems; but, at bottom, entrepreneurs are paid agents rather than risk-bearers. Government suppliers are given a net income without risk of loss, while the shortage of consumers' goods permits their producers to sell at a profit. But there is still a limit to taxation, for the capitalist may now react like the worker. If taxation is such as to yield him very little extra income for extra enterprise, he may become unwilling to extend his activities, preferring extra leisure to the disproportionately small return for extra effort. Moreover, he will no longer exert himself to keep down his costs as he did when he bore his own risks and his income depended on his own

efficiency; in most cases he can pass on his costs to his customer, the Government or the public. If he is a good employer he may, when faced with 100 per cent EPT, swell his expenses by needed welfare schemes for his employees. But it is now not his willingness to venture that is affected by the total rate of direct taxation, but his incentive to make extra efforts and his stimulus to produce efficiently. These effects will only be measurable, quantitatively, by the historian, if at all; and, meanwhile, it must be confessed that the Chancellor's statement that it would do more harm than good to collect another £106 millions in direct taxation will not wholly convince everybody.

Russia and Religious Freedom

The news that President Roosevelt has asked Mr. Averill Harriman to raise the issue of religious freedom in Soviet Russia, coupled with the Myron Taylor mission to the Vatican, has set the rumour-mongers busily to work in two continents. In a sense, the question of religious freedom in Soviet Russia is a complete side issue. Russia is not fighting this war in defence of Christian civilisation any more than Germany is. She is fighting in self-defence. Britain is not fighting in partnership with Russia because the social structure and philosophy of the two countries are akin, but because—like Poland, the Low Countries and France—Russia is a victim of German aggression. In another sense, however, the issue of religious freedom is extremely important. There has grown up in recent months a powerful, if undefined, feeling that at last the "progressive" states have come together to conquer Hitlerism and that the peace settlement and the future ordering of the world will flow from their close ideological, political and material collaboration. The mood was well illustrated at the Conference of the British Association, at which the Soviet Ambassador held place of honour among those who were claiming to defend free intellectual thought and research. The President's *démarche* is a reminder that in one important sphere of human thought and endeavour Russia is as totalitarian as her German adversary. The right to religious freedom in the Russian Constitution is a dead letter, just as the German Concordat is a dead letter, because, even if the external agreement were maintained—which it is not—religious freedom which does not include the rights of parents in education and the rights of full communal parish life is not freedom at all. Whether the Russian Government—like so many of its predecessors—is willing to make liberal concessions in time of war remains to be seen. The Poles—who account for about 90 per cent of the Catholics in Russia—have received complete religious freedom. This fact, together with Mr Myron Taylor's conversations in Rome, has led to suggestions that the relations between Moscow and the Vatican may improve. There is nothing inherently impossible in this. The Vatican attempted to secure a Russian Concordat in 1922. If the Soviet Government were prepared for the necessary concessions, it might be possible now. The real difficulty is, of course, that a regime, whose fundamental philosophy is dogmatically and aggressively materialist and atheist, might be hard put to it to abandon its ideological structure. However, nationalism, the cult of Russia, and non-dialectical history have returned and been justified *post hoc*; and a place for the forces of religion may, on the same analogy, be found.

Food for Work

Last week's food debate in the Commons made it plain that the problem of adequately feeding Britain's industrial population is still far from solution. The effect of the encouraging statement by the Parliamentary Secretary to the Ministry of Food that improved stocks of staple food stuffs would permit larger distributions of meat and sugar and, probably, of bacon, ham, cooking fats and processed eggs to industrial canteens was marred by much information supplied by private members on the subject of the canteens themselves. It is all to the good that supplies of meat should be doubled and supplies of sugar trebled in canteens catering for "heavy workers," and that supplies of meat should be increased by half and supplies of sugar doubled in canteens for industrial workers on less heavy work. Unhappily, as numerous speakers pointed out, there are far too few industrial canteens while, of those which exist, many are incapable of feeding more than a small fraction of the total employees or of providing them with an

adequate hot meal, and others tender extra supplies to office and sedentary workers who are not specially deserving. The position as regards miners, quarrymen, railwaymen and agricultural workers, as well as of such special categories as road-mending gangs, is almost as far from solution as ever it was. It came, perhaps, as something of a shock to the House to be told that only 16 canteens in the whole country are capable of providing hot meals for coal miners and that in 1,900 mines there are no more than 751 canteens of any description. Those which do not provide hot meals supply mainly tea, buns and meat pies. Major Lloyd George's announcement appears to proffer a gift to him that hath, which no one will grudge but no one can acclaim as a solution of industrial feeding problems until adequate canteens are provided on a far wider scale. There is some evidence that the order making the provision of a canteen compulsory in firms employing more than 1,500 workers is sometimes burked through lack of financial means on the part of the management—though it is a virtue of 100 per cent EPT that it tends to encourage welfare spending of this sort, by good employers. The withholding of special supplementary rations for heavy workers, as individuals, can only be justified if the provision of canteens can be pushed forward with vigour. One M.P. expressed doubt whether the provision of canteens for miners would make genuine strides before the onset of winter; and if substantial progress cannot be made in the next month, there is a clear case for providing supplementary rations for miners during the winter. Mr Churchill himself has publicly supported the view that, in the absence of suitable feeding, there is a certainty that industrial fatigue will reduce output per head.

Nutrition in the Home

The grant of additional food supplies to industrial canteens points to a time when supplies drawn on the ration book will represent the basic rations of only a very small section of the population. So far the position of heavy workers in industry and agriculture has represented a distressing anomaly, in that they were compelled to subsist mainly on their individual rations plus unrationed foods prepared at home, while the great majority of sedentary workers were able to supplement home feeding with restaurant meals. When the establishment of efficient canteens has become the rule, the section of the community relying mainly on ration book foods will include only certain professional workers, parsons and doctors, such housewives and domestic workers as are not called up and children for whom meals are not supplied at school. Qualitatively, these groups are no doubt highly important sections of the community, including as they do the great majority of expectant and nursing mothers. The general provision of school meals is, of course, a vital necessity and would remove all children of school age from this category. For the rest, the home feeders appear to represent a hard core of potential malnutrition, and it is for their sake that it is possible to welcome whole-heartedly the increase in the fat ration from 8 to 10 oz.—of which 3 oz. must be taken in cooking fats and not more than 2 oz. in butter—and in the sugar ration from 8 to 12 oz. weekly from November 17th. For all those who have the opportunity of supplementing home rations, the increase in the ration must raise acutely the question whether shipping space would not have been better used in the transport of the immediate weapons of war. The Minister of Food is, however, wise to be alive to the possibility that symptoms of malnutrition may be slow to develop and the grant of extra rations during the winter may well prove a paying form of insurance.

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THE WORLD OVERSEAS

Opinions and Politics in Sweden

(By a Swedish Correspondent)

September 20th

"We have learned with deep consternation that two members of the Norwegian Trade Union movement have become the first victims of the growing opposition between the Norwegian people and the German forces of occupation. We express our warm sympathy for our brother people, which holds out, deprived of weapons, under the most difficult conditions. . . . We refuse to believe that the ruling power which infringes the just rights of other nations can find support for their measures among German workers. Those in authority in Nazi Germany have often expressed their view that a nation cannot deprive another nation of its honour and go unpunished. . . . The Norwegian people cannot be brought to its knees either by armed strength or by force."

THESE words came recently out of neutral and isolated Sweden. They were not spoken by a lonely voice, but by the congress of the Swedish Trade Union Council when it learned that two Norwegian trade union leaders had been executed. The Swedish Trade Union Congress is perhaps more representative of Swedish public opinion than the trade union movement in any other country, linked up as it is with the Social Democratic majority party even more closely than the British TUC is with the Labour party. Moreover, it is very seldom that the Swedish TUC adopts any political resolutions, but, when it does, they carry weight.

The anti-Nazi opinion, reflected in this quotation, is no temporary flare-up, but a continuation of a long anti-Nazi campaign in Sweden—a campaign that before the war was perhaps more vigorous than that of the British Press. Since the outbreak of war this campaign has partly changed in form—for neutrality reasons and under pressure from the very unpopular, but unofficial, political censorship. The people of Norway are encouraged by the Swedish Press to resist the Nazi occupation. Quisling recently attacked it for its anti-Nazi attitude, but the Swedish Press replied with very sarcastic remarks about Quisling.

Sweden has, however, made some concessions to Germany. A German division was allowed to pass through Sweden from Norway. The Swedish Parliament made this decision only when the formal demand came from Finland (though everybody knew that Germany was behind the demand). But demands coming direct from Germany have all been refused. Germany had at the same time asked for many more divisions to pass through Sweden; they had asked for a naval base in Swedish territory and for restrictions against British citizens in Sweden. All these demands were refused, and so were also subsequent German demands for permission to land troops in Southern Sweden for transit to Finland.

Sweden has never recognised the Quisling Government or the German occupation of Norway. It maintains relations with the Norwegian Government in London. A trade treaty with German-occupied Norway was arranged with the Norwegian State Bank—but not with the Quisling Government. Nevertheless, Sweden's attitude to Norway has been much criticised. During the Russo-Finnish war of 1939-40 the country was an active non-belligerent, giving Finland all possible assistance, morally and materially. But when war broke out in Norway, less was heard in Sweden about "Nordic solidarity." While the whole Swedish Press displayed the manifestos for recruiting volunteers for Finland on the front pages, recruiting for Norway was published only on the back pages. The Swedish Foreign Minister explained that the Russo-Finnish war was a private war, but the Norwegian war was part of the great war towards which Sweden wanted to remain neutral. Swedish

public opinion, however, was for greater assistance to Norway. Swedish soldiers at the Norwegian frontier had to be held back by their officers, as they wanted to cross the frontier to fight against Hitler. To-day, Swedish public opinion takes another view about Finland's war against Russia. This is felt particularly in Finland, where Cabinet Ministers try hard to explain that it is again a private war between Finland and Russia and that Germany is Finland's ally only by coincidence. This has failed to convince the Swedish public.

After the quislings' activities in Norway had been revealed, the Swedish public asked if there was a fifth column in their midst, too. Attacks had been made against the Communists during the Russo-Finnish war, but now the public became aware of the Nazi danger as well. Actually, the Swedish Nazis are a very small body who have never held a seat in Parliament and never had a leader of even Quisling's dimensions. There are, however, pro-German sympathies to be found in Sweden, especially among people who have been taught that Russia was the hereditary enemy. "Fear of Russia" has for years been an essential part of the propaganda of the Conservative party, and it was always accompanied by demands for armaments, specially during the years when the Labour and Liberal parties were pacifist. But this Conservative anti-Russian propaganda failed more and more to convince the Swedish people—up to the outbreak of the Russo-Finnish war, when it received a new stimulus. The Swedish public had more and more begun to realise that Hitler was Public Enemy No. 1.

The Political Alignment

The largest party in Sweden is the Social Democratic party, which has a majority in both the House and the Senate and which, furthermore, though a majority party, has gained in numbers at every election. The structural strength of the Social Democratic party is the trade union movement, and Swedish workers are almost to a man members of trade unions. The Swedish Communists are a local party for the province of Lapland and the city of Gothenburg, and their supporters consist of mainly well-to-do workers. They represented humanitarian rather than revolutionary principles, and they succeeded in gaining sympathy, but not support, for themselves and Russia—until the German-Russian pact spoiled their work.

The Socialists and the Agrarians collaborated under the slogan, "Workers and Peasants, Unite." Before the war the Government was composed of members of both parties, and it gave state support to Swedish agriculture, owing to which the country is to-day nearly self-supporting agriculturally. The Agrarian party consists mainly of well-to-do farmers and estate owners. There have been a few Nazi sympathisers amongst them, even in Parliament, but they were very soon isolated.

After the outbreak of war, an all-party Government was formed, including the Liberals and Conservatives. The Swedish Conservative party has for years represented big finance and industry—and also many peasants in districts where the Agrarians had no influence. For some time there were dangerous pro-German and even Nazi sympathisers among the Conservatives. These were strengthened when the party was defeated in the elections and a purge was made. The whole Conservative youth movement was at one time banned for Nazi sympathies. Three pro-Nazi members of Parliament supported the banned youth movement, but were defeated at the next election, and the pro-Nazi youth movement was soon checked by the Conservative party, which since then has accepted realities and shown a remarkable willingness to collaborate with the Labour movement. To-day there is economic collaboration

not only between the Socialists and the Agrarians, but with the Conservatives as well.

The Swedish Liberal party consists of two heterogeneous groups: the advanced intellectuals in the cities and the pacifist Puritan Nonconformists in the provinces. From time to time they have been split into two parties. The Liberals have to-day few great leaders but a very influential press. They played a decisive role in the democratic breakthrough in Sweden, and had for many years the leading position in Swedish political life as the middle party between the Conservatives and Socialists—though they only had a minority in Parliament.

The question of armaments has been an important factor in Swedish politics. The Socialists and the majority of the Liberals were for years pacifists, while the Conservatives were in favour of armaments, and once when they were in power built a strong navy. But, since the arrival of Hitler, all parties have joined in building up strong defences. Previously the Swedish total Budget was 1,000 million crowns a year, of which only 13 per cent was used for military purposes. To-day the military Budget alone is 2,500 million crowns a year and in addition huge sums are put into defence savings. Thus the Swedish people show that they want to defend their neutrality with a strong armed force and not by concessions.

By its sales of iron ore and wood products, Sweden prospered and built up social institutions which were admired by the whole world. To-day export trade is cut off. Germany takes some of the iron ore, but does not need so much as formerly, since it has the French mines. But, on the other hand, Sweden still needs coal which cannot be obtained from Britain. And the coal question has become a weapon of political pressure in Germany's hands.

Price Control in Canada

[FROM OUR OTTAWA CORRESPONDENT]

September 6th

THE Canadian Government has now committed itself to a scheme for a comprehensive control of prices, which is to be accompanied by a drastic regulation of supplies. Such a move has been rendered inevitable by the sharp rise in commodity prices, and consequently in the cost of living which has been apparent during the summer and which, through the operation of the regulations designed to anchor wages to the cost of living, has been dragging wages upwards and bringing inflation within sight.

The Wartime Prices and Trade Board, which was appointed shortly after the outbreak of the war for the purpose of checking profiteering, has had its personnel expanded to six members, all key figures in the administration of the economic side of the war programme. It is under the chairmanship of Mr Hector MacKinnon, the head of the Canadian Tariff Board, and will, with enlarged powers, undertake the task of a general regulation of prices. It will co-operate closely and continuously with the Wartime Industries Control Board, under Mr R. C. Berkinshaw, which is now charged with the duty of regulating supplies, and to ensure complete co-ordination Mr MacKinnon and Mr Berkinshaw will sit on each other's boards.

The new powers with which each board has been endowed seem to be sufficiently broad and drastic for the attainment of their objectives, and authority is given to override the jurisdictions of the provinces, which in some cases fix the prices of milk and other farm products. The Wartime Prices and Trade Board is empowered to require manufacturers, producers, importers, wholesalers and retailers to obtain licences to carry on business, and it can summarily cancel or suspend such licences in any case where it finds a licensee disobeying its regulations. It can demand the fullest information about any transaction and examine the books of any factory, shop or warehouse, and it can make its findings public or private. It is not authorised to fix the price of any agricultural products on the farm, but it can deal with them when they are sold to the consumer. It is also armed with powers to check instalment buying under a specific clause instructing it "to prescribe the terms and conditions under which any goods or services may be sold, offered for sale or supplied, whether on terms of deferred payment or otherwise." It is expected that this power will be used gradually to curtail the instalment buying of goods like stoves, washing machines,

refrigerators and vacuum cleaners, which use up steel, aluminium, etc., urgently required for war industries.

Equally wide and explicit are the powers about rationing supplies under which authority is provided "to fix or limit the quantity of any goods or services that may be sold, supplied or distributed to persons within prescribed periods of time." The chairman of the Wartime Industries Control Board is also given power to veto the decisions of any of the controllers appointed for special industries. A beginning in the new scheme of economic regulation has already been made by an Order providing that all supplies of silk and rubber goods are to be at the disposal of the Ministry of Munitions and have their prices fixed by the Controller of Supplies. The personnel of the two Boards commands general confidence, but some papers are urging that since Mr Ilsley, the Minister of Finance, and Mr Howe, the Minister of Munitions, who will be responsible for operations of the two Boards, are already overburdened with work, the administration of an experiment which will produce many complicated problems and a multitude of grievances is important enough to justify the creation of a new Department of Economic Planning.

Starving Poland

[BY A POLISH CORRESPONDENT.]

October 6th

THE Russo-German war has caused—if it were possible—a further deterioration of conditions in Poland. It has brought more restrictions; the disappearance of food, which the German army is constantly requisitioning; the monopoly of transport for military purposes; and the requisitioning of housing space. The congestion of the population in the large cities, especially in Warsaw, has caused great hardship and the outbreak of disease.

Already, at the beginning of this year, the food situation in Poland had shown marked signs of deterioration, when all available stocks were gradually confiscated by the Nazi authorities and either sent to the Reich or used to feed the considerably increased numbers of troops which were concentrated in Poland for the attack on Russia. The outbreak of hostilities against Russia coincided with the worst part of the year—the last few weeks before the harvest—and the crop was estimated to be between 30 and 40 per cent below normal. The Polish peasants, knowing that the bulk of the harvest would be confiscated anyhow, did not attempt to obtain the maximum yield from their land. This was easy to carry out without arousing the Germans' suspicions, owing to the great number of small-holdings where the standardisation of agricultural methods is impossible.

The supplies of food would, however, have sufficed to satisfy the needs of the population had it not been for the German policy of requisitioning. Out of the scanty supplies available the Germans are trying to feed their armies en route to Russia and also those returning from the eastern front for regrouping on Polish territory. Many thousands of German sick and wounded are lying in Polish hospitals and are almost entirely fed at the expense of the

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local population. Moreover, large quantities of foodstuffs are still exported to the Reich. According to figures published in the *Ostdeutscher Beobachter*, the foodstuffs exported to the Reich from the *Général Gouvernement* in the year ended June, 1941, amounted to 1,720 tons of wheat seed; 2,200 tons of rye; 2,245 tons of barley; 3,350 tons of oats; 9,500 tons of potatoes; 2,000 bulls; 94,000 pigs; 10,500 tons of artificial fertilisers; 100,000 tons of butter; 300,000 poultry; and 100,000,000 eggs. These figures are not enormous in themselves, but it should be remembered that the territory then covered by the *Général Gouvernement* consisted of less than a third of pre-war Poland and that these districts normally imported food for themselves from the territories incorporated in the Reich.

At the outbreak of the Russo-German war, Dr Frank, the Governor-General, appealed to the Polish population to regard the German attack on Russia as the defence of Christian Europe against the arch-enemy of Christianity and western civilisation. Rumours were also circulated that Hitler intended to restore an "independent" Poland with territory taken from Russia. The Polish population has, however, shown no enthusiasm for the Nazi crusade. On the contrary, the whole population has since shown greater courage than ever before, and resistance has stiffened. In spite of terror and oppression, the morale of the people is unbroken, and the German press daily reports many death sentences on Polish *saboteurs*. The Russo-Polish pact and the creation of a Polish army in Soviet Russia have removed all doubts about the identity of Poland's real enemy. In spite of the heavy penalties, the BBC broadcasts are regularly listened to, and the news is passed on. The prisons and concentration camps are full of political prisoners, and the concentration camp in Oswiecim, which is notorious for its cruelty, is packed with over 6,000 persons, most of them leading intellectuals.

The Ukrainian problem is also used to create political chaos and friction among the people. The Ukrainian Fascists and pro-Nazi nationalists are given special privileges and some authority over the Poles. These small favours have had no effect on the attitude of the majority of Ukrainians towards the Nazis, and the population as a whole has adopted an attitude of passive resistance. Reports from Russia show how active the Polish Ukrainians were during the guerilla campaign in these districts, and how fully the masses of Ukrainians co-operated with the Soviet forces in fighting the advancing German armies. The unshaken morale of the population and their open anti-Nazi attitude have forced the Germans to give up the idea of the creation of a Nazi-controlled Ukrainian puppet state; and all the Polish territories inhabited by Ukrainians were, by order of Dr Frank, incorporated into the *Général Gouvernement*. Nothing, however, has been done to supply these newly-occupied, devastated territories with even the minimum of food supplies. The Ukrainians, with the small exception of the pro-Nazis, are starved in the same way as the Poles. At the same time, the German authorities are trying to "bribe" the Ukrainians by offering larger food rations to all those who collaborate with the Germans.

Discord in Slovakia

[BY A CZECHOSLOVAK CORRESPONDENT]

September 23rd

EVENTS in the so-called "Independent Republic of Slovakia" have not found the attention in the British press they deserve. This musical-comedy State, where the quislings are at war with each other, whose army has been sent back home as it proved impossible to explain to the soldiers why they are at war with Russia, was created by Hitler as a convenient gateway and supply route for the attack on the Balkans and on Russia.

Father Tiso emerged as President of the new State, with the disreputable Sano Mach as Minister of the Interior and Bela Tuka, a former Hungarian University Professor—who edited anti-Slovak pamphlets before 1918 and was later sentenced to twelve years' imprisonment—as Prime Minister and Minister for Foreign Affairs. Father Tiso is also "leader" of the sole political party, called after its founder Hlinka. Hlinka, however, believed in adherence to the Czechoslovak Republic and condemned the independent ideas now carried out in his name.

Father Tiso on the one hand, and Mach and Tuka on the other, are constantly at war. Father Tiso is supported by the *Snem*, a puppet parliament with a Speaker,

Dr. Martin Sokol, who always advocated autonomy in the framework of the Czechoslovak Republic. Though this *Snem* is only a voting machine, it lends the President some kind of importance. The Slovak people were never asked for their opinion on the new form of state, as the "Act of Independence" was passed by the *Snem* appointed by the new regime.

A Slovak-German agreement promised 60 to 80 thousand Slovaks per year as workers for Germany. They, like their Czech fellows, are mainly employed in those German industrial areas which are the most bombed by the RAF. They may not leave their jobs and are paid in Reichmarks, which are deposited at the *Verrechnungsstelle*. The wages are sent to Slovakia after delays of three to six months. The workers are not given cash to take to Slovakia, and if they manage to obtain some marks, they obtain only 2 Slovak crowns per Rm, instead of 10, when they try to exchange them on leave.

A compulsory labour service will be introduced in Slovakia on the German model. Next year, six Slovak labour formations, with 150 leaders and one German formation with thirty leaders, will be established. The Slovak labour service leaders will leave on October 1 for Graz, where they will be trained for six months at the Reich's expense. To acquaint the Slovaks with the structure and the tasks of the Reich Labour Service and its history, an exhibition was opened on September 14th in Bratislava.

The Prevailing Scarcity

The workers cannot buy much for their money. Prices of what goods there are are high, but for the most part shops are empty and not even soap is obtainable. Eight Slovakian soap factories are only working intermittently, owing to the raw material shortage. Only one-fifth of the oil and fat requirements can be obtained at home. Slovakia's only meat days are Wednesday and Friday. Householders are advised to store sufficient firewood for the winter, owing to the impossibility of allocating coal for domestic use as industrial requirements are not yet assured. This must be done as soon as possible, as transport difficulties are expected in the autumn. According to the Bratislava Institute for Commercial Affairs, 176,600 wagons have crossed the Slovakian frontiers outwards and only 120,000 inwards. Only 11 per cent of the outward consignments were industrial products and the rest were raw materials. Germany earmarked all maize flour and bread grain for itself. The harvest was a very poor one, and wheat commissioners had to be appointed to enforce deliveries from the farmers. Milk products are secured for the Nazis by the establishment of dairies all over the country in the hands of Germans or quislings. They produce butter which is sent to Germany.

The Jewish question is settled ruthlessly. Up to August, 1941, 7,400 Jewish enterprises with a total turnover of 650 million crowns had been liquidated and the Aryanisation of others with a total turnover of 780 million crowns had taken place. Some 4,700 Jewish employees in leading positions have been dismissed from business. Anti-Semitism, however, is not popular among the Slovak people, of whom 80 per cent are deeply religious Catholics and 20 per cent Protestants, and has been confined to those who profit from it.

The people themselves, good-natured, peace-loving peasants, took some time to find their feet, but it is significant that the Slovak army, which was sent to fight the Russians, has been sent home again—with the exception of the units composed of German settlers in Slovakia. The official reason is that the army was only partly motorised and could not keep pace with its Allies. This is probably true, but another reason is that the Slovaks, being old peasants, fraternised too much with the Ukrainian farmers. Now that they are home again they seem anxious to listen to the London broadcasts and to speak in the local councils. The result is that municipal councils in 27 districts have been dissolved and Government Commissars appointed in their place.

The London broadcasts are a constant thorn in the Government's flesh. Dr Juraj Slavik, now Minister of the Interior in Dr Benes' Government in London, infuriates them most. The *Gardista* of September 3rd writes that Slavik should not forget that "his relatives in Slovakia will bear the consequences of his actions. We openly declare we will take measures against their relatives with such severity as the reckless fight against the worst enemies of the nation necessitates. Slavik and his associates risk causing the death of their parents, brothers and sisters by way of reprisals."

THE BUSINESS WORLD

Germany's Lubricating Oil

WHEN Germany began the attack on Soviet Russia over three months ago, it was not because the German oil supply situation was desperate. Considerable stocks had been accumulated. The current output of oil in German Europe, estimated at 11-12 million tons annually, leaves a substantial margin for military purposes, because petrol and other oil refinery products are strictly rationed for other purposes. Even now, an early shortage of motor fuel is hardly likely, though protracted fighting on the present scale, together with high-pressure industrial activity, must steadily worsen Germany's oil position. Without conquering new oil-producing territories, Germany would ultimately face a situation similar to that of 1918, when a shortage of lubricants critically impaired industrial production as well as railway transport.

To-day lubricating oils are again the weak spot. Every machine and vehicle needs lubricating, and the smooth running of modern industry depends as much on a variety of lubricants as on the skill of the machine operator. During the last war, neither strict economy nor the production of lubricants from tar oils could make good the loss of high-grade Pennsylvania lubricating oils. At present, the situation is, admittedly, different. German production of crude and synthetic oil is substantial; stocks at the beginning of the war were much bigger than in 1914; and refining and recovery processes have been improved. But consumption has increased with greater mechanisation. The industries in occupied countries working for Germany must be supplied from resources under German control.

The general problem of lubricating oils can be simply stated by two figures computed by the Petroleum Press Service. German Europe's minimum requirements of all oil products, excluding oil for military purposes, were estimated at 8.7 million tons, which amounts to roughly 41 per cent of peacetime consumption. But the minimum requirement of lubricating oils alone was estimated at as much as 80 per cent of peacetime consumption. Cars can be immobilised to save petrol; but industry, the main consumer of lubricants, cannot be similarly restricted—the consumption of lubricating oils rather increases according to the rise in wartime production. For lubricating oils, there are no saving periods between campaigns as there are for motor fuels. German Europe at war consumes lubricating oils at slightly above the peacetime rate, while the consumption of petrol, fuel oils and kerosene amounts to no more than about 50 per cent of peacetime consumption.

Any detailed analysis cannot be more than a rough approximation, all the figures being estimates based on peacetime data. The following table, which anticipates the statistical conclusion of this article, merely suggests, on this basis, the twelve months' demand for lubricating oils in wartime German Europe:—

	Metric Tons
Industrial and civilian demand:—	
Greater Germany.....	600,000
Other Europe.....	450,000
Military demand.....	350,000
Total.....	1,400,000

The estimate for military demand, which is highly speculative, includes consumption on the eastern front. German Europe's current supplies of lubricating oils from all sources—again to anticipate this article's conclusion—can be estimated at 1,200,000 tons annually, which leaves a deficit of some 200,000 tons, if fighting on the present large scale went on. It has been estimated, however, that German Europe's stocks of lubricating oils amounted to some 700,000 tons when the attack on Soviet Russia began.

It is worth while to make a closer analysis step by step, first of the supply of lubricating oils in German Europe, estimated at 1,200,000 tons a year, and then of the demand, estimated at 1,400,000 tons. Germany's highly developed lubricating oil refineries depended in peacetime, to a con-

siderable extent, on foreign materials, mainly supplied by the United States of America, Soviet Russia and the Dutch West Indies; the synthetic oil plants concentrated on liquid fuels rather than on lubricants. Total supplies of lubricants in 1938 amounted to 550,000 tons, or 7.5 per cent of the total supplies of mineral oils, and roughly 388,000 tons, or 70.5 per cent, were imported—170,000 tons each from the United States and the Dutch West Indies, 33,000 tons from Soviet Russia and 9,000 tons from Roumania. In addition, substantial quantities of "topped" crude oils and residues were imported which were refined in German plants. Lubricants refined from German crude oil amounted in 1938 to 180,000 tons. At present, German Europe's crude oil output may be estimated at 1.2-1.5 million tons, yielding under normal conditions 400,000 to 500,000 tons of lubricants, and special processes may increase the output to some 600,000 tons. The Roumanian crude oils yield relatively small quantities of lubricants, amounting to roughly 70,000 tons in 1939; and output could hardly be increased beyond 80,000 tons. The total crude oil resources at Germany's command would thus yield 680,000 tons of lubricants annually, or roughly 50 per cent of the estimated consumption.

Theoretically, Germany's resources of coal and lignite for the manufacture of synthetic lubricants are more than sufficient for filling the gap. With an estimated output of some 3.5 million tons of synthetic oil, the manufacture of some 150,000 tons of lubricants should not be impossible. Another important raw material extensively used for making lubricants during the last war was Germany's output of tar oils; in 1918, roughly 125,000 tons of lubricants were manufactured from tar oils, and to-day 150,000 to 200,000 tons could be manufactured by converting these oils. Lastly, there is the recovery of waste oil, which is mainly a process of removing impurities, and the collection of motor oils is already compulsory in German Europe. Including the recovery of oils used in railway transport, shipping and

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industry, the regeneration of some 150,000 tons a year seems to be possible. On the basis of these somewhat hazardous calculations, current annual supplies to German Europe would seem to be as follows:—

	Metric Tons
From crude oil	680,000
From synthetic coal oil processes ..	150,000
From conversion of coal and lignite tar oils	200,000
From recovering waste oil	150,000
Total	1,180,000

Although modern refinery processes make it possible to increase the quality of lubricants, it seems quite impossible that these oils can reach the quality of lubricants manufactured from American or Russian crude oils.

So much for the estimate of supplies. Against this output of lubricating oils in German Europe of some 1,200,000 tons, there is estimated to be a minimum demand (with heavy fighting in progress) of perhaps 1,400,000 tons. How is this estimate—of German demand, of German European demand and of military demand—made up? First, there is Germany itself. By restricting civilian motoring Germany has perhaps saved approximately 35,000 tons of lubricants annually and blockade restrictions on shipping may have saved another 25,000 tons, compared with a peacetime consumption by shipping of 50,000 tons. But, including all possibilities, the total annual savings made may not exceed 70,000 tons. And against this, there is the fact that a wartime increase in industrial activity of, say, 15 per cent will have increased industrial consumption, which was roughly 500,000 tons in 1938, by 75,000 tons, or slightly more than the annual savings.

This is in Germany itself. Pre-war consumption of lubricants in occupied and dependent countries of German Europe can be estimated as follows:—

	Metric Tons
Poland and Baltic countries	50,000
France (occupied territory)	200,000
Holland and Belgium	120,000
Denmark and Norway	60,000
Yugoslavia and Greece	25,000
Hungary, Slovakia, Roumania, Bulgaria, Finland	85,000
Italy	150,000
Sweden, Switzerland	90,000
Total	780,000

German occupation has drastically reduced civilian consumption. Lubricants are only used for industry and transport which is working for Germany; and total demand may have been reduced to roughly 450,000 tons annually.

There remains the consumption of lubricants for military purposes. Here estimates are necessarily vague, particularly since the attack on Soviet Russia, where mechanised and motorised divisions are used very extensively. A conservative estimate amounting to a monthly consumption of 12-13,000 tons in the east, would work out at roughly 150,000 tons annually; and it may be reasonable to assume that the total requirements of the German forces in Europe, including the detachments of their satellites, can hardly be below 350,000 tons a year—home forces, training, naval operations and the armies of occupation. There is little

doubt, in fact, that this estimate is very conservative, for the inevitable wastage of war and the destruction of field stores and army transports by enemy forces is not taken into account.

In estimating possible production and probable consumption, under conditions of large-scale warfare, then all the figures point to the fact that Germany is short by some 15 per cent of total requirements. This, it is argued, can be covered for a considerable time by reserve stocks. In September, 1939, Germany's oil stocks were estimated at four million tons, of which lubricating oils may have amounted to some 350,000 tons. The total of lubricating oil stocks seized by Germany in occupied countries may have amounted to some 150,000 tons. Italy certainly accumulated large stocks during the period of non-belligerency, and Germany's imports from Soviet Russia probably consisted to a great extent of lubricants. Small quantities of animal and vegetable lubricants must be added to these stocks, which at their peak may have exceeded a million tons. Subsequent drawing on these stocks had probably reduced them to at least $\frac{1}{2}$ million tons when the preparations for the Russian campaign were started.

Statistically, then, Germany could carry on large-scale military campaigning for some two years. But statistical estimates need qualification. Germany's lubricating oil needs cannot be measured adequately in quantity only. There is no other oil product that goes to serve so many different purposes as lubricating oil; the more important are motor, cylinder, turbine, compressor, transformer and spindle oil. There are oils of high viscosity and low viscosity, and bright and dark kinds with a whole range of intervening varieties. Frequently, special raw materials are indispensable for the manufacture of these oils. This is the reason why Germany, before the war, was anxious to secure large quantities of Pennsylvanian bright stocks and lubricants from the Dutch West Indies, instead of turning to its own coal oil resources. The fact that the necessary quantities have been manufactured does not mean that the required qualities are available. In fact, there can be little doubt that the use of new and inferior raw materials for the manufacture of a considerable proportion of lubricating oil supplies must deteriorate their quality and impair Germany's war industry and transport. A shortage of quality can be as serious as a shortage of quantity.

The situation has been estimated here on the assumption of minimum demands and maximum supplies. Military demand may suddenly be increased, while the margin for further restrictions in civilian consumption is very narrow. No allowance has been made, or can be made, for losses to stocks and plants by bombing. But the numerous bombing attacks on the Hanover area, Germany's main oil-producing area, on Misburg, Monheim, Hamburg, Bremen, Gelsenkirchen, Bochum, Duisburg, Oppau, Leuna, Magdeburg, Pöhlitz, etc., and the Russian raids on Roumania, have had some effect, and the loss of only a few thousand tons of a particular kind of lubricating oil may be irreparable. The anxiety to preserve every drop of oil is clearly shown by the collection of oil rags, from which oil can only be recovered by very tedious processes. Germany's lubricating oil supply situation appears to be just balanced. It is therefore sensitive to all the sudden and unforeseen events that are so frequent in war, and the weakness is obvious. It constitutes one of Germany's most difficult war problems.

Finance and Banking

The Rise in Deposits

The clearing bank returns for September reveal the passing of the £3,000 millions mark in aggregate deposits. From August's total of £2,997.1 millions they have risen to £3,114.5 millions. The main factor in this further considerable expansion in bank credit is the additional loans made to the Treasury by way of Treasury deposits. These are up from £468.5 millions to £531 millions. The banks have also increased their bill holding, the total of their portfolio rising from £265.9 millions to £315.1 millions. This jump, which is wholly attributable to Treasury bills, shows that the clearing banks are feeling the benefit of the reduced official competition for bills at the weekly tenders, now that central banking requirements for Treasury bills are increasingly satisfied through the tap. Investments have been comparatively stable following the suspension of the National War Bond issue. The introduction of the new series of these bonds should see a renewed expansion in

this item, and it will be interesting to see whether the banks will convert into the new bonds any substantial part of the heavy TDR payments they have been called upon to make in the past few weeks. Advances continue their persistent decline. The exceptional degree of liquidity reflected in these returns has spread over into the present month. During the past week, conditions in the money market have been very comfortable. At the beginning of the week, bank cash was increased by payments estimated at close on £30,000,000 on vested Canadian securities. The latest Bank return shows bankers' deposits to have risen by £4,132,000 to the comparatively high level of £126,468,000. This increase is all the more remarkable in view of the further substantial expansion of £5,546,000 in the note circulation. Further Government borrowing at the Bank is indicated by the rise of £13,934,000 in Government securities, and it is this which has made possible the concurrent expansion in bank cash and in the note circulation.

Sources of War Finance

The Chancellor's review of the public finances in the first two years of war provides, directly or by deduction, much of the material required to bring up to date the analysis of the sources of war finance which appeared in the Treasury White Paper issued last April. If the attempts made to complete the analysis from the figures supplied by Sir Kingsley Wood fail to agree, the fault must lie largely with the presentation of the basic data. In his speech the Chancellor spoke at times of the finance "of the first two years of war," at others of the finance "of the past two years"—periods which, at the time at which he spoke, differed by one whole month. Again, in detailing the distribution of Government income, he used percentages which unfortunately failed by 3 points to add up to 100—and 3 points, when applied to a sum total of £4,380 millions, amounts to the sizeable absolute figure of over £131 millions. Sir Kingsley Wood also vitiated a true comparison of his figures with the White Paper data by including in his Exchequer outlay a sum of £150 millions representing repayments of maturing loans and other small capital payments. The best way of dealing with this £150 millions is to exclude it from the expenditure and deduct a corresponding sum from the medium and long-term sterling loans raised during this period, thus giving the borrowing figures as net. The basic data given by the Chancellor was as follows. The total expenditure in the first two years of war was £7,018 millions, of which £2,785 millions was covered by revenue. In addition to the deficit of £4,230 millions, another £150 millions had to be found to cover the above-mentioned capital expenditure. Of the £4,380 millions that had to be raised outside revenue, 17 per cent was covered by gold sales and extra-budgetary funds, 21 per cent by small savings, 33 per cent by public subscriptions to medium and long-term issues and 26 per cent by Treasury bills and Treasury deposits. One may assume that the odd 3 per cent represents money raised by increases in the fiduciary circulation and by changes in exchequer and departmental balances. Subtracting the £150 millions from the medium and long-term borrowing, allowing £50 millions raised during the six months to the end of last August through the increase in the fiduciary circulation and arriving by deduction at the changes in departmental and exchequer balances over this same period, we arrive at the following analysis of the sources of war finance in the first twelve months and two subsequently half-yearly periods of the war:

	£ million Sept. 1, 1939, to Aug. 31, 1940 (12 mths.)	£ million Sept. 1, 1940, to Feb. 28, 1941 (6 mths.)	£ million Feb. 28, 1941, to Aug. 31, 1941 (6 mths.)
Total Government expenditure	2,633	2,108	2,277
Increase or decrease in dept. and exchequer balances ..	—36	—34	+36
True expenditure	2,597	2,074	2,313
Less revenue	—1,148	—837	—800
	1,449	1,237	1,513
Less sales of EEA gold and extra budgetary receipts ..	—297	—294	—154
Net amount borrowed through sterling public loans	1,152	943	1,359
Of which:—			
Small savings	353	262	306
Other public issues	261	385	647
Treasury bills held by market	458	—29	186
Treasury deposits	30	325	170
Fiduciary issue	50	...	50
Total	1,152	943	1,359

Tap Bills to Empire Banks

The figures for the final six monthly period given above stand up well to the main cross check that can be applied to them, namely, the weekly published receipts from various Government issues. Between the end of February and the end of August these showed aggregate receipts of £952 millions, compared with the total of £943 millions shown in the above table for small savings and other public issues during this period. The analysis of the sources of war finance in the six months to the end of last August reveals interesting material. The drop in the revenue from sales of gold and extra budgetary receipts may be wholly attributed to the first of these sources of income. With the pre-war

gold stocks of the EEA virtually exhausted, it is reasonable to assume that almost the whole of the £154 millions shown to have been collected from this composite source was due to extra budgetary receipts, and in particular to the balances borrowed from the War Risks Insurance Funds and the Unemployment Insurance Fund. The big jump in the receipts from medium and long-term Government issues is due to some extent to the investment of banking funds, the clearing banks' investments alone during this period rising by £120 millions. The amount of £186 millions shown as the increase in Treasury bills held by the market includes a considerable issue of bills to Empire central banks. Over this period of six months the outstanding volume of Treasury bills issued through the tender increased by £125 millions only, while the clearing banks' portfolios rose by about £56 millions. These central banks have been fed with bills during this period both through the tap and through the tenders.

New War Bonds and Money Market

Lombard Street has welcomed the news of the fresh tap issue of National War Bonds. There had been some fears that the new Government issue when it made its appearance would show a reduction in the rate of interest compensated to only a partial extent by some reduction in the currency of the loan. These fears are now set at rest. The new 2½ per cent National War Bonds should suit the money market admirably. The extension of the redemption dates to 1949-51 reflects the slight appreciation in the first two series of these bonds since the tap for the 1946-48 bonds was turned off. The extension of the currency by 2 years and 2 months naturally limits the extent to which the new bonds can be run by discount houses, but they will nevertheless be suitable for inclusion in discount market bond portfolios within limits, and their appeal to the banks will be little smaller than was that of the previous series of war bonds. Moreover, the new series of war bonds fits well into the even sequence of Government loan maturities and for this reason makes a special appeal to the market in bonds. The maturities available in this market begin with the Conversion 5 per cents, which certainly will be repaid in 1944. In 1945 the Conversion 2 per cents come to final maturity. National Defence 2½ per cents are due in 1944-48 and may therefore be classed as a 1946 maturity. Thereafter come the first two series of National War Bonds, namely 1945-57 and 1946-68. The Conversion 2½ per cents must be repaid in 1949 at the latest. Then come the new National War Bonds with their 1949-51 dates. This is a well balanced array of maturities, which will continue to be highly attractive to the market as long as there are ample supplies of 1 per cent money.

India Calls in Sterling Notes

Reports from India announce that the Government of India have decided to call in all Bank of England notes held in that country. The step represents a further endeavour to compress into insignificance the unofficial markets

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in sterling which still operate in some territories. The ban on the reimport of Bank notes decreed last year was followed by every part of the sterling area, India included. But it is evident that such a ban must be far more difficult to apply with complete effectiveness in a country such as India, with its enormous land frontiers, than in our island. It has thus been found that some sterling notes, deprived of an opportunity of returning to Great Britain, have made their way to India. In particular it has been noted that much of the lavish expenditure of German "tourists" and technicians in Iraq, Iran and Afghanistan in recent months

Investment

"Tap" Re-opened

The announcement of a new issue on tap of 2½ per cent National War Bonds, 1949-51, at par confirms the expectations of those who held that no revolutionary step, such as a drastic cut in the nominal rate of interest, would be taken by the Treasury. None the less, the terms of the new issue—the maximum life of the new bonds is some twenty-six months greater than of the 1946-48 issue—reflects to a large extent the general rise in gilt-edged securities in the period of rather over nine months since that offer was announced. There is no doubt that the offer will accord with the wishes of the money market, for whose consumption it is primarily designed, despite the fact that it has a life almost double that which a few years ago would have been considered the maximum acceptable. For the rest of the investing public, other than large institutions, it has perhaps little direct interest. Certainly more comment was aroused in stock market circles by the simultaneous announcement of a cut of 1½ points in the minimum quotations for the two older issues of National War Bonds. It is perhaps inevitable that, while a bond is on tap at par, its minimum price in the market, even under rather different conditions of sale, shall be no lower. In fact, neither of the two issues, 1945-47 and 1946-48, has ever been quoted under par, although business has been arranged outside the market on terms which amounted to a discount. This state of affairs ceased to prevail, however, shortly after the closing of the tap for the latter issue on August 14th, and both had been quoted for some time at ½ point premium. Yesterday's cut reduces their minima to 98½. The move is certainly welcome to holders in the gilt-edged market, and presumably holders of the bonds will prefer to be able to sell them, if they wish, at a relatively heavy discount, rather than to have their holdings frozen in the event of really awkward developments. At the same time, it looks a little odd that such a possibility should be envisaged at the very moment when the Treasury is making a new offer on terms very much more favourable to itself. Actually, whatever may be said for the principle of minimum prices, the existing quotations seem to call for adjustment. The price for the two old series of War Bonds is the same as for 2 per cent Conversion, 1943-45, while it is ½ point above that for the shorter-dated 2½ per cent Defence Bonds, 1944-48, and 2 points above the 2½ per cent Conversion, 1944-49. The issue of the new bonds solves the question of whether the banks would accept even greater liquidity rather than take up 3 per cent Savings Bonds. It now seems probable that any funds available will go, in large measure, into the new issue, leaving little over for purchases in the open market. Despite a fall of ½ in the old bonds on the fixing of the new minima, it seems certain that the acceptance of the terms on the new must raise the price of the old and tend to a generally higher level of prices.

Nearing New Records

Although there is no evidence in the figures of the leading banks for September so far available of an increase of any importance in their holdings of investments, the rise in gilt-edged stocks has continued, with only a minor reverse. Before this, Government securities as a whole were on the verge of creating new records, and so were other fixed interest stocks, although the rise of the past month, as reflected in the figures of *The Actuaries' Investment Index*, has been less than in the first-line stocks. Equities also record a further advance, for the fifth month in succession. It is the smallest since that of May, the first of the present series of issues, and there were appreciable falls in building material and coal shares, as well as in home railway ordinary stocks. Since the close of the month to which this index is made

has been made in sterling notes. These notes, which had in all probability been sequestered in the occupied territories of western Europe, had been making their way into India in appreciable amounts. As evidence of such unauthorised traffic in notes appeared, efforts were made to tighten up the countermeasures. Last June all authorised exchange dealers in India were called upon to declare their holdings of Bank of England notes to the Reserve Bank of India. The further step now decreed should effectively check the unauthorised absorption of Bank of England notes in India.

up, there has been, first, a further advance, and then a moderate recession on the news of a fresh German offensive. It is symptomatic, however, that while the jobber reacts to ill news, the investor only acts on good. Although caution suggests very strongly that a reaction of some dimensions is due in equities—to be followed shortly by a renewed rise—the indications at present are that the improvement will continue further with only the most moderate reverses and occasional short pauses. In view of the fact that equity prices are back to the level of end-April, 1940—while yields are, of course, much below the levels then ruling—it might be thought that the market would be very vulnerable to any considerable setback in the military sphere. This argument is strengthened by the fact that equities have now lost all element of hedge against

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Yields per cent			
	Sept. 24, 1940	April 29, 1941	Aug. 26, 1941	Sept. 30, 1941	Sept. 24, 1940	Aug. 26, 1941	Sept. 30, 1941	
Fixed Interest								
2½% Consols	131.6	137.1	144.9	146.1	3.39	3.08	3.05	
Home Corpsus (4)	123.6	132.4	137.5	138.0	3.77	3.39	3.38	
Debs. Ind. Distive (20)	97.5	105.5	105.8	107.1	4.45	4.09	4.05	
Total Ind. Debs. (43)	103.7	110.8	112.6	112.9	4.54	4.22	4.21	
Total Ind. Prefs. (101)	83.0	91.4	97.4	98.2	5.43	4.78	4.75	
Ordinary Shares								
Inv. Trusts (9)	32.2	33.7	33.7	34.7	7.35	6.94	6.74	
Buildings Mats. (6)	49.9	55.8	69.2	69.0	7.21	4.15	4.17	
Coal (8)	68.1	67.5	83.2	82.5	9.20	6.46	6.32	
Electric L. & P. (16)	82.1	95.3	103.3	105.8	6.19	4.59	4.48	
Motors (7)	24.4	27.8	32.9	34.7	8.02	5.30	5.03	
Oil (4)	40.6	40.7	50.6	55.7	6.00	3.97	3.57	
Home Rails (4)	29.7	31.0	40.7	38.5	11.01	7.01	7.16	
Breweries & Dist. (20)	83.5	84.6	102.9	105.6	7.32	5.61	5.47	
Miscellaneous (20)	47.0	52.2	58.7	60.1	6.80	4.99	4.86	
INDUSTRIALS—ALL								
CLASSES (159)	44.7	48.1	57.1	58.4	7.38	5.35	5.25	

inflation for the duration of the war—indeed, the outlook is for further reductions in dividends for the rest of this year at least. Against this it is fair to say that pressure of increased income-tax tends to make the investor take rather larger risks. Another factor working in the same direction is the mathematical fact that, with the volume of industrial equities virtually fixed, and that of Government securities rising continuously, some relaxation of the standard demanded of the former is essential if the proportion between the two in any investment portfolio is to be maintained. This can scarcely be held to explain the recent speculative buying, of which the rise in oil shares is the latest evidence. As in other cases, this advance has already been followed by some profit-taking and an appreciable recession in prices. The undertone remains firm. Institutions have recently sold shorts and when they turn buyers, even on a small scale, a resumption of the rise is probable.

Investment in the Reich

Reports from Berlin suggest that the marked preference which the private and the institutional investor has displayed for industrial equities since the days of the Munich crisis has at last provoked the authorities to effective action. Previous measures to control the upward movement in the prices of industrial stocks, a movement which has become apparent in the stock exchanges of the great majority of occupied countries, have not proved completely efficient, and investors in Berlin, as in the rest of Nazi-dominated Europe, continue to believe that the possession of a share in the ultimate ownership of industrial equipment repre-

2½% National War Bonds, 1949 - 1951.

Interest payable half-yearly on the 1st February and 1st August.
A first interest payment will be made on the 1st February, 1942.

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Subscriptions may be lodged at any office of the Banks hereafter mentioned. Subscriptions must be in multiples of £50 with a minimum of £100. Subscriptions must be accompanied by the full amount payable in respect thereof.

The Principal of and Interest on the Bonds will be a charge on the Consolidated Fund of the United Kingdom.

If not previously redeemed, the Bonds will be repaid at par on the 1st August, 1951, but His Majesty's Treasury reserve to themselves the right to redeem the Bonds in whole or in part, by drawings or otherwise, at par on, or at any time after, the 1st August, 1949, on giving three calendar months' notice in the *London Gazette*.

The Bonds will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable by instrument in writing in any usual or common form in accordance with the provisions of the Government Stock (Transfer) Regulations, 1941.

Bonds will be transferable in sums which are multiples of one penny. Transfers will be free of Stamp Duty.

Interest on the Bonds will be paid half-yearly on the 1st February and 1st August and will, in the case of the first interest payment, be calculated from the date on which the subscription accompanied by payment is lodged. Interest will be paid by warrants transmitted by post and Income Tax will be deducted from payments of more than £5 per annum. The first interest payment will in all cases be payable to the original subscribers or to their nominees.

The Bonds and the interest payable from time to time in respect thereof will be exempt from all United Kingdom Taxation, present or future, so long as it is shown in the manner directed by the Treasury that they are in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland. Further the interest payable from time to time will be exempt from United Kingdom Income Tax, present or future, so long as it is shown in the manner directed by the Treasury that the Bonds are in the beneficial ownership of persons not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

These exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident, or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from Income Tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

Subscriptions, which must be accompanied by payment at the rate of £100 for each £100 of Bonds subscribed, may be lodged at the Bank of England Loans Office, E.C.2, or at any office of the following Banks:—

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Bank of Scotland.	District Bank, Ltd.	Midland Bank, Ltd.	Union Bank of Scotland, Ltd.
Barclays Bank, Ltd.	Glyn Mills & Co.	National Bank, Ltd.	Westminster Bank, Ltd.
British Linen Bank.	Grindlay & Co., Ltd.	National Bank of Scotland, Ltd.	Williams Deacon's Bank, Ltd.
Clydesdale Bank, Ltd.	C. Hoare & Co.	National Provincial Bank, Ltd.	Yorkshire Penny Bank, Ltd.
Commercial Bank of Scotland, Ltd.	Isle of Man Bank, Ltd.	North of Scotland Bank, Ltd.	
Co-operative Wholesale Society, Ltd.	Lloyds Bank, Ltd.	Provincial Bank of Ireland, Ltd.	
IN NORTHERN IRELAND:			
Bank of Ireland.	Hibernian Bank, Ltd.	National Bank, Ltd.	Provincial Bank of Ireland, Ltd.
Belfast Banking Co., Ltd.	Munster & Leinster Bank, Ltd.	Northern Bank, Ltd.	Ulster Bank, Ltd.

A commission of 2s. 6d. per £100 nominal subscription will be paid to Bankers or Stockbrokers on subscriptions bearing their stamp.

Subscriptions must be made on the printed forms which may be obtained, together with copies of this Prospectus, at the Bank of England Loans Office, London, E.C.2, or at any of the Branches of the Bank; at the Bank of Ireland, Belfast; of Messrs. Mullens & Co., 13, George Street, Mansion House, E.C.4; or at any Bank or Stock Exchange in the United Kingdom.

BANK OF ENGLAND, LONDON,

8th October, 1941.

N.B.—Separate Prospectuses relating to 2½% National War Bonds, 1949-1951, to be held on the Post Office Register will be issued by His Majesty's Postmaster-General (and may be obtained at any Savings Bank Post Office or Bank), and by the National Debt Commissioners on behalf of Trustee Savings Banks. The amount subscribed by any person under the Prospectuses issued by His Majesty's Postmaster-General and by the National Debt Commissioners must not exceed £1,000.

sents some sort of a hedge against a possible collapse of the currency. The position is in striking contrast with that apparent on the London Stock Exchange, where the imposition of EPT has been effective in robbing equities of much of their attraction and the funds have consistently dominated markets against a background of relative price stability. Reports from Germany state that the Minister for Economics, Dr Funk, has given orders that all investment portfolios, at present of industrial enterprises only, are to be examined by the Reich Chamber of Commerce to ascertain what equities have been acquired in the last two years; but blameworthy acquisitions may be disposed of in the next few weeks. The inability of German firms to expend liquid funds accruing from the legitimate, and illegitimate, profits of war production has produced an increasingly important pressure of cash seeking investment and the authorities appear to have been less successful in inspiring confidence in Government issues than has been the case in this country. Examination of investment portfolios should, of course, completely reverse the upward trend of equity prices since many sales under duress appear inevitable. And it is important that this reversal should not create the impression that institutional investors in Germany have suddenly regained faith in the future.

Limit of Small Savings?

The raising of the first £1,000,000,000 of small savings since the National Savings Campaign was launched on November 21, 1939, is a triumphant landmark in the history of the national savings movement. It is, of course, particularly satisfactory that this total should have been reached before the conclusion of the second savings year, only £475,532,981 having been raised in the course of the first twelve months. The weekly yield was £9.1 millions for the first 52 weeks, £11.6 millions in the following 19 weeks to the Budget, jumping thereafter to £14.7 millions for nine weeks of intensive savings campaigns, and falling to £11.1 millions in the following quarter. The recession which small savings have experienced during the past few months is no doubt due to the influence of the holiday season, which, since it has been partially staggered, has made itself felt for a more protracted period than usual. There is every reason to expect that, between now and the outbreak of Christmas festivity, the impending autumn drive will ensure that the upward trend of small savings will again ally itself with the upward movement of earnings. Meanwhile, it is to be noted that the movement in larger savings is less than satisfactory, a fact which may be due in some measure to the temporary absence of any short-dated issue on tap. Actually, subscriptions to War and Savings Bonds were at the same rate in the third quarter as in the first half-year. That the existing achievement, substantial as it appears on paper, is not going to solve the main budgetary problem of closing the gap between income and expenditure was pointed out by Sir Kingsley Wood at the National Savings lunch this week. And the inadequacy of national savings, even at their present level, appears to conflict with an earlier statement of the Chancellor, which is discussed in a note on p. 442, that the limit of taxation was in sight. In fact, the limit of transferring purchasing power to the State cannot have been reached while there is still scope for a successful national savings campaign. Alternatively, if national savings are not increasing sufficiently rapidly to solve the budgetary problem, the movement must be incorporated in the Chancellor's taxation plans, as has already been done by giving back a part of taxes in the form of the grant of blocked credits in post office savings accounts. The other choice is an inflationary rise in uncontrolled prices with or without hoarding of notes. Sooner or later, private finances will have to be placed on a total war basis. To finance the war by taxation and voluntary savings would, if practicable, be a fine ideal; but, as in so many other fields, it

seems inevitable that an element of compulsion will prove necessary to secure success as well as some measure of justice.

Montreal's Debt

No further information is to hand about when details of the scheme for dealing with debt of the City of Montreal may be expected. An official committee, representing American and British bondholders, as well as Canadian, has been in existence since April, when it took over from an informal body. Apparently, at that date, defaults on redemption amounted to some \$13½ millions, and were accumulating at the rate of \$12 millions annually, while there was bank indebtedness of \$35½ millions. Against these liabilities, there were sinking fund accumulations of \$2,625,000. This is, of course, far from being a complete picture of the position, but it was sufficiently far from reassuring to persuade the committee that a scheme of rearrangement for both floating and funded debt was essential and it is engaged in discussions to this end. There the matter rests until the committee finds events sufficiently advanced to make a further report. Their last is over a month old. Meanwhile, it is scarcely surprising that Sir Kingsley Wood has rejected the suggestion, made to him last week, that these loans should be requisitioned at par forthwith and handed to the Dominion Government in payment for goods received. That the Dominion might be prepared to take up stocks of the City of Montreal is not impossible. But it would seem that this would only be envisaged, either as part of a scheme of rearrangement, or, much more probably, after a scheme had been proposed and accepted. The Canadian Government is already going a fair way to help this country by accepting sterling instead of Canadian dollars. It can hardly be asked to take the obligations of one of its cities, for which it has no direct responsibility, at above their market value.

Company Notes

United Steel Companies

The full accounts of United Steel Companies to June 30th last show that consolidated earnings fully covered the ordinary dividend, maintained at 8 per cent. Consolidated trading profits and dividends of associated companies, after depreciation and EPT, amount to £2,247,835 against £2,440,977. Although the charge for income-tax in respect of the current year is up from £1,142,000 to £1,154,250, retrospective provision, due to the increase in the standard rate, amounts to only £187,000 against £351,000. Thus, the total tax deduction from disclosed earnings is only £1,341,250 against £1,493,000. Central obsolescence fund receives £125,000 as before, and contributions to staff pension funds are increased by £4,000 to £134,000. Despite a fall in the amount of equity earnings from £462,583 to £419,082, the rate is raised from 8.0 to 8.3 per cent and the carry forward from £412,189 to £427,177. As in the previous year, there is no transfer to general reserve which is, in fact, depleted by an appropriation of £400,000 for war damage insurance, the total now standing at £1,000,000. The following table indicates three years' trend of profits and allocations:—

	1939	1940	1941
Total profits after depreciation	*1,801,529	†2,440,977	‡2,247,835
Taxation	398,899	1,493,000	1,341,250
Obsolescence	482,124	125,000	125,000
Interest and debenture redemption	178,160	222,366	221,305
Fees and staff pensions	136,663	138,028	141,198
Ordinary shares:—			
Earned	605,683	462,583	419,082
Paid	559,700	461,994	404,094
Earned %	88.7	8.0	8.2
Paid %	8	8	8
Reserve	200,000		
Carry forward	†411,600	‡412,189	‡427,177
* Depreciation in 1939 amounted to £197,457; in subsequent years, not disclosed.			
† After E.P.T. ‡ After £25,716 written off note issue expenses.			
§ Capital increased November, 1938, by 10 per cent issue to shareholders at par.			

While the accounts completely mask the movement in gross receipts, it is clear that the group worked to capacity last year. The consolidated balance sheet shows increases of over £1,000,000 in both stocks and debtors, the former standing at £3,657,539 and the latter at £4,945,479. Cash holdings, which are shown net of bank overdraft, have risen from £1,483,433 to £1,744,223, while holdings of Government securities are up from £652,422 to £883,422, with a market value, at the date of the accounts, of £951,000. These rises are financed by a jump in creditors from £4,359,853 to the considerable total of £5,705,820, while reserve for taxation is up from £2,664,002 to £4,123,080. The company's balance sheet shows a rise in the total of reserves for repairs and depreciation from £3,328,680 to £3,813,038, while cash holdings are up some £500,000 to £1,381,448. The £1 ordinary stock, at 22s. 9d. ex dividend, yields £7 os. 8d. per cent.

Associated British Picture

Owing to a change in accounting practice by which various charges against profits are shown only in the accounts of subsidiaries, the profit and loss account of Associated British Picture Corporation to March 31st last is not comparable with that of previous years. Consolidated earnings are up from £1,421,157 to £1,427,157. While net interest charges are rather lower, tax provision is up from £500,818 to £527,166 and depreciation from £255,706 to £286,885, leaving net profits of £192,897 against £214,037. After meeting service on preference capital and transferring £100,000 to general reserve, the carry forward is increased from £89,852 to £109,351. The most significant changes in the Corporation's balance sheet reflect the decision to apply £1,500,000 from general reserve to writing down fixed assets in addition to the whole of accrued and current depreciation provisions amounting to a total net figure of £2,150,458. Thus, total fixed assets stand at £8,617,763, against £10,865,499. General reserve, after this transfer and a war damage contribution of £59,420, and after appropriations from current profits, amounts to £1,450,000 against £3,000,000. The consolidated balance sheet is prepared on the basis of including accounts of all associates whose year corresponds with that of the parent, others being included as investments. The total of these classes amounts to some £15 millions net, while sinking funds stand at £150,000 and liquid assets at some £845,000. Against this there are creditors of £740,694, while reserves for tax and war damage total £970,715, and there are free reserves of £1,469,154. From the chairman's statement it transpires that a considerable fall in the credit for films is due mainly to reduced production, although the very conservative valuation of this asset is also a factor of some importance. It is doubtful whether the figures of the Corporation's own balance sheet are fully comparable. In his statement, Sir Ralph Wedgwood, who has assumed the chairmanship of the group following the death of Mr John Maxwell and the sale of half his interest to Warner Bros., considers that prospects in all branches of the group's activity should improve in the current year. Damage to property from enemy action has so far not been on a serious scale. It is highly uncertain whether earnings in 1941-42 will suffice to provide a dividend on the 5s. ordinary shares, which, however,

stand at 8s. The £1 6 per cent preference shares at 17s. 3d. yield £6 19s. 1d. per cent.

Wall Paper Manufacturers

The preliminary statement of Wall Paper Manufacturers for the year to July 31st shows profits after taxation and provision for war damage insurance of £377,292. In the previous eleven months, earnings for fixed charges amounted to £496,969 after the allocation of £10,000 for staff funds. It is not clear from the latest statement whether profits of £377,292 are struck after a similar provision or whether no such appropriation will be made this year, but in any case the fall in net earnings is considerable. After meeting debenture and preference charges and paying the usual 10 per cent on ordinary capital, deferred stock receives 4 against 6 per cent per annum. Earnings for deferred capital amount to £91,682 against £235,160 for eleven months, representing 4.1 per cent against 15.4 per cent actual, or 16.8 per cent per annum. There is no transfer to reserve against £100,000 in the previous accounting period, and the carry forward is raised from £220,684 to £222,340. The setback is no doubt substantially due to the difficulty of obtaining supplies of raw material, in particular paper, to the closing of export markets and the fall in home demand. Probably, sales of oil and paint products on Government contract have done something to compensate for lower output of wall paper, while the higher tax burden has, of course, significantly influenced the course of profits which are shown after tax. The £1 deferred stock at 26s. 3d. offers a yield of no more than £3 2s., indicating general confidence in the future of the concern.

Roan Antelope Dividend

Despite the halving of the interim payment, at 5 per cent, the market was surprised by the decision of the Roan Antelope management to reduce the final dividend also from 10 to 5 per cent, making 10 against 20 per cent on the year to June 30th. Admittedly, in the previous year, earnings of 21.2 per cent provided scant cover for the 20 per cent ordinary dividend, a rise from £1,613,377 to £1,865,645 in total profits having been accompanied by a rise in tax liability from £645,000 to £800,000. This included £73,000 for NDC, and there is no mention of EPT. Roan Antelope possesses a relatively good EPT standard, and should benefit under the wasting assets concession. Since there is every probability that output has been at a maximum, and that total income again rose substantially last year, the decision to halve the dividend seems likely to arise from a sharp rise in costs associated with the fact that EPT has probably called for a considerable amount, and that a substantial sum has probably been earmarked for contingencies. It is also possible that the price realised was less favourable. It is true that for the four previous years the company has drawn on its carry forward, a practice which the directors may well consider to have been carried far enough. Further speculation in the absence of the accounts has little point. Stockholders may console themselves with the reflection that the secular trend of output is almost certainly upward, and that, when the war is won, a larger share of profits will no doubt accrue to them. On the news of the reduction, the 5s. ordinary stock declined from 13s. 6d. to 12s. 4½d.

THE STOCK EXCHANGES

London

Note: all dealings are for cash.

MARKETS closed strongly before the week-end, but discouraged by the news from the Russian front, business at the reopening was rather quieter. Treasury disbursements for the requisitioned Canadian stocks produced no marked results apart from some support in the gilt-edged market. On Tuesday, news of the new German offensive gave rise to profit-taking, mainly in oil and shipping issues, but despite some irregularity the undertone in most sections remained firm.

The mid-week announcement of a new Government loan, together with mild investment support failed to produce improvement in the gilt-edged market.

Before the week-end gains of ¼ were registered by 4 per cent Consols, 3½ per cent War Loan and 4 per cent Victory Bonds, while 3½ per cent Conversion and N.W. Bonds 45-7 both improved ¼. On Monday, re-investment of Canadian moneys assisted business, and gains of ¼ were general in the short and medium dated issues, while 3½ per cent Conversion gained ¼ and 3 per cent War Loan ½. The following day, however, conditions became quiet, but apart from a decline of ¼ in Old Consols, ¼ in 3 per cent War Loan, and 2½ per cent NW Bonds, 45-47, prices remained unchanged. In mid-week there were falls of ¼ in long and ½ in short-dated stocks.

In the foreign bond market, Brazilian issues, particularly Funding bonds, were supported before and after the week-end,

and to a lesser extent Chilean bonds shared in the advance. Mexican issues were generally ½ higher on Friday, when Japanese bonds improved slightly, but, on Tuesday, small losses were general. Brazilian issues lost up to 1 point, while both Japanese and Chilean bonds fell back. Greek 6 and 7 per cent issues lost ½ point on the same day.

In common with other sections, the home rail market experienced a general improvement before the week-end. Junior issues were mainly higher, GW ordinary gaining ½, LMS ordinary and Southern preferred ¼, and London Transport "C" ¼. After the week-end LMS ordinary improved ¼, but on Tuesday most issues closed lower, with GW and LMS ordinary and Southern deferred all down ¼, while later declines continued with Southern preferred down ¼.

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

Among foreign rails, investors continued to support senior Argentine issues, but gains were generally small. Elsewhere, Canadian Pacific ordinary declined $\frac{1}{2}$ on Tuesday.

Prices in the industrial market before the week-end advanced over a broad front, and to a lesser degree the improvement was continued at the re-opening, but the following day witnessed some profit-taking, mainly in shipping issues. Among brewery shares, Guinness jumped 2s. 6d. before the week-end, while, on Monday, numerous smaller improvements were registered, prices later staying mainly unchanged. Motor and aircraft issues were well supported, Raleigh Cycle Holdings, Leyland and Rolls-Royce being prominent with good gains. Small improvements also predominated in the heavy industrial section. Among shipping issues, Union-Castle jumped 1s. 9d. on Friday among steady buying, but on Tuesday fell back 1s. 6d., when Elder Dempster Holdings lost 1s., though most issues were higher on balance. Textile issues were firm with Patons and Baldwins prominent, gaining $\frac{1}{2}$ both before and after the week-end. On Tuesday, however, Courtaulds reacted 3d., other issues remaining unchanged. In the tobacco group, BAT and Imps improved before the week-end, but the latter lost $\frac{1}{2}$ on Tuesday. Among miscellaneous issues, Wall Paper Manufacturers deferred was persistently strong on the preliminary statement. Later most sections were irregular with small losses predominating.

With the Johannesburg exchange closed on Monday, business in *kaffirs* was slight and prices were irregular. Venterspost improved $\frac{1}{2}$ on Friday, when Blyvoors lost 6d. On Tuesday, unfavourable war news had a depressing effect and prices generally moved against holders, Sub Nigel losing $\frac{1}{2}$ and West Wit Areas $\frac{1}{2}$. In the rubber market, shortage of stock coupled with even slight demand led to numerous fractional gains. Both before and after the week-end, Mexican Eagles led the advance in the oil market, but on Tuesday suffered from profit taking. On Monday, a general improvement took place, which included gains of $\frac{1}{2}$ for Shell and of $\frac{1}{4}$ for Burmah and Anglo-Iranian. The following day, war news led to some profit-taking and prices reacted sharply, Mexican Eagles losing 10 $\frac{1}{2}$ d., while Shell, Burmah and Anglo-Iranian all fell $\frac{1}{4}$. The decline in both *kaffirs* and oils continues in mid-week.

"FINANCIAL NEWS" INDICES

1941.	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	30 Ord. shares*	20 Fixed Int.†
Oct. 2	3,362	1,262	79.3	130.8	
" 3	3,617	1,304	79.5	130.9	
" 6	4,048	1,223	79.5	130.9	
" 7	3,559	1,733	79.5	130.9	
" 8	3,411	1,480	79.1	130.8	

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941 highest, 79.7 (Sept. 12); lowest 66.8 (Apr. 24). 20 Fixed Int., 1941; highest 130.9 (Oct. 7); lowest 126.1 (Jan. 2). ‡ Excluding "Stop Press" bargains.

New York

UNCERTAINTY regarding future taxation policy and the absence of any impetus led to sluggish conditions on Wall Street before the week-end. Price movements were slight, but rail issues were lightly supported. Conditions remained unchanged at the beginning of the current week owing to fears of price control legislation, and, on Tuesday, prices fell back over a wide front, with losses up to a point in rail, steel, motor and copper issues among others. In mid-week markets turned slightly steadier, but caution remained the dominant feature.

The Iron and Steel Institute estimates steel mill activity at 98.1 per cent of capacity against 96.9 per cent in the previous week.

New York Prices

Total share dealings: Oct. 2, 460,000; Oct. 3, 420,000; Oct. 4, 210,000*; Oct. 6, 480,000; Oct. 7, 600,000; Oct. 8, 440,000.

* Two-hour session.

STANDARD STATISTICS INDICES

(1935-36=100)

WEEKLY AVERAGES

	1941†		Sept. 17, 1941†		Sept. 24, 1941†	Oct. 1, 1941†
	Low	High	Low	High	Low	High
347 Industrials	83.6	89.0	85.4	93.9	83.9	
32 Rails	82.5	82.8	82.5	82.9	81.4	
40 Utilities	67.0	78.7	69.6	69.1	80.1	
419 Stocks	71.9	82.1	80.1	79.0	82.6	
Av. yield*	6.80%	6.11%	6.23%	6.36%	6.41%	
	(c)	(a)				

* 50 Common Stocks. (a) July 30. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 28. † Old Basis. ‡ New Basis 1935-36=100.

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Industry and Trade

War Contracts

During the debate in the House of Commons on the Supplementary Vote of Credit on October 1st, Sir Kingsley Wood commented briefly on the cost-plus contract. He pointed out that both varieties of this form of contract were objectionable and disliked by contracting Departments as well as by most employers. The first variety, whereby the contractor is paid his "reasonable" costs, plus a percentage on the total, had been used during the war only to a very limited extent, usually for small urgent jobs, where it was not possible to fix a price in advance or to operate a schedule of prices. He doubted whether it was being used at all in production contracts. The second variety, whereby the contractor is paid his "reasonable" costs, plus a fee, fixed in advance, had been more widely used, especially early in the war, on building work of great urgency. Given effective management, conscientious workmen and effective supervision, Sir Kingsley Wood saw no reason why this form of contract should be more expensive than the fixed-price contract, but he agreed that it did give the impression to those employed on the job that cost did not matter, with consequent waste, not only of money, but of labour, materials and time. While it was difficult always to avoid this form of contract for the repair of damaged articles and in the initial stages of manufacturing a new product, an increasing proportion of contracts was being let on fixed prices. Aircraft contracts, for example, were now to a large extent on a fixed price basis. Mr Woodburn, a member of the Select Committee on National Expenditure, retorted that the Chancellor of the Exchequer was mistaken in thinking that there were not many contracts based on a cost-plus basis. While Sir Kingsley Wood was undoubtedly right in saying that it would be impossible to place all contracts on a fixed-price basis by a stroke of the pen, this method should be extended as quickly as possible.

Growth in U.S. Aircraft Output

America's output of aircraft has shown rapid expansion this year. Last December, the production of all types totalled only 799 units; during the past month no fewer than 1,914 military aircraft left the assembly lines, though a large proportion of this total consisted of training craft. Despite this expansion, it remains doubtful whether output has come up to expectation. It was reported last spring that the authorities then aimed at a monthly rate of production of 2,400 units by the autumn and of 3,000 units early next year. If the recent rate of expansion continues, it should be possible to attain the smaller of these two targets by the end of the year. Meanwhile, in Great Britain, too, the output of aircraft reached a record level last month. Indeed, if Germany's losses in Russia are taken into account, the time should not be far off when the Allies, who have always had qualitative superiority, will overhaul the enemy, not only in the rate of output, but also in actual numbers.

Cosmetics Control

Black markets are not entirely confined to foodstuffs. Supplies of toilet preparations were cut to 25 per cent of pre-war quantities under the Limitation of Supplies Order, and this small amount has scarcely gone halfway to satisfy demand. In cosmetics, brand names held more magic than in many other commodities. Now, shops find that they can sell face powder in paper bags, instead of in the elaborate packings that were formerly provided by firms whose name sold the preparation. It is scarcely surprising, therefore, that a black market in cosmetics should have grown up. An attempt to confine trading to bona fide manufacturers is being made by the Board of Trade. A new Order super-

cedes the Limitation of Supplies (Miscellaneous) (No. 11) Order, 1941, in so far as it concerns perfumery and toilet preparations, formerly controlled in Class 16. Under the new Order no one may supply the controlled goods who was not a manufacturer on October 1st. A new register of manufacturers is being compiled, containing names of those who supply goods to the value of more than £41 13s. 4d. a month, if they are permitted to supply such an amount under the quota restriction. Firms supplying less than the specified value of goods need not be registered, nor will they be permitted to supply more in future. Wholesale dealers will not in future be registered unless they are also manufacturers. The Order requires every dealer to keep a record of the names and addresses of his suppliers. It is to be hoped that these measures will result in the freeing out of persons who have taken advantage of the shortage of legitimate supplies and have played on the gullibility of the woman who hates her nose to shine.

Economy in Motor Fuel

The Government has recently gone a long way to meet the criticism, voiced in *The Economist* and elsewhere, that its motor fuel policy tended to be unduly liberal. This month, for the first time since rationing began, the private motorist's basic allocation has been reduced. For administrative convenience, the cut takes the form of a halving of the "value" of the October coupons, though in principle it represents a reduction of one-sixth in the basic ration for the three-monthly period ended October 31st; and prior notice had been given to this effect, so that the reduction could, in fact, be evenly spread. This rate of curtailment will remain in force during the next ration period—November, December and January—when the monthly allocations will range from four gallons for cars up to 9 h.p. (5 in November) to eight gallons a month for cars of 20 h.p. and over; in addition, supplementary allowances were recently scaled down, with a consequent further saving of petrol. The 400,000-odd goods vehicles in use in this country are also to receive less fuel than formerly. Here the basic ration is calculated according to the unladen weight of the vehicle, the allowance originally granted—which represented a sizeable cut below average pre-war consumption—being at the rate of six units a fortnight for each half-ton of unladen weight. A unit represents one gallon of petrol or two-thirds of a gallon of heavy oil, so that a lorry with an unladen weight of one ton would have received a basic allocation of 24 gallons of petrol, or 16 gallons of Diesel oil, for a four-weekly period, with the possibility of a supplementary allowance as well. The basic ration of six units, mentioned above, was reduced to five units at the end of May, and is to be lowered to four units on October 18th. These cuts do not, of course, mean that fuel consumption of this class of vehicle will be reduced by anything like one-third compared with the position at the beginning of the year, for what is lost in basic ration may—if proof of need can be given—be regained in the shape of a supplementary allowance. But it is officially stated that, in the case of retail delivery vans, no supplementary allowance will be granted unless it is proved that the goods to be carried are essential to the maintenance of the war effort or the life of the community, that they must be delivered by road, and that all reasonable steps have been taken to pool services. Finally, it may be mentioned that, on September 20th, the basic ration was abolished altogether in the case of buses and coaches, making it impossible in future for operators of public service vehicles to obtain fuel for other than "essential" purposes.

These sensible modifications in the rationing scheme have the effect of reducing the quantity of petrol available as of right, in the form of basic rations, and of making the grant

DAILY AVERAGE OF 50 COMMON STOCKS

Sept. 25 Sept. 26 Sept. 27 Sept. 28 Sept. 29 Sept. 30 Oct. 1

100.7 100.4 100.8 100.4 100.5 100.3

1941 High: 105.8, January 10. Low: 90.7, April 30.

	Close Sept. 30, 1941	Close Sept. 30, 1941	Close Sept. 30, 1941
1. Railroads.			
Balt. & Ohio	41	41	59
Ill. Cent.	118	117	142
N.Y. Cent.	118	117	142
Norfolk	61	61	41
Pennsylvania	222	221	75
Southern	171	171	53
2. Utilities, etc.			
Amer. Tel.	1537	1531	821
Amer. Wks.	41	41	151
Pub. Light	37	36	24
Pub. Sv. N.Y.	191	191	53
St. Ed. Ed.	237	237	58
United Gas	61	61	73
3. Commercial and Industrial.			
Amer. Metal	201	201	42
Am. R.R. M.	131	131	81
Am. Smelting	411	399	55
Amaz. Ind.	261	261	85
Briggs	20	19	30
Celanese of A.	25	23	36

Capital Issues

Week ending	Nominal Capital	Cons. versions	New Money
October 11, 1941			
To Shareholders only	65,000		97,500
Particulars of Government issues appear on page 458.			
Year†	Including Conversions	Excluding Conversions	

1941 1,186,354,928 1,132,747,646
1940 1,159,979,295 807,024,168

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1941	1,129,196,245	3,481,401	70,000
1940	806,039,490	984,672	Nil

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Prof.	Ord.
1941	1,126,742,896	477,460	5,527,290
1940	791,373,547	1,513,755	14,166,560

† Includes Government Issues to Sept. 30th only. Above figures include all new capital in which permission to deal has been granted.

CONVERSIONS AND REPAYMENTS

North British Rubber Co.—This company is redeeming its £81,800 outstanding 7 per cent. debenture stock on April 1, 1942, at 105 per cent.

Shorter Comments

Chrysler Corporation.—Net sales, half year to June 30, 1941, \$507,966,137 (\$422,643,281). Gross profit, \$66,158,374 (\$68,273,430). Taxation \$18,500,000 (\$10,300,000). Net profit, \$20,974,843 (\$30,494,274). Surplus, \$123,590,574 (\$127,577,126).

Chase National Bank.—Deposits, September 30, 1941, \$3,587,562,000 (\$3,251,342,000). Total resources, \$3,856,799,000 (\$3,522,990,000). Cash \$1,328,312,000 (\$1,440,940,000). Investments in U.S. Government securities \$1,339,079,000 (\$1,045,425,000). Loans and discounts \$773,036,000 (\$625,579,000). On September 30, 1941, the capital was \$100,270,000 and surplus \$100,270,000, both unchanged. Undivided profits account \$40,441,000 (\$36,535,000).

Guaranty Trust Company of New York.—Total resources, September 30, 1941, \$2,699,925,836 (\$2,584,742,898). Deposits \$2,401,580,046 (\$2,291,011,486). United States Government obligations \$1,157,552,026 (\$1,045,273,926). Loans \$520,529,278 (\$381,819,597). Capital and surplus remain unchanged at \$90,000,000 and \$170,000,000 respectively. Undivided profits, \$18,375,210 (\$15,795,956).

(Continued on page 455)

(Continued from page 454.)
Ipoh Tin Dredging.—Net profit, year to March 31, 1941, £75,628 (£94,554). Taxation reserves £35,386 (£57,737). General reserve £5,000 (nil). Investment reserve £3,000 (nil). Div. 31 $\frac{1}{2}$ (31 $\frac{1}{2}$). Fwd. £10,293 (£6,798).

N.E.I. Loan Repayments.—The Netherlands Government in London has issued a decree postponing drawings and redemption of N.E.I. public loans for 1942, as for the two preceding years. Bonds drawn before May 10, 1940, will be repaid. The object is to safeguard the

interests of legitimate holders of the bonds and interest payments are in no way affected by the decree.

Kramat Pulau Tin.—Net profit, 1940, £65,506 after reserving £32,500 taxation (£19,432). Ord. div. 60 (20) per cent. Fwd. £13,078 (£8,470).

of fuel increasingly dependent upon the discretion of the divisional petroleum officers, in the case of private cars, and of the regional transport commissioners, in the case of commercial vehicles. So far as the latter class is concerned, it is very doubtful indeed whether any further economy in motor fuel consumption could be secured without impeding the war effort; and the choice between the curtailment of commercial and civilian consumption obviously becomes critical. Some further saving could be effected, if necessary, by the abolition of the basic ration for private cars and the imposition of a needs test on the issue of licences. The Government's case is that this would seriously inconvenience many members of the community and require additional administrative staff. And the argument that, so long as licences are granted and heavy duties levied, the motorist's basic ration cannot, in justice, be further reduced, must carry some weight. But as many cars are used, on their basic ration, for purposes which would doubtless be classed as "essential," the net saving resulting from the abolition of the basic ration, since many supplementaries would be sought and granted, would be very small. Nevertheless, it remains the clearest duty of all consumers of oil, as of other imported products, to practise the utmost economy of which they are capable; and the Government must constantly re-examine, with the utmost care, whether the admittedly small saving that a further curtailment of private motoring would effect would not, in fact, be worth while—for the tanker space released or for the fuel freed for other and more important purposes.

Co-operative Wholesale Trade

The directors of the Co-operative Wholesale Society are recommending an interim dividend of 4d. in the pound on society purchases for the half-year ended July 12th, and an additional dividend of 3d. in the pound on purchases from their own productive works. The totals of these purchases were £67,633,901 and £22,115,426 respectively. The turnover was 3½ per cent below that of the corresponding six months of 1940. Sales in the grocery department amounted to £47,943,745, but the average price level was 6 per cent higher than in 1940. The effect of the Limitation of Supplies Order and the purchase tax was shown in reductions of 19 per cent in drapery; 28 per cent in men's wear; and 34 per cent in furnishing and hardware. There has been a reduction in members' registrations for rationed goods. Sales to the Ministry of Supply during the half-year amounted to £2,565,426, and sales of the Contracts and Export Department to £1,810,365. The value of the output of boots and shoes rose by 3½ per cent to £1,140,074, but the number of pairs was 13 per cent lower. Tobacco sales were 20 per cent higher at £1,095,645, but the quantity of tobacco was 2 per cent lower and that of cigarettes 8 per cent lower.

International Sugar Control

The international sugar agreement of 1937, which is due to expire on August 31, 1942, is likely to be renewed until the end of the war. The matter was first raised at the International Sugar Council's meeting of January 6, 1941, when all delegations present were unanimously in favour of continuing the agreement. Discussions in preparation of a formal meeting for the adoption of a resolution extending the agreement were recently held in London on the initiative of the British Government. The sugar agreement united all leading sugar producing and consuming areas in an effort to prevent a further contraction of the free market. It provided for export quotas for each producing area and for the control of stocks in the participating countries. In addition, it imposed limits to further extensions of production in certain areas and stopped the introduction of new

measures limiting imports into a number of consuming countries. Before the war, the twenty-one signatory countries included Great Britain, the United States and Russia, as well as Germany and some of the German-occupied countries. The full operation of the scheme came to an end on the outbreak of war, although formal decisions were taken regarding the export quotas for the first two war seasons. The endeavour of the British Government to secure the continuance of the agreement is part of a more general policy, reflected in the prolongation of the international tin, tea and rubber control schemes, in spite of the fact that restriction of production has virtually ceased. Its basis is the desire to retain the collaboration of the Governments of the chief producing areas—and in the case of sugar also of the leading consuming countries—as this may prove of assistance in framing a post-war policy. The countries adhering to the sugar agreement have been working on a post-war reconstruction plan for the international sugar trade since last January. This work is done by a special sub-committee of the International Sugar Council under the chairmanship of Dr G. H. C. Hart, the chief Dutch delegate. The committee includes representatives of Australia, Cuba, the Dominican Republic, Holland, the United States and Great Britain.

TUC Membership

The Ministry of Labour Gazette for September gives an analysis of the Trades Union Congress membership for the last two years. The figures are somewhat smaller than those of trade union membership as a whole, since not all trade unions are affiliated to the T.U.C.

	1940		1941	
	No. of Members at end of Year	No. of Members at end of Year	No. of Members at end of Year	No. of Members at end of Year
Agriculture, horticulture, etc.	1	10	1	6
Coal mining	5	115	5	115
Pottery and glass	5	4	5	115
Metals, machines, etc.	46	102	47	100
Textile	28	106	27	108
Clothing (fur, boots and shoes)	8	30	8	30
Paper, printing, etc.	14	34	14	35
Building, furniture, woodwork, etc.	17	34	17	35
Railway service	3	25	3	25
Water transport	2	10	2	13
Other transport and general labour	7	117	7	113
Commerce and distribution	6	28	6	30
Banking and insurance	6	18	6	16
Local government	6	25	6	21
Entertainments and sport	4	4	4	3
All other groups	18	21	18	15
Totals	176	681	176	681

* Branch Associations sending separate delegates have not been counted as separate organisations.

The changes are such as might have been expected, and reflect, in the main, the changes in the distribution of employment which have accompanied the intensification of the war effort. Thus the most marked increases in the membership of affiliated unions are shown by the metal industries, textiles and clothing, and local government, while declines are largest in pottery and glass, and entertainments and sport. It is, however, rather surprising that there should have been substantial increases in the membership of the railway and commercial groups, and the decline in building membership suggests that the restriction on private building may be more than offsetting the tremendous increase in Government building activity. These figures must, however, be interpreted with caution until the complete figures of all trade union membership are available.

COMMODITY AND INDUSTRY NEWS

THERE was a sudden sharp rise in wheat prices on October 3rd, which is thought to be due to inquiries on Russian account. West St. John/Halifax No. 1 was quoted at 33s. per qr. on October 3rd, compared with 31s. 10d. on the previous day. This caused a rise in *The Economist* Sensitive Index (1935 = 100) crops figure from 113.6 to 114.6 and from 139.1 to 139.8 in the complete index. Tin

prices have been stable; standard cash only once rose above £265-265 ss. a ton during the week, when on Friday, October 3rd, it was 5s. more. Three months tin fluctuated within narrow margins during the week and on Wednesday was £259 15s.-£260 per ton, compared with £260 5s.-15s. a week earlier.

Warehouse Charges Control. — In

future the Board of Trade, through the Control of Factory and Storage Premises and the Central Price Regulation Committee will exercise a general control over warehouse rates and charges, other than those of statutory bodies. It is intended where possible to fix rates by agreement between the Control and the associations and federations of wharfingers and ware-

(Continued on page 458)

COMPANY MEETINGS

LEVER BROTHERS AND UNILEVER, LIMITED

POSITION OF DUTCH COMPANY

SIR F. D'ARCY COOPER'S STATEMENT

The annual general meeting of the shareholders of Lever Brothers and Unilever, Limited, was held, on the 9th instant, in the Board Room, Unilever House, London, E.C.4.

Sir F. D'Arcy Cooper, Bart., presided.

The notice convening the meeting and the report of the auditors having been read,

The chairman suggested that the directors' report for the year ended December 31, 1940, which had been issued to the shareholders, should be taken as read, and the shareholders agreed.

PROVISION FOR CONTINGENCIES

The Chairman said: My Lord, Ladies and Gentlemen,—I have nothing to add to the report of the directors, which has now been in your hands for several days, but I would stress that it has been necessary to make provision out of our profits against certain contingencies in connection with the Dutch company and its shareholders which are mentioned in the report.

It must be understood, of course—and I emphasise this point—that the provision we are making in connection with the Dutch company and its shareholders can only be carried into effect if and when the law of this country allows, and such provision must be understood as creating no rights or benefits which are not subject to that overriding contingency.

If there are any questions which any of the shareholders wish to ask I shall endeavour to reply before the motion for the adoption of the report and accounts is put to the meeting.

I now move: "That the directors' report and statement of accounts for the year to December 31, 1940, now submitted be received and adopted," and I ask Lord Leverhulme to second the motion.

LORD LEVERHULME ON CHAIRMAN'S SERVICES TO INDUSTRY

In seconding the motion, Lord Leverhulme, the Governor, said: Mr. Chairman, Ladies and Gentlemen,—It is customary to make the seconding of this resolution quite a formal matter. I would like, however, to make an exception to this rule on this occasion because I am sure it would be your wish that expression should be given to the pleasure we all felt—shareholders, directors and staff alike—when the great services of our chairman to industry and latterly to the Government were recognised by the conferment upon him by His Majesty of a Baronetcy. (Applause.)

Sir D'Arcy has been giving his services to the Board of Trade since the beginning of the war and although it has not been possible for him, in these circumstances, to take an active part in the direction of our business, he continues, of course, to take the greatest possible interest in it. We warmly congratulate him and are delighted that he is able to be in his accustomed place to-day.

I have pleasure in seconding the resolution. After questions had been answered, the motion was put to the meeting and carried unanimously.

THE DIVIDENDS

A dividend of 5 per cent for the year 1940 on the ordinary stock payable on October 14, 1941, and a dividend of 5 per cent for the year 1940 on the preferential certificates outstanding under the co-partnership trust were declared; the retiring directors were re-elected, and the auditors, Messrs. Cooper Brothers and Co. and Messrs. Price, Waterhouse and Co., were re-appointed.

The proceedings terminated with a vote of thanks to the chairman, directors and all branches of the staff.

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.

RANSOME AND MARLES BEARING COMPANY, LIMITED

TAXATION BURDENS

SIR A. BENNETT'S REVIEW

The 25th annual general meeting of Ransome and Marles Bearing Company, Limited, was held at Newark-on-Trent, on the 3rd instant, Sir Albert Bennett, Bt., chairman of the company, presiding.

Sir Albert Bennett, in moving the adoption of the report and accounts, said: This year I propose to confine my remarks to the balance-sheet and accounts. Excess profits tax at 100 per cent was in operation during the whole of the year under review. As I pointed out to you last year, the effect of this is to standardise our profits regardless of output, and this standardised figure is naturally affected by the rate of income-tax. During the year this was increased from 8s. 6d. to 10s., and largely in consequence our profits showed a reduction from £163,038 to £113,295. From this a sum of £10,000 has had to be allocated to provide for additional income-tax on profits made to June 30, 1940, and a further sum of £27,000 for war damage contribution. The real amount retainable is, therefore, reduced to £76,000.

THE DIVIDEND

I referred last year to the increase in the amount required for working capital. This increase has continued. If you will refer to the balance-sheet you will observe that on June 30th we had £937,000 tied up in stocks and sundry debtors against £711,000 last year. Cash at bank, therefore, shows a reduction from £237,035 to £99,929. Our current liabilities at the same date figure at £478,000, of which no less than £293,000 represents provision for taxation on profits to June 30, 1941. These financial displacements have given the board much concern in deciding the question of the final dividend, but after a careful review of the company's position we feel justified in recommending 11 per cent, less tax, which will absorb £38,500. With the interim dividend of 9 per cent paid on March 15th, this makes 20 per cent for the year. No special appropriations are recommended other than those already referred to. Depreciation has been fully provided for in the year's accounts, and the book value of our plant now represents only a small proportion of its replacement value. Our general reserve remains at £350,000, and we have a special depreciation reserve which we made last year of £35,000.

THE OUTLOOK

As regards future prospects, these depend so largely on elements beyond our control that it would serve no useful purpose if I attempted to make a forecast. The policy of our company from its inception 24 years ago has always been a conservative one with regard to the proportion of its profits distributed in dividends, and the balance has been used for the development of a constantly growing industry. This has proved a great asset to the country in the war emergency and it seems, to say the least, anomalous that this development should be arrested by crippling taxation at a time when increased production is a paramount necessity. We are promised a return of a proportion of excess profits tax after the war, but in my opinion first things should come first. We want to continue in a position where we can pull our full weight while the war is on.

Before concluding I want to express on my behalf and that of my co-directors our appreciation of the work of our general managers, staff and workpeople during what has proved a difficult year. I should like to record our special appreciation of the work of the voluntary members of our A.R.P. organisation, who have carried out their onerous duties in an exemplary manner.

I referred last year to the introduction of a War Savings Group at our works, and am very pleased indeed to report that this has made great progress during the past year and that a very substantial sum has been raised by our staff and workpeople by regular contributions, which are still increasing.

The report and accounts were unanimously adopted. The retiring director, Mr. F. W. Baker, was duly re-elected, as were also the auditors, Messrs. Tansley Witt and Co., C.A.

KUALA MUDA RUBBER ESTATES, LIMITED

BURDEN OF E.P.T.

The 16th annual general meeting of Kuala Muda Rubber Estates, Limited, was held, on the 8th instant, in London.

Sir Francis M. Voules, C.B.E. (the chairman), said that the profit for the year under review amounted to £70,245, and the available balance after transfers to reserves was £25,373, out of which they recommended a dividend of 6 per cent, less tax.

They had made provision of £25,000 for Excess Profits Tax. In addition they had to pay by way of income-tax approximately £18,000, making £43,000 payable in taxation out of their total profits of £70,200.

The thanks of rubber producers were due to the Rubber Growers' Association for the representations they had made to the Chancellor of the Exchequer and the Inland Revenue Authorities that rubber should be included within the category of wasting assets. The refusal of the Treasury to include rubber in the list of commodities declared admissible for E.P.T. allowance as wasting assets was inexplicable. It was essential that a reasonable reserve should be accumulated for the amortization of the estates and such a reserve should be allowed as a deduction from profits before calculating their liability for income-tax. The figures showed that the lion's share of the profits was taken by the Government. The contribution of rubber producers to the war effort might be borne with greater satisfaction were it not for the fact that they were mortgaging their future by the efforts they were called upon to make.

He unhesitatingly contended that additional relief to rubber producers was long overdue and, in view of the valuable contribution of the industry to the war effort, the lack of fair dealing conditions towards producers showed a lamentable lack of foresight on the part of the authorities. He was well aware that if they

were working under Nazi rule their position would be still worse, and no sacrifice was too great to save them from such a fate. Even so, he respectfully suggested that it was not in accord with British tradition that a particular body of taxpayers should be selected for such unfavourable treatment as was meted out to rubber producers.

The report was unanimously adopted.

BRITISH BORNEO TIMBER COMPANY, LIMITED

The 21st annual general meeting of the British Borneo Timber Company, Limited, was held, on the 7th instant, in London.

Sir Edgar J. Holberton, C.B.E., the chairman, presided.

The following is an extract from the statement of the Chairman circulated with the report and accounts:—Notwithstanding all the difficulties of the year under review, the company's gross earnings were higher by £13,000 than in the preceding year, so that we had a credit balance in the working account of £44,367. After providing £19,000 for taxation, together with the usual expenditure in London and the year's charge for depreciation, the balance of the profit and loss account is £18,053. The board decided to pay an interim dividend—which is to be the total dividend for the year—at the rate of 8 per cent., which amounted to £14,400.

The British North Borneo (Chartered) Company receive, in terms of our concession, a sum of £456 out of the year's earnings, and we have also considered it advisable to provide £3,000 to meet our liability for income-tax. There then remains a balance of £10,982 to carry forward to next year. The company's position as disclosed in the balance-sheet you will regard as satisfactory.

The marketing of our production, both of rough and sawn timber, last year and to date this year has been maintained at a level which we feel may be regarded as not unsatisfactory.

The report and the accounts were adopted.

(Continued from page 456)

housekeepers, failing which, the Board will fix regionally the rates and margins which may be levied by warehouse undertakings. No increase on existing rates may be made without the sanction of the Board of Trade.

Livestock Export Group.—A Livestock Export Group has been formed with the support of the Industrial and Export Council of the Board of Trade. Its immediate object is to maintain and encourage such exports of stud livestock as are consistent with present circumstances, to meet demand from the United States, South America and the Dominions. Britain's position as "the stud-farm of the world" has always been of great importance. At the end of the war the group may have the task of assisting the restocking of European countries which are being depleted of livestock now.

Jute Control.—The Ministry of Supply has made the Control of Jute (No. 3) Order, which came into force on October 6th. The Order consolidates existing jute Orders and subjects to licensing control dealings abroad. The Jute Controller will be responsible for all purchases of raw jute for use in this country, and no further licences for purchase on trade account will be granted.

Cotton Market.—Expansion in fresh business is still somewhat checked by the strong disposition of producers to limit their commitments pending the removal of uncertainties which exist. Spinners of yarn are not likely to sell more freely until some decision is reached with regard to margins. This question is now being considered by the Controller, and a deputation of spinning employers has met him. Considerable apprehension exists as to the effect of cancelling all twelve months' old yarn and cloth contracts. Certain trade organisations are obtaining

legal advice on the recent Order. Spinners are bound to benefit to a considerable extent but losses must be experienced in some quarters. Some of the delay in completing these old contracts has been due to Control action. The yarn position does not get any easier and all kinds and qualities have been difficult to buy.

Lancashire Cotton Corporation.—The directors of the Lancashire Cotton Corporation, Ltd., seem determined to continue their expansionist policy, and this week it has been announced that the Majestic Mill, Oldham, has been acquired. The mill was built in 1906 and contains 45,000 ring spindles and 50,000 mule spindles. This is the fourth acquisition by the Corporation during the last few months, the previous purchases being the Dawn Mill, Shaw, the Malta Mill, Middleton Junction, and Coppull Ring Spinning Mills, Chorley. It is significant that all these mills are at present closed under the concentration of production scheme. The cost of building and machinery has considerably increased during the last couple of years and all properties taken over by the Corporation are sound and in good condition and should be a valuable asset when trading conditions become more normal.

Poultry and Rabbit Distribution.—The Ministry of Food is seeking means whereby the most equitable wholesale distribution of imported poultry and rabbit supplies may be achieved. The Ministry is asking those concerned, by means of a questionnaire, to submit particulars of first-hand purchases of imported poultry and rabbits made during 1938. This may mean that a scheme of quotas, based on 1938 imports, is being considered.

Increased Fats Ration.—The supply position of edible oils is sufficiently good to permit an increase in the fats ration

from 8 oz. to 10 oz. a week per head from November 17th. A change has been made, in that 3 oz. cooking fat must be taken out as such, and margarine can no longer be substituted for it. The remaining 7 oz. is in margarine and butter, with a maximum allowance of 2 oz. butter, though the whole 7 oz. may be margarine. It is understood that the 8 oz. fats ration approximates to half a million tons per annum, and practically all the raw material is imported. The vegetable and marine oils position is equal to manufacturers' requirements to meet the increased demand.

"THE ECONOMIST" SENSITIVE PRICE INDEX

	Oct. 2, 1941	Oct. 3, 1941	Oct. 6, 1941	Oct. 7, 1941	Oct. 8, 1941	Oct. 10, 1941
Crops	113.6	114.6	114.6	114.8	114.8	114.8
Raw materials	170.4	170.5	170.4	170.4	170.4	170.4
Complete Index	139.1	139.8	139.8	139.9	139.9	139.9
Crops	Mar. 31, 1937	Aug. 31, 1937	Oct. 8, 1940	Sept. 8, 1941	Oct. 1, 1941	Oct. 1, 1941
Raw materials	147.9	92.2	103.8	112.8	111.6	111.6
Complete Index	175.1	108.4	131.2	138.8	138.8	138.8

* Highest level reached during 1932-37 recovery.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM

	Mar. 1937	Aug. 1937	Oct. 1940	Sept. 1941	Sept. 30, 1941
Cereals and Meat	93.0	66.9	96.4	99.7	100.9
Other foods	70.4	61.1	82.7	99.7	99.9
Textiles	74.2	54.3	88.0	94.9	94.9
Minerals	113.2	95.4	121.0	130.1	129.3
Miscellaneous	87.0	77.6	105.5	113.0	113.0
Complete Index	87.2	77.3	98.7	102.9	107.1
1913=100	119.9	96.8	135.9	147.1	147.4

* Highest level reached during 1932-37 recovery.

CURRENT STATISTICS

Finance

AGGREGATE ISSUES AND RECEIPTS

Aggregate issues and receipts from April 1, 1941, to October 4, 1941, are:—

(£ thousands)		(£ thousands)	
Ordinary Exp. ...	2,301,778	Ord. Revenue ...	762,158
Inc. in Balances ...	36	Gross bor. ...	1,515,340
		Sinking fds. ...	5,646
		Net borrowing ...	1,509,694
		Miscell. Receipts (net) ...	29,962
	2,301,814		2,301,814

FLOATING DEBT

(£ millions)		Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt	
Date	Tender	Tap	Public Depts.	Bank of England	By Banks				
1940									
Oct. 5	836.0		Not available						
1941									
June 30	2357.0		158.7	28.2	519.0			3063.0	
July 5	955.0		Not available						
" 12	960.0		"	"	"				
" 19	965.0		"	"	"				
" 26	960.0	1491.7	174.3	12.0	515.5			3153.5	
Aug. 2	960.0		Not available						
" 9	960.0		"	"	"				
" 16	960.0		"	"	"				
" 23	960.0		"	"	"				
" 30	970.0	1525.3	213.9	1.0	513.0			3223.2	
Sept. 6	970.0		Not available						
" 13	970.0		"	"	"				
" 20	970.0		"	"	"				
" 27	2577.2		246.5	0.7	600.0			3424.4	
Oct. 4	970.0		Not available						

TREASURY BILLS

(£ millions)		Amount		Average Rate of Allotment		Per Cent Allotted at Min. Rate	
Date of Tender	Offered	Applied	Allotted	s.	d.		
1940							
Oct. 4	65.0	122.5	65.0	20	4.63		42
1941							
June 20	75.0	158.5	75.0	20	0.15		31
" 27	75.0	163.1	75.0	19	11.83		27
July 4	75.0	153.0	75.0	20	0.69		38
" 11	75.0	155.7	75.0	20	0.54		36
" 18	75.0	146.8	70.0	20	0.33		34
" 25	75.0	163.6	75.0	19	11.84		24
Aug. 1	75.0	165.2	75.0	20	0.14		27
" 8	75.0	159.1	75.0	20	0.16		30
" 15	75.0	151.8	75.0	20	0.31		34
" 22	75.0	133.2	75.0	20	0.95		37
" 29	75.0	152.3	75.0	20	3.46		41
Sept. 5	75.0	148.6	75.0	20	2.73		29
" 12	75.0	165.8	75.0	20	2.63		26
" 19	75.0	165.0	75.0	19	10.65		37
" 26	75.0	186.5	75.0	20	0.47		35
Oct. 3	75.0	159.4	75.0	20	0.47		35

On October 3rd applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of the following week were accepted as to about 35 per cent of the amount applied for, and applications at higher prices in full. Applications at applications at higher prices to be paid for on Saturday were accepted in full. £75 millions of Treasury bills are being offered on October 10th. For the week ending October 11th the banks will be asked for Treasury deposits to a maximum amount of £70 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2% BONDS SUBSCRIPTIONS

(£ thousands)		N.S.C.		3% Defence Bonds		New 2% Bonds		3% Savings Bonds	
Week ended									
Aug. 26	3,201	2,805	94	3,446					
Sept. 2	3,473	3,206	25	3,343					
" 9	3,689	2,212	1	5,683					
" 16	4,664	2,496	Nil	8,910					
" 23	4,724	2,010	Nil	7,927					
" 30	4,706	1,914	Nil	6,399					
Oct. 7	...	...	...	11,535					
Totals to date	369,588	342,334	493,611	333,817					

* 97 weeks. † 40 weeks.

‡ Including series "A," £50,503,481 to date.

Interest free loans received by the Treasury up to Oct. 7th amounted to a total value of £36,795,062. Up to Sept. 30th, principal of Savings Certificates to the amount of £46,022,000 have been repaid.

BANK OF ENGLAND RETURNS

OCTOBER 8, 1941

ISSUE DEPARTMENT

	£		£
Notes Issued:		Govt. Debt ...	11,015,100
In Circulation ...	683,319,049	Other Govt. Securities ...	716,457,047
In Bank, Department ...	46,922,526	Other Secs. ...	2,018,506
		Silver Coin ...	509,347

Amt. of Fid. Issue ... 730,000,000

Gold Coin & Bullion (at 168s. per oz. fine) ... 241,575

730,241,575

BANKING DEPARTMENT

	£		£
Proprs.' Capital	14,553,000	Govt. Secs. ...	138,517,838
Res. ...	3,090,709	Other Secs. ...	
Public Depts. ...	12,206,124	Discounts & Advances ...	2,999,706
		Securities ...	20,198,466
Other Depts. ...	126,468,055	Notes ...	23,198,172
Bankers' ...	53,732,816	Gold & Silver Coin ...	1,412,168
Other Accts. ...	180,200,871		
	210,050,704		210,050,704

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

THE WEEK'S CHANGES

(£ thousands)		Compared with	
Both Departments	Amt. Oct. 8, 1941	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	683,319+	5,545+	81,983
Deposits: Public	12,206-	221-	6,880
Bankers	126,468+	4,132+	11,169
Others	53,733-	911+	1,760
Total outside liabilities	875,726+	8,545+	88,032
Capital and res.	17,644-	429+	1
COMBINED ASSETS			
Govt. debt and securities	865,990+	13,977+	92,801
Discounts and advances	3,000-	668-	3,608
Other securities	22,217-	5,093-	2,506
Silver coin in issue dept.	509+	2+	448
Coin and gold bullion	1,654-	103+	898
RESERVES			
Res. of notes and coin in banking department	48,335-	5,648+	18,865
"Proportion" (reserve to outside liabilities in banking dept.)	25.1%	+ 3.4%	+ 9.3%

COMPARATIVE ANALYSIS

(£ millions)		1940		1941	
		Oct. 9	Sept. 24	Oct. 1	Oct. 8
Issue Dept.:					
Notes in circulation	601.3	671.4	677.8	683.3	
Notes in banking department	28.9	58.8	52.5	46.9	
Government debt and securities	627.1	727.5	727.4	727.6	
Other securities	3.0	2.0	2.1	2.0	
Silver Coin	0.0	0.5	0.5	0.5	
Gold, valued at s. per fine oz.	0.2	0.2	0.2	0.2	
	168.00	168.00	168.00	168.00	
Deposits:					
Public	19.1	10.6	12.4	12.2	
Bankers'	115.3	133.9	122.3	126.5	
Others	52.0	52.2	54.6	53.7	
Total	186.4	196.7	189.3	192.4	
Banking Dept. Secs.:					
Government	146.2	129.1	124.6	138.5	
Discount, etc.	6.6	4.6	3.7	3.0	
Total	174.5	154.4	153.5	161.7	
Banking depart. res.	29.5	60.5	54.0	46.3	
"Proportion"	15.8	30.7	28.5	25.1	

* Government debt is £11,015,100

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; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; 2nd; Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Egypt, of May 10th, 1941; Greece, of June 7th; Bulgaria, of August 9th; Greece, of August 23rd; Hungary, of Sept. 13th; International Settlements, Japan and Sweden, of Sept. 20th; New Zealand, Argentina, Australia, Portugal, of Sept. 27th; Canada, Switzerland, South Africa, and Roumania, of Oct. 4th.

FEDERAL RESERVE REPORTING MEMBER BANKS—Million \$'s

	Aug. 28, 1940	July 30, 1941	Aug. 13, 1941	Aug. 20, 1941
Assets				
Loans, total	8,509	10,572	10,663	10,688
Investments	15,648	18,199	18,211	18,337
Reserve with F.R. banks	11,449	10,835	10,594	10,696
Due from domestic banks	3,201	3,481	3,539	3,495
Deposits:				
Demand	21,053	24,544	24,245	24,455
Time	5,340	5,420	5,434	5,435
U.S. Govt.	528	494	544	552
Inter-bank	9,074	9,737	9,869	9,849

CENTRAL BANK OF TURKEY Million Turkish pounds

	June 1940	May 24, 1941	May 31, 1941	June 7, 1941
Assets				
Gold	110.6	120.3	120.3	120.3
Clearing and other exch.	23.5	46.7	45.0	44.9
Treasury bonds	139.4	137.5	137.5	137.5
Commercial bills	241.7	276.8	275.8	275.5
Securities	56.3	54.1	54.1	53.9
Advances	10.4	154.5	166.5	175.5
LIABILITIES				
Notes in circulation	337.4	505.5	513.5	522.5
Deposits	111.2	144.6	148.1	147.6
Clearing and other exch.	28.2	25.1	23.7	24.7

U.S. FEDERAL RESERVE BANKS

Million \$'s	Oct. 3, 1940	Sept. 18, 1941	Sept. 25, 1941	Oct. 2, 1941
12 U.S.F.R. BANKS				
Gold Certis. on hand and due from Treasury	18,953	20,297	20,362	20,466
Total reserves	19,293	20,580	20,647	20,733
Total cash reserves	328	267	269	252
Total U.S. Govt. secs.	5,650	2,184	2,184	2,184
Total bills and secs.	2,438	2,204	2,204	2,204
Total resources	22,617	24,206	23,932	24,119
LIABILITIES				
F.R. notes in circ.	5,464	7,147	7,164	7,256
Excess mr. bank res.	6,720	5,250	5,200	5,190
Mr. bank res. dep.	13,800	13,328	13,273	13,240
Govt. deposits	678	334	379	309
Total deposits	16,065	15,497	15,508	15,468
Total liabilities	22,617	24,206	23,932	24,119
Reserve ratio	89.6%	90.2%	91.1%	91.2%

RESERVE BANK OF INDIA Million rupees	Sept. 27, 1940	Sept. 5, 1941	Sept. 12, 1941	Sept. 19, 1941	Sept. 26, 1941
Assets					
Gold coin & bullion	444	444	444	444	444
Rupree coin	328	379	390	395	394
Balances abroad	344	567	520	522	526
Sterling securities	1,315	1,316	1,366	1,366	1,366
Ind. Govt. rup. secs.	496	785	765	765	765
Investments	82	77	96	95	90
LIABILITIES					
Notes in circ. India	2,172	2,632	2,659	2,660	2,676
Burma	120	187	187	186	185
Deposits: Govts.	144	155	144	139	158
Banks	457	456	454	482	492
Reserve Ratio	68.1%	60.2%	61.1%	61.0%	61.0%

REICHSBANK

Million reichsmarks

	June 29, 1940	June 16, 1941	June 23, 1941	June 30, 1941
ASSETS				
Gold and foreign currencies	12,611	15,867	15,509	16,258
Bills and cheques	375	280	328	321
Reitenbank notes	25	35	20	20
Advances	143	17	29	44
Secs. for note cover	1,862	990	1,123	1,879
Other assets				
LIABILITIES				
Notes in circulation	12,785	14,706	14,523	15,565
Daily maturing liabilities	1,853	1,935	1,936	2,373
Other liabilities	471	370	378	596

PRAGUE NATIONAL BANK

Million crowns

	Aug. 15, 1940	July 31, 1941	Aug. 7, 1941	Aug. 15, 1941
ASSETS				
Gold	1,597	1,505	1,505	1,505
Foreign exchange	734	793	793	793
Other cash	2,112	755	680	729
Bills and securities	101	840	840	840
Advances	470			
Other assets	5,288	9,917	9,208	9,048
LIABILITIES				
Note circulation	5,377	7,151	7,129	7,051
Cash certificates	811	1,639	1,525	1,524
Clearing deposits	1,307	3,319	2,682	2,738
Other liabilities	2,265	1,157	1,147	1,059

MONEY MARKET

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between Oct. 4th and Oct. 10th. (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 (25.22) 17.30-40. Sweden. Krona (18.15) 16.85-95. Argentina. Peso (11.45) 16.95-17.13; mail transfers 16.95-17.15. Dutch East Indies. Florin (12.11) 7.58-62; 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. Piastres (110) 520. Italy. 71.25 lire.

Market Rates

The following rates remained unchanged between Oct. 4th and Oct. 10th.
Egypt. Piastres (97) 97-1. India. Rupee (18d. per rupee) 17-18-1/2.
Hongkong. 14-15d. per \$ Japan. Yen (24.58d. per yen) July 25th, 13-14-1/2; July 26th-Oct. 10th, Unquoted. Singapore. \$ (28d. per \$) 28-1/2. Colombia. Peso 6 (sellers). Belgian Congo. Francs 176-1/2. Shanghai. 2-1/2-3/4d.

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. 1 cent pm-par. Canada. 1 cent pm-par. Switzerland. 3 cents pm-par. Sweden. 3 ore pm-par. Dutch East Indies. 1/2 cents pm-par.

MONEY RATES, LONDON

The following rates remained unchanged between Oct. 4th and Oct. 10th:—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 deposit at call 1/2%; at notice 1/2%.

EXCHANGE RATES (Monthly Tables)

SOUTH AFRICA

(BUYING RATES PER £100 STERLING)

	T.T.	Sight.	80 days' sight.	60 days' sight.	90 days' sight.
London on:					
Rhodesia	100 5 0	100 17 6	101 5 9	101 14 0	102 2 3
S. Africa	101 0 0	101 12 6	102 0 9	102 9 0	102 17 3

(SELLING RATES PER £100 STERLING)

	T.T.	Sight.	Telegraphic.
London on:			
Rhodesia	100 5 0	100 17 6	101 5 9
South Africa	101 0 0	101 12 6	102 0 9

GOLD AND SILVER

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

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

Date	Cash	Two Months	Date	Cash	Two Months
Oct. 2	23 1/2	23 1/2	Oct. 7	23 1/2	23 1/2
" 3	23 1/2	23 1/2	" 8	23 1/2	23 1/2
" 6	23 1/2	23 1/2			

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended Oct. 5, 1940	Aggregate January 1 to Oct. 4, 1941	Week ended Oct. 5, 1940	Aggregate January 1 to Oct. 4, 1941
Working days:—				
Birmingham	2,595	2,943	88,093	88,483
Bradford	1,687	2,074	66,203	86,163
Bristol	2,258	2,205	72,306	77,907
Hull	1,626	858	30,173	25,380
Leicester	960	987	29,725	32,086
Liverpool	5,604	5,347	224,083	214,646
Manchester	13,730	13,708	448,209	459,793
Newcastle	1,274	1,691	51,595	51,846
Nottingham	577	542	16,938	17,594
Sheffield	959	1,101	26,199	27,471
10 Towns	31,270	31,456	1,053,524	1,081,369
Dublin	5,524	5,049	233,607	230,118
Southampton	137	62	...	3,678

* Sept. 28, 1940, and Sept. 27, 1941. † Clearing began May 14, 1940.

NEW YORK EXCHANGE RATES

	Oct. 2, 1941	Oct. 3, 1941	Oct. 4, 1941	Oct. 6, 1941	Oct. 7, 1941	Oct. 8, 1941
New York on						
Cables:—						
London	403 1/2	403 1/2	403 1/2	403 1/2	403 1/2	403 1/2
Paris	2-30	2-30	2-30	2-30	2-31	2-31
Montreal, Can.	88-810	88-875	88-680	88-680	88-750	88-625
Zurich	23-31 1/2	23-31 1/2	23-32 1/2	23-32 1/2	23-32 1/2	23-32 1/2
Shanghai	540-55 1/2	540-55 1/2	540-55 1/2	540-55 1/2	540-55 1/2	540-55 1/2
B. Aires, Pso. (mkt. rate)	23-50	23-38	23-38	23-38	23-42	23-47
Brazil, Milreis	5-05	5-05	5-05	5-05	5-05	5-05

* Official rate 29-78. † Commercial bills. ‡ Nominally quoted.

AUSTRALIA AND NEW ZEALAND

	London on Australia and New Zealand*				Australia and New Zealand on London			
	Buying		Selling		Buying		Selling	
	Australia	New Zealand	Australia (any mail)	New Zealand (any mail)	Australia	New Zealand	Australia (any mail)	New Zealand
T.T.	125	124 1/2	125	124 1/2	125	124 1/2	125	124 1/2
Sight	125 1/2	126 1/2	125 1/2	126 1/2	125 1/2	126 1/2	125 1/2	126 1/2
30 days	127 1/2	127 1/2	127 1/2	127 1/2	127 1/2	127 1/2	127 1/2	127 1/2
60 days	127 1/2	127 1/2	127 1/2	127 1/2	127 1/2	127 1/2	127 1/2	127 1/2
90 days	128 1/2	128 1/2	128 1/2	128 1/2	128 1/2	128 1/2	128 1/2	128 1/2

* 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, 126 1/2; 30 days, 126 1/2; 60 days, 127 1/2; 90 days, 127 1/2. (New Zealand) Demand, 126 1/2; 30 days, 126 1/2; 60 days, 126 1/2; 90 days, 127 1/2 (plus postage).

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	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Kay's Atlas Brewery	June 30	14,046	3,000	£ 9,728	£ 50,596	£ 2,029	£ 6,406	10	£	£	£ 14,142	£ 10,719	%
Longmorn-Glenlivet Distilleries	July 31	7,756	...	7,756	25,669	750	6,000	40	...	+ 1,293	12,736	6,296	40
Style & Winch	Dec. 31	353,636	...	123,968	221,664	21,897	87,500	17½	10,000	+ 4,571	350,424	90,219	15
Coal, Iron and Steel													
Sheffield Forge and Rolling Mills	June 30	38,058	4,000	16,596	21,387	...	6,132	15	10,000	+ 464	28,630	10,152	15
United Steel Companies	June 30	2,247,835	125,000	419,082	831,271	...	404,094	8	...	+ 14,988	2,440,977	462,583	8
Financial, Land, &c.													
Goldsbrough Mort & Co.	Mar. 31	972,055	46,073	192,926	350,323	...	168,000	7	...	+ 24,926	912,723	197,366	6½
Rubber													
Banir	Mar. 31	17,767	...	7,501	8,781	...	7,245	11½	...	+ 256	12,709	7,328	10
Baru (Java)	Dec. 31	11,353	654	4,932	6,901	...	4,800	4	...	+ 132	9,160	5,182	2½
Batavia (Kerkoven)	Dec. 31	4,532	383	248	1,770	...	...	...	...	+ 248	13,065	442	Nil
Bukit Rajah	Mar. 31	41,364	1,618	21,649	28,542	...	20,010	6	...	+ 1,639	21,737	12,752	4
Jeram	Mar. 31	41,744	...	20,482	24,529	...	11,447	7½	7,000	+ 2,035	28,585	17,325	6½
Jeralda Calicut	Feb. 28	29,264	1,345	9,295	11,086	...	6,250	8½	...	+ 3,045	20,659	10,220	8½
Kuala Muda	Mar. 31	76,408	2,368	23,645	27,373	...	21,000	6	2,000	+ 645	57,470	26,191	5½
Pelmadulla	Dec. 31	69,181	4,028	22,293	37,058	36	22,192	16	...	+ 65	46,690	21,657	15½
Shops and Stores													
Debenhams Limited	July 31	627,244	...	435,735	694,292	379,000	...	...	50,000	+ 6,735	676,702	483,316	8½
Harvey Nichols & Co.	July 31	37,770	...	9,259	9,259	...	...	...	9,259	...	29,730	17,583	Nil
Tea													
Dooars	Dec. 31	225,551	...	38,345	56,227	5,250	32,760	10	...	+ 335	224,912	36,952	10
Makum (Assam)	Dec. 31	25,262	...	18,249	25,458	...	16,650	15	...	+ 1,599	31,617	18,981	15
Poonmudi	Dec. 31	17,009	2,918	5,970	6,058	...	4,912	5	1,000	+ 58	12,795	5,894	5
Singlo	Dec. 31	175,424	...	28,820	47,791	6,825	22,176	11	...	- 181	191,819	30,258	12
Trusts													
Continental and Industrial	May 31	128,743	...	38,071	144,295	29,448	7,844	1½	...	+ 779	149,163	55,771	3½
Other Companies													
Aircscrew Co.	Mar. 31	66,515	...	20,733	42,601	3,450	9,937	25	5,000	+ 2,346	87,040	22,342	25
Associated British Picture	Mar. 31	824,627	175,000	168,499	278,350	69,000	...	...	100,000	+ 19,499	1,206,856	213,614	Nil
Braithwaite & Co. (Engineers)	Mar. 31	100,018	9,358	17,018	45,147	7,406	5,772	5	3,057	+ 783	98,996	26,993	5
Cosser (A. C.)	Mar. 31	157,730	...	64,701	86,584	17,250	39,375	15	...	+ 8,076	136,027	74,294	15
Geschtner (D.)	Aug. 31	229,621	17,593	122,385	156,483	18,375	100,854	25	...	+ 3,156	231,645	120,726	25
Hickson Lloyd & King	June 30	31,598	...	10,393	18,769	5,604	6,414	5	...	+ 1,625	46,987	17,222	4
Hurst Nelson & Co.	July 19	41,547	6,000	32,132	42,130	6,000	25,000	12½	...	+ 1,112	52,566	44,108	12½
International Bitumen Emulsions	Mar. 31	24,543	4,000	5,419	6,737	...	4,300	4	...	+ 1,112	28,362	9,503	12½
Kay & Co. (Engineers)	May 31	15,484	1,619	7,115	9,849	...	6,875	12½	...	+ 240	23,196	49,108	12½
Leyard & Birmingham Rubber	June 30	120,535	14,642	99,478	138,827	6,000	75,000	12½	20,000	- 1,522	142,777	108,734	12½
Owen & Robinson	May 31	20,675	...	4,433	17,030	2,100	3,500	10½	...	- 1,167	13,139	5,844	10½
Reeves & Sons	April 30	Dr. 5,991	2,211	Dr. 8,202	Dr. 3,612	1,875	...	...	...	- 10,077	21,751	15,540	5
Steel Barrel Scammells, &c.	June 30	28,466	3,500	23,406	28,719	3,953	10,931	15	5,000	+ 3,522	27,370	21,323	12½
Totals (£000's):													
Week to Oct. 11, 1941	No. of Cos. 34	6,817	426	2,042	3,498	586	1,143	...	223	+ 90	7,403	2,212	...
Jan. 1 to Oct. 11, 1941	1,505	319,435	25,627	148,875	298,750	35,128	91,501	...	14,581	+ 7,665	307,241	168,199	...

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, Sep. 30, 1941	Price, Oct. 7, 1941	Yield, Oct. 7, 1941
Jan. 1 to Oct. 7		Jan. 1 to Oct. 7									
High	Low	High	Low								
British Funds											
77	68½	82½	76½	Consols 2½	82½	82½	3 0 7	27/10½	21/-	15 b	Iron, Coal, &c.—cont.
111½	103½	112½	110	Consols 4% (after 1957)	112	112½	3 10 6f	17/3	11/-	14 a	Hadfield's Ord. 10/-
98½	98½	100	98½	Conv. 2½ 1943-45	99½	99½	2 0 6	25/6	18/6	12 c	Powell Duffryn Ord. 11/-
100½	95½	100½	98½	Conv. 2½ 1944-49	100	100	2 10 0	49/4	42/6	12½ a	South Durham Ord. 11/-
103	97½	103½	101½	Conv. 3½ 1948-53	102½	103	2 12 6	48/11	42/3	12½ c	Staveley Coal, Ord. 11/-
103½	94	106½	102½	Conv. 3½ after 1961	105½	106½	3 6 0f	34/4	28/-	6 b	Stewarts and Lloyds 11/-
112	107½	108½	105	Conv. 5% 1944-64	105½	105½	3 3 8	24/3	19/9	2½ a	Swan, Hunter Ord. 11/-
92½	86½	95½	91½	Funding 2½ 1956-61	94½	94½	2 17 4	17/6	14/3	6 b	Un. Steel Cos. Ord. 11/-
98½	92	100	97½	Funding 2½ 1952-57	99½	99½	2 15 6			4 a	Vickers Ord. 10/-
99½	95	101½	98½	Funding 3½ 1959-69	100	100	2 19 0	8/-	2/9	Nil c	Textiles
102	98½	116½	111½	Funding 4½ 1960-90	114½	114½	2 19 7	5/4	3/-	Nil c	Bradford Dyers 11/-
102½	95½	101½	100	Nat. Def. 2½ 1944-48	100½	100½	2 7 0	37/9	27/6	3½ a	British Celanese 10/-
102	95½	101½	100	Nat. Def. 3½ 1944-48	101½	101½	2 17 0	34/7	26/9	5½ b	Coats, J. & P. 11/-
102½	100	100½	100	War Bonds 2½ 1945-47	100½	100½	2 9 0	29/4	22/9	7½ c	Courtaulds 11/-
100½	100	100½	100	War Bonds 2½ 1946-48	100½	100½	2 9 0	22/6	15/-	7½ c	English Sewing Ctn. 11/-
...	...	100½	100	Savings Bds. 3½ 1955-65	100½	100½	2 19 6	53/11	45/-	18 c	Langs. Cotton Corp. 11/-
112½	105½	113½	110½	Victory Bonds 4%	113	113	3 1 0f			15 c	Patons & Baldwins 11/-
101	98	101½	100½	War Loan 3½ 1955-59	100½	101	2 18 6	44/9	38/3	10 c	Electrical Manufact.
103½	95½	106½	102½	War Loan 3½ aft. 1952	106½	106½	3 6 0f	91/3	78/9	15 b	Associated Electrical 11/-
83½	80½	96½	89½	Local Loans 3%	95½	95½	3 2 9	72/6	58/3	5 a	British Insulated 11/-
94½	87½	101	97½	Redemption 3% 1986-96	97	97	3 2 3	20/6	17/6	12½ b	Callenders Cable, &c. 11/-
101	97½	101	100	Austria 3% 1933-53	100	100	3 1 0	36/9	28/3	10 c	Crompton Park 'A' 5/-
71½	59½	79½	70	India 2½	78½	79	3 3 0	34/3	27/-	20 c	English Electric 11/-
97½	82½	100½	96	Do. 3½	98½	99	3 10 9	54/6	42/6	7½ b	General Electric 11/-
Dom. & Col. Govts.											
107½	101	105½	103½	Australia 5% 1945-75	104	104	4 0 0	38/3	33/6	5 b	Johnson & Phillips 11/-
110½	106	111	107½	Nigeria 5% 1950-60	110	110	3 16 0	36/3	29/6	5 b	Clyde Valley Electric 11/-
108½	100	106	103½	New Zealand 5% 1946	104	104	4 4 0	28/4	23/6	2½ a	County of London 11/-
108½	103	108½	106	S. Africa 5% 1945-75	106	106	3 3 6	14/11	9/3	4½ c	Edmundsons 11/-
Corporation Stocks											
116½	104	108½	106	British 5% 1946-56	107	107	3 8 9	30/-	25/6	4½ b	Gas Light & Coke 11/-
85	78	93	84½	L.C.C. 3%	92	92	3 5 3	36/-	25/6	4½ b	Lancashire Electric 11/-
94½	87½	96½	93	Liverpool 3% 1954-64	96	96	3 5 9	39/3	33/-	5½ b	North-East Electric 11/-
104	97	104½	100½	Middx. 3½ 1957-62	103½	103½	3 4 4	40/3	33/9	3 a	Northmet Power 11/-
Foreign Governments											
92½	71	85½	77	Argentina 4½ Stg. Bds.	85	85	5 7 2	19/-	11/3	15 c	Scottish Power 11/-
35½	20	47	31	Brazil 5% Funding 1914	41	43	5 16 3	22/11	16/-	6 c	Yorkshire Electric 11/-
23	9	21	11½	Chile 6% (1929)	19	21	7 2 10	11/3	9/-	6 b	Austin 'A' Ord. 5/-
45½	12	39	26½	China 5% (1913)	36½	37½	35/7	25/9	12½ c	12½ c	B.S.A. Ord. 11/-
80½	59	83½	71½	Egypt Unified 4%	78½	80½	4 19 6	13/9	10/10½	12½ c	Bristol Aeroplane 10/-
25	12	20	9½	Greek 5% Stab. Loan	15	16		24/6	15/9	6 c	De Havilland Aircraft 11/-
65	19½	42	21	Japan 5% 1930	32	33½	16 8 4	13/9	11/3	17½ b	Fairey Aviation 10/-
69	50½	71	58	Portuguese 3%	71	71	4 4 6	61/10½	50/7½	12½ b	Ford Motors 11/-
57½	37½	45	27	Spanish 4%	35	34½	11 11 9	32/9	24/6	10 a	Hawker-Siddeley (5/-)
Shipping											
101	2½	Nil	Nil	B.A. Gt. Stn. Ord. Stk.	8½	9½		23/3	17/6	5 c	Leyland Motors 11/-
111½	7½	Nil	Nil	Can. Pacific Com. \$25.	10½	11½		29/3	20/6	2 a	Lucas (Joseph) 11/-
43½	30½	2½	1½	Great Western Ord. Stk.	40½	41½		19/-	17/-	5 c	Lorris Motors 5/- Ord.
102	83½	2½	1½	G.W. 5% Cons. Pref. Stk.	100½	100½	4 19 6	19/-	8/3	Nil c	Rolls-Royce 11/-
78	50	2½	1½	L.N.E.R. 5% Pref. 1955	76½	76½	6 10 9	10/3	7/3	4 c	Standard Motor 5/-
51½	33	2½	1½	L.N.E.R. 4% 1st Pref.	48½	49½	8 1 9	18/9	13/6	2 a	Cunard Ord. 11/-
16½	11	1½	1½	L.M.S. Ord. Stock	15	15½	9 10 6	33/-	28/9	2½ a	Furness, Withy 11/-
63	13½	2½	1½	L.M.S. 4% Pref. 1923	49½	50½	7 18 5	3½	2/6	6 b	P. & O. Def. 11/-
66	48½	2½	1½	L.M.S. 4% Pref. Stock	63½	64½	6 6 0	29/6	24/6	3 a	Royal Mail Lines Ord. 11/-
46½	29	2½	1½	London Transport 'C' Stk.	42½	42½	7 2 10	2/6	1/9	5 c	Union Castle Ord. 11/-
15½	9	1½	1½	Southern Def. Stock	14½	14½	8 15 5				Tea and Rubber
65½	43½	2½	1½	Southern 5% Pref. Ord.	62½	62½	8 15 5	43/5½	25/11½	20 c	Allied Sumatra Rbr. 11/-
99½	77½	2½	1½	Southern 5% Pref. Stk.	98½	98½	5 1 6	27/6	24/6	12½ b	Anglo-Dutch of Java 11/-
Banks and Discount											
66/9	53/4	10 b	7½ a	Alexanders £2, 1 pd.	63/9	63/9	5 9 0	65/-	43/10½	10 a	Jokai (Assam) Tea 11/-
368	33½	6 a	6 b	Bank of England Stock	362½	363½	3 6 0	71/3	58/9	7½ b	London Asiatic Rbr. 2/-
7½	6½	4½ a	3½ a	Bank of Australasia 5%	47	47	4 5 0	63/11	47/6	5 b	Rubber Ptns. Trust 11/-
49½	45	6 a	6 b	Bank of Montreal 100	47	46	4 5 0	63/11	47/6	5 b	Oil
71/4	64/10	7 b	7 a	Bank of New Zealand 11	69/6	71	3 18 6	40/-	32/9	24 c	Anglo-Iranian 11/-
9½	7½	5 b	5 a	Barclays Bank 'B' 11	9½	9½	3 18 6	40/-	32/9	7 b	Apex (Trinidad) 5/-
53/-	47/-	5 b	5 a	Chartered of India 5	52/6	52/6	3 16 6	47/9	38/-	7 b	Burmah Oil 11/-
63½	49	6 a	6 b	District Bank, 11 fy. pd.	47/9	48	6 5 0	68/9	61/10½	10 a	Shell Transport 11/-
51/9	45/-	6 b	6 a	Hongkong and S. 1125	47/9	48	6 5 0	68/9	61/10½	10 a	Trinidad Leaseholds 11/-
86/8	77/6	8 a	8 b	Lloyds 'A' 5, 11 paid	49/6	51/-	4 14 0	66	61/10½	10 a	Miscellaneous
34½	30½	5 b	5 a	Martins £20, 11 paid	7½	7½	4 15 3	110/-	71/3	15 b	Assoc. P. Cement 11/-
64/6	56/-	8 a	8 b	Midland 11, fully paid	82/6	83/-	3 17 0	37/6	31/-	12 c	Barker (John) 11/-
425	397	7 a	7 b	Nat. Dis. £25, 11 paid	5½	5½	4 5 0	13/4	6/9	Nil c	Boots Pure Drug 5/-
47/9	41/3	6 a	6 b	N. of Ind. £25, 11 paid	33	34½	4 5 0	29/11	25/-	15 a	British Aluminium 11/-
80/3	68/-	9 a	9 b	Nat. Prov. £5, 11 paid	418	418	4 14 0	24/6	19/6	3 a	Brit.-Amer. Tobacco 11/-
Insurance											
23½	21½	40 a	50 b	Royal Bank of Scotland	418	418	4 14 0	24/6	19/6	3 a	British Oxygen 11/-
12½	9	4/6 a	6/6 b	Union Discount 11	46/3	47/6	4 4 0	22/3	17/6	12½ a	Cable & W. Hog. Stk.
83½	63/6	2/6 a	1/6 b	Westminster £4, 11 paid	78/-	78/6	4 12 0	4½	20 b	5 a	Caracas 'A' Ord. 11/-
26½	22½	10/6 a	10/6 b	Alliance 11, fully paid	23	23½	3 17 6	33/11	28/-	2 b	Dunlop Rubber 11/-
14½	12½	6/6 a	6/6 b	Atlas 5, 11 paid	12	12½	4 5 9	13/6	8/3	Nil c	Elec. & Mus. Ind. 10/-
13½	12½	6/6 a	6/6 b	Gen. Acctd. 11, 5/- pd.	80/-	80/-	4 7 6	61	4½	12½ b	Ever Ready Batts. 5/-
22½	17½	184/97½	157½	Lon. & Lancs. 5, 11 paid	26	26½	3 16 2	42½	33½	12½ b	Forestal Land 11/-
8½	7½	13½ a	13½ b	Pearl (11), fully paid	14½	14½	2 15 0	27/9	19/3	10 c	Gallaher Ltd. Ord. 11/-
6½	5½	13½ a	13½ b	Phoenix 11, fully paid	13½	13½	4 8 9	55/-	43/9	5 a	Gestetter (D.) 5/-
159½	139	6 b	4 a	Prudential 11, fully paid	22	22½	2 11 9	96/3	71/-	5 a	Harrissons & Cros. Def. 11/-
170	158½	7 b	5 b	Royal Exchange 11	8½	8½	3 13 3	39/-	28/4	15 a	Harrods 11
146½	135	3 a	7 a	Royal Life 11, fully paid	8½	8½	3 19 0	3½	3½	5 a	Imperial Chemical 11
187½	150	6 b	4 a	Sub. Life 11, fully paid	6	6	4 11 6	90/7½	75/-	7½ a	Imperial Smelting 11
Breweries, &c.											
132/6	104/6	15 b	15 a	Debenture Corp. Stock	159½	159½	6 6 5	25/7½	16/9	2½ a	International Nickel n.p.
52/6	47/3	9 b	9 a	Investment Trst. Def. Stk.	167½	167½	7 3 5	16/4	13/3	18 c	Leys & Unilever 11
70/3	62/6	11 a	11 b	Trustees Corp. Ord. Stk.	142½	142½	6 17 6	50/6	46/4	10 b	Lyons & Co. 11
78/6	62/9	15 b	7 a	U.S. Deb. Cpn. Stock	182½	187½	5 6 8	28/-	17/10½	5 a	Mark & Spencer 'A' 5/-
78/6	61/-	13 b	8 a	Bass Ratcliff Ord. 11	130/-	130/6	3 1 0	95/7½	87/3	10 a	Metal Box 11
55/3	36/6	4 a	11 b	Charrington Ord. 11	49/-	49/-	4 17 9	73/-	63/9	11½ b	Murex 11 Ord.
46/-	38/9	7 b	4 a	Courage Ord. 11	57/6	57/6	4 17 6	50/6	41/6	5 a	Pinchin Johnson Ord. 10/-
5/6	4/3	10 c	10 c	Distillers Ord. 11	69/9	69/9	4 12 6	28/9	22/-	74 a	Ranks Ord. 5/-
49/6	40/-	11½ a	3½ a	Guinness Ord. 11	87/-	91/-	3 11 6	27/6	19/-	6 c	Spillers Ord. 11
38/3	25/6	11½ a	7½ b	Ind. Coop. & Def. 11	77/-	76/6	5 15 3	59/3	45/6	20 a	Tate and Lyle Ord. 11
23/11	18/7½	3 b	4 a	Michells & Butlers 11	77/-	76/6	5 15 3	59/3	45/6	20 a	Tilling, Thos. Ord. 11
24/4	16/6	10 c	7 a	Watney Combe Def. 11	54/4	54/4	5 10 0	50/9	39/4	95 c	Tube Safety Glass 10/-
24/3	20/10½	12½ a	12½ b	Babcock & Wilcox 11							

offensives in the Mediterranean or farther west are possible, now is the time to mount them; or to reiterate that, in this crisis, waste and lack-logic in the use of men and ships will be more than ever perilous. But it would be more than irresponsibility and near to sabotage to base a political campaign upon the plainly false assumption that these crucial truths are hidden from Ministerial eyes, however shortsighted some may so often have seemed. Many people must share Mr Shinwell's impatience with Lord Halifax's public utterances. But "abuse" is seldom helpful; and it is a sore defect in the scattered opposition that, whenever the war moves to a crisis, they seek a Chamberlain to unseat.

No man, and least of all Mr Churchill, who spared no grim item in his latest statement of Hitler's strength, can fail to see the very real perils that would spring from the defeat or paralysis of Russia. It is not true to say that the fall of Russia would mean, inexorably, the fall of Britain. But victory in the east would render Hitler harder to defeat, even in years, than most people have yet been willing to admit. The possibility of frustration must be squarely faced. But it would be unworthy panic to plunge into expeditions without the equipment or the vessels to nourish them or some earnest of an effective outcome. The British and American Governments have been convinced by their envoys that Russia will fight on whatever results the astounding strength and stamina of the German invasion may achieve. The gathering mobilisation of the United States is the guarantee of eventual victory.

Frustration can only come from a failure to make the efforts and the sacrifices proclaimed by Mr Churchill when he spoke of aid to Russia. The critics have this duty to perform: to arraign every remnant of half-heart in

the nation's work; to call for a siege way of life; to inveigh against every obstacle of interest, prejudice, habit, tradition, stupidity or caste which may still block the dedication of this country's all to the struggle for world survival; and to lend their experience and their expertness to the problems of production and distribution, organisation, rationalisation and allocation by which willingness and resources are transmitted into military power. There is much to do still to awaken England, to inspire Ministers with the swift ruthlessness which by its absence has marred even the best of their work for so long, and to advise them in the still unfamiliar details of total war economy.

No apology should be needed for a call to dedication. This is a sophisticated generation of Englishmen. But they will only hold their freedom, and the world's, if they can outmatch the Nazi frenzy by their own will. It is, perhaps, curious that aid to Russia has called out more resolution—and certainly more resolutions—than aid to England itself ever did, except in the weeks after Dunkirk. It is a sound instinct that sees in Russian resistance a golden chance; and no antique schedules should impede the dispatch of every possible weapon to the east. All aid to Russia then must be without reserve. But (as a Note on page 467 shows from the distances) the way to Russia is long and difficult and it is only by the raising and sustaining of their labours, by all citizens and not simply by those at the bench, that England itself, no less than Russia, can possibly be saved. Mr Bevin spoke frankly a week ago of "the mess in which we find ourselves in this country"; and politicians and pressmen who use the urgency of the hour merely to set up cock-shies are a plain nuisance.

Economics on the Axis

THE Italians are entering the second winter of the war in an atmosphere of unrelieved hardship and gloom. All the principal foodstuffs—bread, *pasta*, olive oil, cheese, vegetables—are severely rationed. Meat is not seen for months at a time. Tea and coffee disappeared a year ago. So drastic is the shortage of fuel that supplies this winter are to be only a third of last winter's unsatisfactory ration—which was sufficient for 120 days' heating only. The cost of living is still rising and the system of price control introduced in the summer of 1940 has proved farcical. Two decades of Fascism have developed the practice of bribery and corruption to so fine an art that there are more black than legal markets.

Some observers have attributed this universal dearth to the marauding policy of Italy's Axis partner. Actually, it is the inevitable consequence of the Allied blockade. The Duce's plunge into war automatically deprived Italy of 44 per cent of its imports and 55 per cent of its export markets. At the same time, its rich tourist industry and the flow of remittances from Italian emigrants overseas—both important items in establishing a balance of payments—were cut off. What every prophet of Italy's position in the war prophesied would happen began to happen—economic strangulation. The Italians accepted the risk with astonishing irresponsibility, entered the war with only marginal reserves—much of the material received during non- and pre-belligerency had been passed on to Germany—and during the first months of the conflict took no steps to deal with a situation which was bound, within a year, to become alarming. This light-heartedness sprang, of course, from the false calculation of a short war.

By the autumn of 1940, hopes of a rapid victory were fading and the Italians set to find a solution for their two most pressing problems—the provision of essential raw materials and foodstuffs, hitherto imported from overseas; and the securing of new export markets to replace the markets lost through the blockade. The area of search

was a restricted one—German Europe and as much of North Africa and the Levant as could be reached, unmolested by British submarines. As British strength increased in the Mediterranean, the field became virtually limited to German Europe; and it remains to be seen whether the German conquest of the Balkans and Axis control of the Aegean has served to offset the Allies' growing mastery in the Levant.

During the autumn and winter of 1940, the Italians concluded trade agreements with most of the countries in Europe. Under them, foodstuffs, timber, coal, iron and steel were to be exchanged against Italian fruit, vegetables, cheese, textiles, paper and Italy's few minerals, pyrites, sulphur, mercury and marble. It cannot be said that Italy's position was in any way restored by these new exchanges. Even if the agreements had functioned smoothly only a portion of Italy's needs would have been covered. Europe can only provide limited supplies of copper, nickel, mica, mineral oil, timber and foodstuffs. It can provide no cotton, wool, hides, jute, rubber, coffee or tea.

Nor did the agreements ever function smoothly. At every turn, the Italians found themselves in hopelessly unequal competition with their German ally. The agreements with Holland, Belgium, Denmark and Norway broke down because, once all Germany's claims on these countries had been satisfied, there was nothing left for Italy. The agreements with Sweden, Bulgaria and Roumania broke down because Italy had no goods to offer which could compete with German supplies. The Roumanians were unwilling to exchange their oil for Italian textiles and paper, when the Germans were offering the same goods but of a much better quality—with the result that, although the amount of oil purchased by Italy from Roumania is quite insufficient to meet Italian needs, Italy is heavily in Roumania's debt and has no exports the Roumanians will accept to clear the balance. A certain amount of trade has been carried on successfully with Spain; but, here again, the Nazis are com-

peting for the same line of Spanish exports—skins, turpentine, tunny fish, tinned fish—and the prices are forced up against the Italians. Even in their dealings with defeated France, the Italians are dogged by German monopolies and counterclaims. The deliveries of scrap from Vichy France are only 15 per cent of the stipulated amount, for the Germans have been taking over large supplies of French rolling stock and railway material. Similarly, in North Africa, the Italians cannot get phosphates, for they are already earmarked for German use.

This constant clash between Italian and German interests is not fortuitous. The plain truth is that there is no room in German Europe for the type of economy that Fascist Italy has been trying to build up. It is an industrialised economy, precariously based upon imported raw materials. It belongs, therefore, to the German-coined category of "fictitious industrialisation"—a category which covers the attempts of any primary producer in Europe to advance to the stage of industrial production. In the new colonial system established by the Nazis, Italy has a place only as a supplier of foodstuffs, a miner of certain local raw materials and an exporter of labour on a grand scale. Ever since the rise of heavy industry killed Italy's vigorous eighteenth-century industrialism, and the collapse of Genoa and Venice as the great merchants of the Levant ruined their lively export trade, the fundamental problem has been to compensate the disproportion between Italy's scanty material resources and plentiful manpower. A German victory would mean the end of the experiment in industrialisation and relative local sufficiency. It would mean a return to the mass emigration solution of the late nineteenth and early twentieth century, with Germany taking the place of the United States as the emigrants' destination. In the peak year of 1913, 872,000 Italians entered the United States. In 1941, some 500,000 Italian workmen went to work in the Reich. Next year, the figure will be even higher.

Germany's only interest in Italy's problems lies in keeping the stricken ally more or less upright on the field of battle. In Germany's long-term programme, Italy has only a Balkan status. For the time, however, the strategic importance to Germany of Italy's central position in the Mediterranean, and the strong need for Italian manpower, compel the Nazis to support the "fictitious" Italian economy. The support entails some sacrifice to the Nazis, and German press comments betray from time to time the extent to which they find their Axis partner an uncommon nuisance. The most recent economic arrangement between the two partners was concluded in January this year. Under it, goods were to be exchanged to the value of 7,600 million lire. Germany agreed to maintain its annual delivery of 12 million tons of coal and to double the deliveries of iron and steel; all the materials necessary to maintain the

armament factories in North Italy and the naval and mercantile shipbuilding yards were to be provided on a generous scale. Italy would meet this with foodstuffs, fruit and a few minerals. Thus, while the Allied blockade is the fundamental cause of Italian shortages, the increased rationing of foodstuffs in the course of 1941 is directly connected with the greatly increased supplies of vegetables, cheese and fruit which are going north.

Italy could no more fulfil its bargain with Germany than with any other of its trade partners. The country could not deliver the goods. In February, it was therefore agreed that "military supplies"—an elastic term—would be exchanged without regard to any equilibrium of exchange. In other words, Germany would supply Italy, even if Italy could not produce equivalent exports. Finally, in June, the agreement was modified still further. Now the partner which supplies the military materials pays for them. This means a free gift of war equipment from Germany to Italy, while Italy feeds at its expense—and at the expense of its people—the German troops stationed in Italy and Libya.

The Germans accept the burden of their partner's inadequacy and improvidence and in return exercise a complete control over the Italian economy. With a certain wry humour, they even claim—with one eye on *Lease and Lend*—that (the quotation is from the *Frankfurter Zeitung*)

there is no parallel to the example of such . . . profound interdependence in vital activities as that given by the military and war economic co-operation between Germany and Italy. Fundamental principles, especially in economic matters, have been adopted and applied at joint conferences—the main principle being that raw materials and labour should always be used where the greatest possible use could be made of it; and these principles are something new in the relations between two nations.

This "main principle" is indeed one of the lessons the war has thrust upon the nations which are resisting Nazism. Nevertheless, there is by no means an exact parallel between the Axis "Lease-Lend" and the new arrangements between the British Empire, the USSR and the United States, all three partners in which are highly industrialised, materially wealthy powers. All command vast reserves of raw materials and manpower. Their agreements, freely entered upon, may indeed be the basis of a new era in economic collaboration, a new type of "being mixed up together." There is nothing of this in Italy's relations with Germany. If Germany wins, the entire Italian economy will be mortgaged north of the Brenner, and the mushroom growth of Italian industry will be systematically destroyed. Then Italian "raw materials and labour" will surely "be used where the greatest possible use" can be made of them—and that will be within the Reich.

Schools and Schooling

UNDER its new President, Mr Butler, the Board of Education is considering post-war problems; and last week in the Commons Mr Butler stated that he attached great importance to a small committee, just set up, with Sir Cyril Norwood as chairman, to suggest changes in secondary school curricula and examinations. Much more than considerations of pedagogy are involved in these technical problems of schooling. Whenever the problems of post-war reconstruction are discussed, education is to be found in the forefront. This is only natural in a democracy, which knows itself to be imperfect but nevertheless believes in redemption by the will of the people. Education is not only an end in itself, but also the means to many other ends; it is the gateway through which any durable reconstruction of society must pass. This being so, it is only to be expected that a number of different and distinct threads are to be found twisted together in the single skein, and current discussion of education shows the

danger that confusion may result. At the moment it is the place of religious education that is perhaps being debated most in public. But even this old and vital issue might resolve itself if the true texture of a liberal and democratic education could be plainly seen; and it is an essential preliminary to clear thought that the main strands in the pattern should be disentangled.

Apart from an endless number of subsidiary questions, there are three educational controversies of sufficient moment to attract the attention of the public outside the specialist ranks. The first can be called the institutional problem—the question of who should go to school and to what type of school. This controversy revolves round the school-leaving age. There is fairly substantial agreement on all sides on the desirability of raising the leaving age to 15 as soon as possible. But beyond the age of 15, there is no agreement. To one body of thought, it is self-evident that the main line of educational progress lies in extending the span of schooling. Compulsory education

started with primary schooling for all; when the age has been raised to 15, it will comprehend primary and post-primary schooling for all; the next step is obviously to move to secondary schooling for all, and to push the leaving age up to 18. But this doctrine is opposed, not merely by the natural conservatives and the budget-parers, but also by a respectable body of educational opinion, of which Sir Richard Livingstone's recent book* may be quoted as an example. Sir Richard believes that both the range and the volume of education that can be absorbed by a child without experience of the world is very restricted; indeed, he gives full approval only to mathematics, languages and science as subjects for children, with a first introduction to literature and history. It would not be far from Sir Richard's thought to say that the main effort in the immediate future should be devoted to a great expansion and inspiration of adult education, particularly in the shape of the residential college for working adults. There is a great deal of effect in Sir Richard's comparison between the United States, where schooling to 16 is universal and to 18 general, and Denmark, where the leaving age is much lower, but there is a well-developed system of People's High Schools for adults. Few will wish to quarrel with his judgment that the Danes are a better educated people than the Americans.

It would, of course, be vain to turn the child completely loose from the educational tie at the age of 15 and expect him to return to adult schooling later in life. There is sound sense as well as metaphor in the comparison of education with a torch that has to be kept continuously alight. The "adult" schools fully recognise this, and they insist of the necessity for compulsory part-time education to the age of 18 as the first stage in a synthesis of education and experience which, they hope, will become continuous throughout the rest of life. Here is another point of agreement on which immediate action could be taken. But, while the "secondary education for all" party regards part-time schooling as merely a stepping-stone on the way to their objective, the "adult" school regard it as a final resting place for the education of children. This is a plain controversy that will need to be resolved. There can be little doubt that the weight of public opinion is behind the "secondary education for all" solution; but this may be little more than the unreflecting continuance of the momentum that has carried popular education along from the 70s to the present day. There is certainly little point in keeping children at school out of pure sentimentalism or snobbery, if they and the community are not to derive any benefit from the extra years.

It is at this point that the institutional controversy links up with the curricular controversy. What should be taught? The opposing parties here line up under the "vocational" and the "intellectual" banners. The main brunt of the vocational attack lies against the traditional curriculum of English education, with its heavy emphasis on literary and linguistic studies. Of what value or interest is it (they ask) to a boy or girl, who is to spend his or her whole life in the ranks of wage-earning labour or of working-class housewives, to devote the years of schooling to Latin, French and English, with some mathematics of a purely mechanical kind and a little very elementary and very theoretical science? At the best (they say) it produces a nation of clerks; at the worst, a nation that has retained nothing whatever from its school-days. It would be far better to let education take the place of the defunct apprenticeship and use it to teach children a useful trade (including, of course, the trade of home-building). This is, of course, an exaggerated statement of the case; in its more moderate forms it has very impressive backing. The answer of the "intellectuals" is that to assimilate education to earning is to deny its very purpose and to abdicate completely from the responsibility of trying to give the ordinary man and woman an insight into the nature of the world of facts

and ideas outside his or her own experience. A nation of garage-hands would be even worse than a nation of clerks. The purpose of education is not to be "useful," but to train the mind by means of an intellectual discipline. Moreover, there is a taint of class distinction in the vocational approach; it is significant that the educational system that has been imposed by the Nazis on the Poles is severely vocational. But to keep children learning Latin out of snobbery is even more foolish than to keep them at school only out of snobbery.

It is not for the layman to dictate the solution of this controversy. But the best modern educational thought seems to be finding its own solution in a compromise. The vocational principle is followed in allowing a wide variety of curricula and allowing the pupil to select the one that comes closest to his own interests, vocational or otherwise. But, within the chosen curriculum, the effect is not to impart a few knacks and crafts, which could be learnt very much more quickly in the workshop, but to look for a real intellectual discipline—in biology as much as in Latin, in dynamics as much as in algebra. This was the doctrine of Sanderson of Oundle, and it is the doctrine of the Spens Report. It avoids the great defect of the "intellectual discipline" school—that so many intellects die under the discipline. If they come to it as volunteers, not as conscripts, the survival rate will be far higher.

Finally, and of far the greatest importance to the nation as a community, is what may be called the social controversy—the problem of the public schools. This has nothing to do with curricular controversy or educational method. The public schools are not remarkable because their curricula are different, or because their standard of teaching is higher (though it may well be), or for any attitude that they take up on the vocational controversy. The importance of the public schools is that they are the main entrance to a special caste in British national life. Their strength is their weakness; they train leaders and endow them with the breadth of outlook and with the peculiar combination of modesty and self-assurance that have made the British Empire what it is. But the price the community pays for these schools of leadership is that the field for selection of leaders is unduly narrowed. It is an undeniable fact that the vast majority of the leaders in almost every walk of life in this country are drawn from a class which includes barely one-twentieth of the population and which is not selected on a basis of ability. This cannot be an efficient use of the native talent of the country. The United Kingdom, with 48 million inhabitants, is being run by such brains as can be found in a population of two millions plus the few exceptional individuals who crash the barriers. The damage is done, not by the advantage conferred on the few, but by the disadvantage—the self-conscious lack of confidence—of the many.

In the competitive world of to-day, Great Britain cannot afford to continue with a system that is so wasteful of human ability. It does not follow that the solution is to abolish the public schools; on the contrary, the democratic world's need of leadership is so great that any institutions which know how to breed it should be preserved. But some means must be found for ending the disastrous cleavage into two nations that at present exists because of the social status of a few special schools. If there is to be a form of education that confers privileges, it should not merely be made accessible to the best human material; it should be confined to them.

Whenever dictators have hoisted themselves into the saddle of a modern literate nation, they have paid early and unremitting attention to education. Democracies cannot afford to be less solicitous. The dictators use education merely to keep their peoples docile; their purpose is negative and the more easily attained for that. But a democracy needs the positive aid of the educator—in self-defence and in defence of the middle way of life and livelihood and government that the world will need when the war, which has sprung from the intransigence and arrogance of extreme and less educated creeds, is over. These discussions in England may only be of ways and means, but they go to the roots of the future of free society.

NOTES OF THE WEEK

Battle for Moscow

The fourth German offensive has so far passed through two phases. The first drive took the shape of a three-pronged attack towards Moscow, from Toropets in the north towards Rzhev, to Vyasma in the centre, and from the south through Bryansk to Orel. In this first phase, the attack developed most vigorously in the southern sector of the central Moscow front, and the German advance guard did succeed in reaching the outer defences of Moscow in the Tula sector. Here, however, they were checked. The lightning advance naturally enveloped many of Marshal Timoshenko's fighting units, and the fierceness of their resistance is illustrated by the fact that Vyasma and Bryansk were only occupied by the Germans several days after the tide of their advance had carried them well beyond these towns. At the week-end came a pause for regrouping, and in the second phase of the offensive the weight of the attack seems to have been transferred to the northern and central sectors of the Moscow front. In the Rzhev sector, the latest German and Russian communiqués agree that fighting is in progress round Kalinin, an extremely important strategic point where the Leningrad-Moscow railway crosses the upper reaches of the Volga. This sudden advance suggested that the Germans might have decided to skirt the forest belt which lies between them and Moscow in the central and southern sectors, and attempt a drive on the city from the north-west—a possibility borne out by reports that many of Von Leeb's men are being moved from the Leningrad front. However, the heaviest blow appears to have fallen in the central zone. Advancing from Vyasma, the Germans have broken through Moscow's outer defence ring at one point—probably at Mozhaisk, and the official Russian communiqué admits "a change for the worse." Nor is the news from the south reassuring. The Russians admit the evacuation of Mariupol, and the need to reinforce the Moscow front may well have weakened the line of the Don. Germany's obvious strategy here would be to strike straight for Astrakhan, leaving the Caucasus for a spring campaign.

A War of Reserves

The war in the east may well be, as a Russian general described it, a "war of reserves." Unfortunately, it is almost impossible to assess what remains to both belligerents after the titanic struggles of the last four months. In equipment, Germany is certainly in the stronger position. The whole armament industry of Europe is working for the *Wehrmacht*, whereas in Russia output in the Ukraine must have fallen considerably, and not even the most ingrained optimist will be inclined to think that Allied help can make the gaps good for a measurable time. An official Washington statement has fixed next spring as the period for the "maximum flow of aid." In manpower, the Russians have greater reserves if the German nation alone is considered. But one of the remarkable features of the campaign has been the extent to which the manpower of Europe as a whole is being welded into the framework of the German war machine. It is not only a question of direct fighting—a service rendered at heavy cost by the Roumanians and the Hungarians in the most southerly sector. The Italian labour corps, the prisoners of war, the munition workers in France, Poland and the Protectorate are cushioning the German attack and setting free proved German material for the front line. This vast reserve of subject manpower explains in part the ability of the Germans to mount the heaviest offensive of all at this stage in the campaign. It is also explained by their systematic transport of war material to each forward zone in the lulls between the intense fighting. The reserves which were mustered in Poland in the first weeks are now in and around Smolensk.

Routes to Russia

Supplies can reach the Soviet Union directly by the ports of Murmansk and Archangel, in the north, and Vladivostok in the Far East; and the occupation of Persia has opened an indirect supply line. Britain's nearest and easiest approach is via Murmansk and Archangel. The

distance from London or Hull to Murmansk, the ice-free port on the Barents Sea, is about 1,700 miles, and to Archangel on the White Sea some 1,950 miles. Archangel freezes up in the winter months, but there is reason to believe that powerful Russian icebreakers may be able to keep the port open for the greater part of the winter. This is of vital importance, since the railway from Murmansk to Leningrad has been cut by the enemy, and supplies reaching Murmansk can only be used for local needs. Munitions, weapons and materials unloaded at Archangel must travel roughly 650 miles to Moscow. The distance by rail from Archangel to Leningrad is 750 miles, which compares with 780 miles by rail from Murmansk to Leningrad. From Britain to Rostov-on-Don, the gateway to the Caucasus, by the northern route is 3,500 miles, of which 1,300 miles are by rail from Archangel; and the distance from Archangel to Sverdlovsk in the industrial district of the Urals is 1,200 miles. The supply route to Russia across Persia is much longer and more difficult. The sea journey from Liverpool through the Mediterranean to the Persian port of Bandar Shapur is roughly 6,500 miles; from there supplies must be sent roughly 600 miles across Persia to the Caspian Sea port of Bandar Shah; another 380 miles covers the distance to the port of Baku; and by rail from Baku to Rostov-on-Don is another 780 miles. Thus the total distance from Liverpool to Rostov-on-Don across Persia amounts to 8,260 miles, against the 3,500 miles from Hull to Rostov-on-Don via Archangel. There is the same difference in the distances from Britain to Sverdlovsk in the Urals; via Archangel the distance is 3,200 miles, and via Persia 9,300 miles; and via Archangel there is only one place of reloading, while via Persia material must be reloaded three times. There is no doubt that Archangel is, for all parts of European Soviet Russia, the nearest and easiest supply port. The distances from the United States to the Soviet Union are even greater. The sea route from San Francisco to Vladivostok in 5,300 miles; and from there to Moscow is another 5,000 miles by rail—a total distance of 10,300 miles. The distance from San Francisco to the Siberian industrial district of Kuznets is 8,300 miles, and to the industrial district of the Urals 9,500 miles. Supplies from the British Empire, that is, from India, the Malay States, or Australia, will find their nearest port of entry in Bandar Shapur in Persia. If supplies from Britain and the United States are up to expectations, the Russian railway system will be very heavily taxed during the winter months because the inland waterways will be icebound.

The Recruitment of Labour

There is a tendency to misjudge Mr Bevin. In last week's debate on manpower, it was too often assumed by critics that there was no plan, no rhyme or reason in the mobilisation and distribution of men and women. The strategy which determines his planning, Mr Bevin said, rightly, he has to take for granted. But, in the successive revisions of the schedule of reserved occupations, in the scheme to release labour by the limitation of supplies to manufacturers and by the concentration of industry, and in the registration, group by group, of men up to 50 years of age and women up to 40, the limits proposed at present, there has been unfolding a thorough and articulated plan to marshal manpower. It is for this reason that the best speeches in the debate were those which criticised, not Mr Bevin's programme, but its working and its timing: Miss Lloyd George implied that the Minister was taking young women to the water but not making them drink; Mr Graham White complained about the slow working of the labour exchange machinery upon which registration and recruitment depend; Sir Edward Cadogan contended that the younger and more mobile workers released by concentration from cotton-spinning have been "lost" by the Ministry of Labour and may have gone into no war work at all; Mr Jewson and Mr Davidson maintained that too much labour was standing idle because of the irregular and uneven placing of contracts; Sir Leonard Lyle and Mr Silkin claimed that Government departments were competing with one another for workers; Mr Orr-Ewing asked for the training of employees in management; Mr Lawson called for the pooling of skilled men to enable them to be transferred to where they are needed. It is not so much Mr Bevin's

* "The Future in Education." By Sir Richard Livingstone. Cambridge University Press. 127 pages. 3s. 6d.

plan that is at fault as its sluggish tempo, its over-mildness of method, its loose ends and its ragged edges. Miss Lloyd George said that "many women have not really the will to do anything at all"; and, however distasteful the Minister may find it to tamper with parents' views about the social status of their daughters, he must furnish the will as well as the means. The workers must be taken as well as counted. The machines must be manned. The apparatus of mobilisation has now been placed into position; and it must be used with the utmost determination.

Family Allowances

Any extension of family allowances must be welcomed; and in the case of the families of serving men the welcome must be doubly strong. The Government's decision, contained in the Ministry of Pensions White Paper (Cmd. 6318), to improve and extend the provision of allowances for the families of men serving in the forces will do much to eliminate cases of actual want. The new scheme is concerned with grants made to dependants in cases of proved hardship by the War Service Grants Advisory Committee, and not with the ordinary dependants' allowances which are paid, automatically and without test, by the Service departments. In the past, it has been clear that the normal allowances were insufficient to meet the primary needs of many families with children of or below school age, and also that the supplements provided by the Advisory Committee to ward off hardship did not, in fact, make good the deficiency. Thus, the changes are important. They include the raising of the maximum supplementary grant from £2 to £3 a week; the guarantee, subject to this maximum, of a minimum income per unit of family of 16s.—two children under school age or one adult counting as a unit; and the decision to make up the income per unit to as much as 20s. weekly where it can be shown that the "pre-Service" family income was on such a scale. The income per unit, which is to be calculated after allowing for fixed charges—rent and insurance—compares with an income of 15s. per unit—each child counting as half a unit—under the old scheme; and it appears that the grant of these extra allowances is to be automatic when the facts have been established. In the cases where the "pre-Service" income was more than 20s. per family unit, the attempt to maintain the pre-Service standard will not be made, though grants may still be given in special cases on the old discretionary principle. The calculation of pre-Service income will be adjusted for rises in the wartime cost of living, so that the families of men called up at the outset of the war will not be penalised; and the supplementary allowances will not be reduced when the pay of the serving man is increased until total daily pay, including war pay of 6d. per day, exceeds 4s., and then four-sevenths of any addition will accrue to the family with a corresponding reduction in grant.

Experience alone will show whether the new scheme will effectively prevent hardship. The new allowances come into force on the first pay day in November, though it is uncertain whether the necessary facts, in many cases, will have been established by that date. Very much must depend upon the administration of the scheme. It is a very complicated arrangement, which, since these extra allowances are still to be given by the Advisory Committee, and not through the regular machinery of the Service departments, clearly perpetuates an anomaly. The choice of this method is no doubt due to a desire to distribute public money only when individual circumstances justify its payment—which, *per contra*, would be an argument for taking ordinary Service allowances away from the many thousands of well-to-do wives who receive them as of right. The point is that the arrangement still smacks of charity. If payments to dependants are not a form of public relief, but an earmarked form of the soldier's pay, adjusted to his circumstances and the number of his dependants, then there is surely a strong case for paying all allowances through the automatic machinery of the Service departments. By that means alone would it be possible to make sure that reluctance to disclose personal circumstances in borderline cases will not deprive the families of the means which, after all, they only lack because their breadwinner has been called to the colours; and the right of serving men to see their families free from want would be established without taint of almsgiving.

Mr Menzies Replies

The final eclipse of Mr Menzies took place last week when he resigned the leadership of the United Australia party and Mr Fadden was elected leader of the Opposition. Mr Menzies is one of the Opposition's representatives in the Advisory War Council, but his disappearance from Australian political life, for the time being at least, appears complete. This disappearance seems strange to people in this country, who learned to admire Mr Menzies during his visit here and who applauded his forthright statements to the Australian people on his return. This very forthrightness, however, seems to have caused his downfall. The unpopularity which it brought him among a section of his own party and in the press pursued him after he had resigned the premiership; and he was accused of failing in his duty in not returning to London, and also in not speaking on behalf of the Government during the Budget debate. In a statement to the *Times*' Melbourne correspondent, Mr Menzies has commented on these charges. He told the Cabinet before resigning that in his view only a Dominion Prime Minister should make the London visit, because only he would sit in the British War Cabinet, and anybody else would merely be duplicating the work of the High Commissioner. This is a very reasonable point of view, which most people in this country, and—in Mr Menzies' opinion—the British Cabinet, will endorse. But, from the point of view of his political future and of Australian political unity, Mr Menzies might have been wiser to have agreed to make the visit after Mr Fadden succeeded him, and his attitude—"I go as Prime Minister or not at all"—is another example of an inability to climb down. On the Budget issue, Mr Menzies says that, though it is not the custom for Ministers generally to speak on the Budget, he had in fact prepared a speech, but that the declarations of the two Independent members made it useless to prolong the debate. There must, however, still be some doubt whether he might not have influenced Mr Coles to vote for the Government, for Mr Coles, by resigning from the United Australian party when Mr Menzies resigned the premiership, appeared to have linked his fortunes to his old Prime Minister's. Mr Menzies also says that, in any case, his financial views, particularly on the very extensive use of bank credit, were not identical with those of his colleagues. Taken in conjunction with his plans for a full economic mobilisation which he announced last June, this statement can only imply that Mr Menzies stood for stiffer taxation all round. In fact, the whole impression left by his decline and fall is that he wished to drive the Australian people more furiously than the majority of them wanted. During this war, when the dearth of strong men in the Empire is so apparent, such an attitude is a political virtue, not a crime, and it is earnestly to be hoped that Mr Menzies will shortly reappear as a protagonist in the Empire's war effort.

Reshaping Industry for War

When Mr Oliver Lyttelton, in his capacity as President of the Board of Trade, introduced his scheme early this year for the concentration of civilian industries whose size exceeded wartime needs, it was unofficially estimated that the men and women likely to be set free for other and more urgent work would number between 500,000 and 750,000. The time-limits fixed originally for the completion of the process in the various trades have long been up; but the release of labour, though it cannot be estimated with precision, because some of the factories scheduled for closing down have taken on war work, appears to have reached nothing like earlier estimates and, on the basis of present arrangements, is not expected to add up to more than 144,000 workers. Moreover, the Ministry of Labour apparently took no action to prevent some of the workers thus released from taking employment in unessential occupations. The success so far achieved varies very widely from industry to industry. But, while the first stage in the "slimming" of the less essential industries may now be completed, the process of adapting the civilian sector of British industry to wartime needs must be vigorously continued. By comparison with the enemy's reorganisation and rationalisation, it is still in a half-way stage. By comparison with the needs of victory, it is still distant from the final goal of concentrating every item of resources on war-making; and, so far, no details have been issued concerning the future policy of the Government. It is still a fact that the greatest single bar to success is the need to recognise and allow for the autarkic interests of separate firms; and until these are catered for financially, technical adaptation will be impeded.

Industrial Capacity

Despite the recent strengthening of the Regional Boards, when they were made responsible to the Production Executive, it is still widely held that they are not able to mobilise to the full and to the best advantage the productive resources within their districts. They include representatives of the Supply Ministries and of all other bodies interested in production, but their powers of decision and initiative are limited. They are not executives, except in a very limited sense. It is therefore urged, and rightly, that they should be given executive powers to enable them to extract the last ounce of output from the resources and equipment of their districts, within the commanded limits of the Government's production programmes. In one respect, the Boards might possibly have done better even with their limited scope. This is the organisation of efficient capacity exchanges to prevent machinery from standing idle, even temporarily. In some districts, such as Southern England, such exchanges have been established, and their degree of success is the measure of the urgency for their introduction in all the industrial districts. And the exchanges must be numerous enough and local enough to permit of weekly and even daily transfers of idle plant, so that no possible time is wasted. It is a little surprising that the industrial experts who have cried out so loudly and so sourly about the failure of official machinery to organise these exchanges have not been able to do more from the side of industry to set these local marts going. It is true that, in spite of Mr Macmillan's support, on behalf of the Ministry of Supply, for these exchanges, official leadership and authority in the regions have been lacking. But lack of leadership does not rule out self-help.

The President's Message

The President of the United States took advantage of his Message to Congress, calling for the revision of the Neutrality Act, to give the American people yet another sober warning of the extent of Hitler's ambitions, and the infinite peril in which America would stand if British and Russian resistance were crushed. It was against this background that he set the anomalies of the existing legislation on neutrality, and called for the immediate revision of the clause establishing combat zones which American ships may not enter. The Neutrality Act was passed in the fear that the activities of private traders, eager for profit, would draw the United States into war in protection of their vested interests. The President pointed out that such a conception had been rendered obsolete by the policy of Lease and Lend, and by the complete control exercised by the Government over the country's export trade. All voyages are now, in a sense, Government commissioned. The Act merely deprives the ships which go about the nation's business of adequate protection while at sea, and frustrates the purpose for which they go to sea, by prohibiting them from entering the harbours where the need is greatest. "We cannot permit," the President concluded, "the affirmative defence of our rights to be . . . diluted by sections of the Neutrality Act which have no realism in the light of the unscrupulous ambition of madmen." It seems almost certain that Congress will concur in the President's analysis of the situation, especially since new point has been given it by the sinking of a Portuguese cargo ship bound for a United States port. This attack by Germany on a neutral trading with a neutral can only be interpreted as the first step in an active U-boat blockade of the United States. The irrelevance of the Neutrality Act to such a policy need hardly be underlined.

Stalemate in China

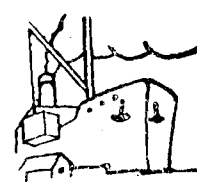
The fighting in China continues on a long front, from Chengchow on the Yellow River to Changsha in Hunan. It is difficult to determine from the meagre reports available what the Japanese had in mind in launching these attacks all along the disputed frontier of Free and Occupied China. At present this frontier roughly follows the limit of the plain, and the three main centres of fighting suggest that the Japanese are anxious to extend their control up the valleys which run into the mountainous reserves of the Free Chinese. The capture of Chengchow opens up a new era on the flank of the fighting in Shansi, where the struggle has long continued with inconclusive results. Ichang, which the Chinese captured and then abandoned again, is the furthest point of the Japanese advance up the Yangtse

towards Chungking. In the south, the Japanese occupied Changsha, and were then expelled from it, in time to provide the Chinese with a victory celebration on the anniversary of the Republic. A Japanese success here might have extended the area under their control in Hunan and Kwangtung, for Changsha is a key city on the railway from Hankow to Canton, of which the Japanese control the termini and the Chinese the central sections. On the whole, the fighting illustrates the futility of any fresh Japanese attempt to finish the struggle in China by force of arms. They can nibble away the fringes of China's vast front of resistance. It is practically certain that they cannot penetrate the mountains to Chungking—the only remaining plan of campaign that could have any decisive significance. On Thursday, the Japanese Cabinet resigned—because it could not reach agreement on the policy to be pursued in the world crisis. The stalemate in China, and the growing pinch of blockade at home, are causing a new wave of unrest among the Japanese military leaders. The demands on Indo China are growing steadily, and there is much talk of "Axis solidarity," and the need for "a decision." A Russian collapse in Europe would be an almost irresistible temptation. Against it must be set the sudden growth of a warlike temper in the United States—even in Congress. It remains to be seen whether a new Cabinet will be more willing to throw down a challenge to the democracies—or more anxious still to go warily.

Land and Labour

A crucial issue in the present discussions of manpower policy is the lack of labour for farming. Obviously, in total war, it is as necessary for agriculture to adjust its needs for labour to the total requirements of the war economy as it is for any other industry. Equally obviously, however, when the process of adjustment has been delayed and lacking, it would be short-sighted in the extreme to endanger food production seriously by an over-large or over-sudden withdrawal of men. It was wise to delay the calling-up of the next batch of 10,000 from farming, and it might be still wiser to delay it for even longer. In the long run, however, if the needs of the war plan, on all fronts including the home front, are to be adequately met, there will have to be still more adjustments and dilution in agriculture's labour force, still more rationalisation of its methods and the utmost use of mechanical and labour-saving methods. Even without the impending calling-up of the next 10,000 from farming, labour, like the supply of machinery and fertilisers, sets a sharp limit to the expansion that is possible, in wartime conditions, in arable production. It is generally agreed that, with the existing supplies of labour and machinery, farmers have now put about as much land in arable cultivation, after two years of ploughing-up, as they can manage. Ploughing-up will continue, but the ploughing-up of 1941 has a different aim from the ploughing-up of 1939 and 1940. The earlier aim was to extend the area of cultivation; the aim now is rather to maintain it. The Ministry of Agriculture must plough up more land; first, because there is still a good deal of grassland which ought to be ploughed and resown to grass, possibly with one corn crop during the

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transition; and, secondly, because there is now a considerable acreage of arable which has had two or three straw crops and should now be put down to temporary grass for one or more years. Nor is it right to suppose that there is an unlimited supply of land still available for ploughing-up. The situation varies from district to district. In the Cotswolds, for instance, it is probable that when farmers have ploughed the plateau, there is little left of a suitable size or on a suitable slope to justify the use of a tractor. But this plainly does not apply to the old grazing and dairying districts where there is still a good deal of indifferent grassland that would be all the better for cultivation. There is a tendency to exaggerate the fall in the yield from newly ploughed arable land—which is often stated to be an important limit to the usefulness of ploughing up. In the last war, it was found in fact that, in spite of similar complaints, the average corn yield from newly ploughed land was not materially different from that of old arable. It is probable that the failures on newly ploughed land—numerically small but politically disproportionately large—are counterbalanced by a yield somewhat above average from newly ploughed acres which were previously good grassland. There is land available for more ploughing; and more must be ploughed to keep up the area of cultivation. But the extent to which the increase should, or can, be carried is limited by the supply of labour and by the results which can be expected. On all counts, it is high time that there was a very specific statement from the Government of its attitude towards agricultural labour and its adjustment in numbers and composition to the needs of wartime.

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Consumer Needs

The Board of Trade has appointed Mr Francis Meynell to be the department's adviser on consumer needs. This piece of news may well bring a wry smile to the devotees of liberal economics. In the throes of wartime planning, it implies a determination to find a substitute for the classical functions of the price mechanism suited to the requirements of the planned economy. The need for some organisation which should be prepared constantly to adapt supply to demand, within the limits of Government policy, was first recognised by the Board early this year when twenty area distribution officers were appointed to supervise and check the working of the limitation of supplies policy. Since the advent of clothes rationing, the scope for such supervision has been extended, and Mr Meynell, working through the area distribution officers, will report on cases of exceptional scarcity, provide means of relieving local shortages in target areas and furnish information for the revision of quotas to the inter-departmental committee by which these are fixed. Technically, the appointment is designed to fill the gap left by the elimination of free prices. Demand can no longer make itself precisely felt in monetary terms, and mere shortage may only be evidence that consumption up to the permitted limit has taken place. Thus, by some other means, constant accurate information on the kind and intensity of potential demand must be transmitted to the Board if the legitimate requirements of the consumer are to be supplied. Here, in fact, is an attempt at an answer to the well-known poser of academic discussion, "In the planned economy, who would estimate the consumers' needs?" Combined with the paraphernalia of ration coupons, vouchers and quotas, it is, of course, a cumbrous answer compared with the automatic action of the price mechanism. But at least it is an effort to ensure that the tune shall be called by interests more vital than those registered by merely monetary demand.

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Mr Bevin is Shocked

There was a striking scene in the Commons last Wednesday when a speaker from the Labour benches, much to the indignation of Mr Bevin, declared that he could see "no reason why, even in the matter of wages, if it is necessary for winning the war, the free negotiations between trade unions and employers should not be suspended." The argument Mr Silkin used is by now familiar—and cogent. The results of collective bargaining, in terms of wages, depend upon the relative strength of the bargaining unions, and not upon the relative importance to the war effort of their members' work. There has been remarkable industrial peace since the war started because, in general, the unions have had their way in wage discussions, and

the growing army of war workers have undoubtedly shared in the widespread scaling-up of wages. But very little has been done—or can be done by separate bargaining by autonomous unions—to remove anomalies or to adjust the structure of wages, in the lower paid ranks, to the wartime balance of industry. There are essential war workers, including a wide range on heavy work, whose pay still depends more upon the accident that they are members of trades which were depressed before the war, or of unions that are relatively weak, than upon the vital nature of the services that they are now rendering. The pay of women and other entrants to war industry is too often unattractive in comparison with the wages paid in non-essential employment. So much has been made of the fact that some grades of munition, engineering and aircraft workers make notably high earnings on piece-work that these discrepancies, which seriously impede the flow of recruits into war work, have been overlooked. There are two separate problems. One is the need, stated by the Government in a recent White Paper and opposed by the TUC, to stabilise prices, including the price of labour, in order to ward off inflation. The other is the need to adjust wage differences to fit the requirements of war economy—to step up the marginal earnings received for increased effort and to increase the pay of the lower grades of men and women war workers. This was Mr Silkin's point. What is wanted is a wartime wages policy: and a wages policy is impossible without the acceptance of central planning by the trade unions and its imposition by the Government, with their agreement.

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Calm in the Levant

If a British offensive is to be launched on the Libyan front, the political background at least is fairly favourable. In Egypt, the Hussein Sirry Ministry is co-operating loyally within the framework of the Anglo-Egyptian Treaty, even though the country as a whole regards the war only as a painful necessity, which involves air raids, inconvenience, and not very much compensating advantage apart, admittedly, from the overwhelming advantage of not being ruled by the Italians. Syria and the Lebanon seem completely pacified, but the seeds of future discord may have been sown by General Catroux's decision to nominate Sheikh Taj Addin-el-Hasni as President of Independent Syria, while the Syrian Nationalists maintain that the former President, Atassi, who resigned in 1939, should be recalled, since the Syrian Parliament did not accept his resignation. It is perhaps unfair to call this issue a seed of further discord. It is rather an old root of controversy thrusting up a new shoot. The fundamental issue is whether Syria shall accept treaty relations with France on the Anglo-Iraqi model or be completely independent. Sheikh Taj Addin is ready to negotiate such a treaty, the Nationalists are not. The fact that certain of them look to Britain to support them does not ease the situation. To offset this hint of discord, the position of Turkey is more favourable than for weeks past. In spite of all Dr Clodius's cajolings, the Turks have refused either to increase the total value of goods to be exchanged—some £T21 millions—or to alter the exchange ratio of lira and Reichsmark in Germany's favour, or—most important of all—to supply Germany with chrome which Britain has pre-empted and the Germans have made very vigorous efforts to obtain. The Turks have, it is true, agreed to sell Germany chrome in 1943, but, given the fortunes of war, this is probably only a politer version of the Greek Kalends.

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The Future of the Hospitals

Reconstruction for the hospitals has now been officially defined. "It is the objective of the Government," said the Minister of Health in Parliament last week, "as soon as may be after the war to ensure that, by means of a comprehensive hospital service, appropriate treatment shall be readily available to every person in need of it." The principle is admirable. Whether it will be secured by the method proposed is more doubtful. The duty of securing it is to be laid upon the major local authorities, and the Government is to make this possible by regularising the "partnership" between the local authorities and the voluntary hospitals. The service will be on a regional basis, in fact, the Government's statement of policy means that it has adopted the policy of the Nuffield Provincial Hospital Trust, which was set up nearly two years ago to co-ordinate the hospital and ancillary medical services in the province

and is extending it to London. A division of function between the hospitals is to be arranged in order to prevent overlapping and consequently unnecessary expenditure, and financial contributions from the Exchequer will be given to local authorities for any new burdens they may assume, whether on their own account or in contributing towards the expenditure of the voluntary hospitals; increased educational grants are contemplated for the teaching hospitals. In theory, these arrangements should put an end to the present rivalry between municipal and voluntary hospitals by placing the obligation to secure an adequate hospital service on the local authority, which ought, therefore, to be in a position to dictate. In practice, it is not at all certain that co-operation will be achieved, because the efficient administration of the service must still depend on the medical staff. It has always been the difficulty in securing an efficient out-patients' service at a voluntary hospital that the consultants cannot be counted upon to keep fixed appointments because they are often too busy earning fees elsewhere; and they cannot be compelled to do so long as they are honorary members of the staff, and not employees under contract. Moreover, patients will still be required to pay according to their means, and this, even with the extension of provident schemes promised by Lord Nuffield's latest gift, implies the continuance of the present system of treatment according to means. Reorganisation of the hospital services cannot, in fact, be treated separately from the reorganisation of the whole medical services of the country, which is at present under consideration by the doctors themselves.

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Road Deaths Analysed

In the second year of the war, 10,073 persons were killed on the roads, compared with 8,358 in the first year and 6,631 in the twelve months preceding the outbreak. The 18,431 killed since September, 1939, are officially classified as 2,659 motor-cyclists, including pillion riders; 739 drivers of cars; 2,788 pedal cyclists, including 440 children; 10,252 pedestrians, including 2,104 children; and 1,993 "other persons," including passengers and people boarding and alighting from vehicles. Somewhat more detailed information, however, has been collected by the Royal Society for the Prevention of Accidents, which analysed 631 reports of fatal road accidents in June and July of this year. Of the total, 151 happened to children; of 293 cases where employment, trade or profession was made known, 106 were members of the Forces; accidents to pedestrians accounted for 254 cases, followed by 116 to pedal cyclists and 114 to motor cyclists. The analysis further shows that of the 126 fatal accidents to child pedestrians, one-third was caused by darting or stepping into the road without looking, and one-quarter by playing in the road. Hesitation or carelessness when crossing the road was the main or a contributory cause in most of the fatal accidents to adult pedestrians, and for motor drivers and motor cyclists loss of control and excessive speed were the chief responsible factors. Road junctions are still the most dangerous spots; 27 per cent of the fatal accidents investigated occurred at them. There are obviously many gaps in the analysis; but, as with accidents in general, and industrial accidents in particular, knowledge of the main causes of road accidents should help towards their defeat, and the Society's work should therefore be encouraged. Nine to ten thousand road deaths a year are a scandalous waste in peacetime; in war, the loss of manpower from death or disablement is a crime.

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Third Class Only

Either the abolition of first-class travel is a saving in travelling space, and so in fuel, or it is not. It is now almost a fortnight since the Minister of War Transport abolished first-class travel in all trains beginning and ending their journeys within the area of the LPTB, and it has become more apparent than ever that the scope of the measure is far too narrow. It is, of course, an important step that the wastage of travelling space implied in the retention of first-class carriages should be removed within the large London area, ranging as it does from Bletchley on the north to Sevenoaks and Guildford on the south and from Witham on the east to Reading on the west. The change apparently affects some 5,000 trains. But, and here is the crux of the matter, how does this 5,000 compare

with the total number of trains which begin or end their journeys outside the area in question and yet stop at stations within it, or with the greater number that ply entirely outside? On these trains, first-class carriages will still prohibit the entrance of the majority of travellers; and, since the principle that the retention of two classes causes delay has now been officially admitted, the distinction between London and the country beyond seems unreasonable, to say the least. No delay or waste of travelling space is consistent with the wartime utilisation of transport. The time is gone by when it is permissible to do things by halves; and the abolition of first-class travel throughout the country would bring with it the subsidiary blessing that young officers in the services, many of whom are struggling to support families on wholly inadequate salaries, would be spared the futile expense of a first-class ticket, which a false estimate of the dictates of prestige at present demands.

* * *

Inter-American Trade

The great primary producing countries have been hard hit by the loss of their markets in continental Europe. As Great Britain has undertaken to assist in the financing and disposal of surplus products in the Empire, it was only natural for the United States to perform a similar task in Latin America. The Lend-Lease agreement with Brazil concluded earlier this month has now been followed, after protracted negotiations, by a trade agreement with Argentina. Like previous trade pacts negotiated by Mr Cordell Hull, the new agreement embodies the most-favoured-nation clause. The United States undertakes to halve the import duties on linseed and canned meats; and to facilitate the import of wool, hides and quebracho extract and, temporarily, that of wines, cheese and sunflower seed oil. Argentina has reduced the tariffs on motor vehicles, wood, cement and chemicals; but the pact is subject to limitations imposed by the payments agreement in force between Argentina and the United Kingdom. The agreement should assist Argentina in disposing of some of its surplus products, which are likely to be required in increasing quantities by the United States. Nevertheless, like those granted in previous agreements, the concessions were opposed by trade interests in the United States who have long fought against an expansion in imports of Argentine primary products. Thus, Senator Butler, of Nebraska, alleged that beef, cattle, dairy products, wool and linseed interests were to be "sacrificed under the timeworn excuse of national urgency." But President Roosevelt has called the agreement "a monument to the ways of peace."

* * *

Shorter Notes

The following table gives the number of civilian casualties in aid raids since September, 1940. The figures for January to June this year have been officially amended:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Total Sept.-Dec., 1940.....	21,669	30,556	52,225
1941:—			
January.....	1,550	2,021	3,571
February.....	793	1,068	1,861
March.....	4,298	4,794	9,092
April.....	6,131	6,900	13,031
May.....	5,520	5,207	10,727
June.....	406	461	867
July.....	501	447	948
August.....	169	136	305
September.....	217	269	486
Totals to date.....	41,254	51,859	93,113

Of those killed in September, 87 were men, 73 were women, 45 were children under 16 and 12 were unclassified.

*

An Order prohibiting the manufacture and sale of worthless food substitutes has been signed. A good illustration of this latest form of profiteering is the conviction of a Bootle firm for selling an egg substitute powder calculated to deceive. It was alleged that the powder was sold at 1,600 per cent above cost, and on analysis it was found to consist of baking powder and colouring matter.

THE WORLD OVERSEAS

Trade and Shipping in Shanghai

(From Our Shanghai Correspondent)

September 8th

THE end of the first two years of the war finds Shanghai's trade with Europe, and Shanghai's shipping under European flags, both heavily curtailed. Both have been reduced by 80 per cent. Most of the remainder of Shanghai's commercial intercourse with Europe is carried on with the United Kingdom alone, which also accounts for half of what is left of Shanghai's European shipping. Yet British trade and shipping have declined considerably. Japan, contrary to its expectations, has not been able to expand its Shanghai trade and shipping correspondingly. Harassed by the negative development of the China adventure and a vast need for arms, its trade with Shanghai in the last two years was cut in half, and it was not able to increase the volume of its Shanghai shipping to any extent. Both Europe's and Japan's losses in Shanghai's trade were made good by other inter-Asiatic and trans-Pacific trade, with the south-east Asiatic countries and the United States now together controlling 75 per cent of Shanghai's imports and exports.

Truly remarkable is the wartime reduction of Shanghai's maritime intercourse with non-China ports. In July, 1939, Shanghai entered from and cleared for such ports 1,496,677 tons of mercantile shipping. But in July, 1941, the volume of this shipping had dropped to 716,305 tons. This is a reduction of 52.5 per cent. Shanghai shipping under European flags alone for these same two months shows an 80 per cent drop—from 1,076,906 to 221,395 tons. The chief reason for this decline is the systematic withdrawal from waters north of Hongkong of the bulk of British Far Eastern shipping. British vessels entered into and cleared from Shanghai port in July, 1939, totalled 594,296 tons, but in July this year aggregated a mere 82,302 tons. Britain's share in Shanghai's shipping has been reduced from 40 to 11.5 per cent. Shanghai's non-coastal shipping under Continental European flags at the same time went down from 473,906 to 84,800 tons, with the French Vichy flag accounting for half of the remainder.

Of all the white men's countries, the United States alone during the past two years managed to increase its Shanghai shipping volume. American ships entered and cleared at Shanghai in July, 1939, registered 59,216 tons. In July, 1941, this figure showed an increase to 123,901 tons. Shipping under the American flag thereby raised its share in Shanghai's shipping from 4 per cent pre-war to 17.3 per cent this summer. Yet Japanese shipping at Shanghai remains three times greater than American shipping. The Japanese throughout the past two years had no additional bottom space to spare for Shanghai. Local maritime traffic under the Japanese flag in July this year totalled 371,009 tons, against 360,555 tons in July, 1939. But with shipping under the European and American flags here reduced by 70 per cent, the maintenance of the Japanese pre-war shipping volume now gives Japan a dominating shipping share of 52 per cent, against only 24 per cent on the eve of the European war.

Shanghai's imports of European goods have dwindled to a mere £150,000 a month, of which more than £100,000 are made in Britain. Most of the remainder are of Swiss manufacture, accompanied by a sprinkling of products from other European countries. These imports give Europe a share of slightly less than 5 per cent in local imports, while during the months immediately preceding the European war, it exceeded 20 per cent. Most British standard products are still to be had here, despite considerable hoarding. The majority of Continental European brands, previously well-established here, are out of stock; others are hoarded anxiously and are sold sparingly at extraordinarily high prices. French wines and spirits, drugs and cosmetics—although still replenished on a small scale via French Indo-

China—are marketed here at between five and ten times the pre-war prices. On the other hand, there are large local stocks of German pharmaceuticals and dyes, with holders reluctant to sell even at record high quotations.

The End of Axis Trade

Trans-Siberian transit trade with Germany and Italy, since the outbreak of the Russo-German war, has become a thing of the past. The month of July still saw a large influx into Shanghai of German dyes sent through Manchuria just before Hitler's invasion of Russia, and during that month German goods formed 70 per cent of all Shanghai's imports of dyes. But August saw these arrivals drying up, and by early September imports from Germany had come to a standstill. Exports from Shanghai to Dairen for transit via Siberia to Germany immediately stopped on June 22, 1941. Owing to the Nazis' hope of an early defeat of Russia, local German firms were ordered to hold on to supplies purchased for export to Germany. These hopes have now disappeared, and at present such firms retain their supplies merely as an investment in kind, because their hands are bound by the democracies' freezing of Sino-Japanese assets. Some of these firms, however, recently began to sell in order to cover running costs.

The reduction of Shanghai's shipments to Dairen in July this year, compared with the previous month of June, which is mainly due to the stoppage of trans-Siberian transit trade, indicates the extent of Shanghai's exports to Germany via Siberia just prior to the Russo-German war. These shipments within a single month declined by almost £3,500,000. This decline was chiefly accounted for by the following commodities: tin, £750,000; other metals and metal products, £220,000; cotton yarn, £650,000; leather and hides, £500,000; tea, £500,000; sesamum seeds, £400,000; raw cotton, £300,000. There are also other indications to the effect that this has been the approximate nature of Shanghai's last trans-Siberian exports to the Reich. The time taken to transport commodities from Dairen to the German border had early this summer extended to an average of forty-five days, so that most of Shanghai's exports in May and June in that direction may be assumed to have been surprised in Russia on the outbreak of the Russo-German war.

Totalitarian Economy in Croatia

[BY A CORRESPONDENT]

September 30th

THE new "Kingdom of Croatia" tries hard to prove itself a worthy member of the "New Order." The Ustasha (the official state party) is copying all the characteristic features of the German Nazi party, not only in the political field but also in the economic and other spheres of national life. The first and foremost economic principle of the new state is that all important economic positions are to be taken out of the hands of non-Croats and non-Aryans. A special "Board for Economic Renovation" has been entrusted with the task of transferring "alien," that is, mainly Serbian and Jewish, firms into the hands of Croats. The so-called aliens are not supposed to be expropriated, but they are only paid in instalments for their property. Jews and Serbs are not

October 18, 1941

allowed to perform any business dealings of significance, even among themselves, without official consent.

The real meaning of this enforced "Croatisation" of economic life can be seen from the fact that, of the more than 7 million inhabitants of the new State, less than 5 million are of Croatian stock, and, according to an official announcement, two-thirds of all Croatian firms are in Serbian or Jewish hands. It can easily be seen that the adoption of the Nazi point of view has, in this respect, much wider repercussions in Croatia than it had in Germany itself.

A second characteristic of the young Croatian State is its preoccupation with far-reaching economic reforms and big new schemes in transport, industries and agriculture, though it is not always quite clear how these schemes are to be financed. New roads and railways are to be built in various parts of the country; the whole of Moslawina is to be electrified; two new aluminium plants have been designed. The natural lack of coal is to be counteracted by a more thorough utilisation of the country's water-power. The Italian oil concern, AGIP, has been given permission to exploit the country's oilfields. Still more important, in a country with a predominantly agrarian structure, are the plans to increase the arable land, mainly by new river regulations, large-scale drainage and improvement works, etc. On the new land, many thousands of new farmers are to be settled, and it is hoped to overcome, in this way, the poverty of large sections of the peasant population. The cultivation of sugar beet, tobacco, hemp, flax, rape seed, sunflower, and other industrial plants is being officially encouraged.

These measures imply the increasing power of the state, which is to organise all these new tasks. But the power of the totalitarian state machinery expands still farther into the economic field. A state-directed central bank is entrusted with the functions of a clearing centre, and has also to direct the country's credit system. All prices are controlled by the state, and the principle has been adopted that in wartime no price increases are allowed without special Government consent. To enforce this law, state commissioners are to control every retail shop in the country. Big business is to be controlled similarly, or even more rigidly, and state commissioners have been assigned to numerous commercial and industrial establishments. They are even allowed to commandeer the property of the firms "in the national interest." Other important establishments have been wholly or partly taken over by the state, especially since, with all the organisations of the industrialists are to co-operate with the state, and to carry out official instructions. A German newspaper correspondent commenting on this new industrial policy hopes, a little naively, that the restriction of initiative caused by state interference will not tend to lower the general output, but he does not explain on what his hopes are based.

Other functions of the state include the control of foreign trade, which is centralised under a special board, and the control of the most important raw materials. State monopolies have been formed for the trade in tobacco, cigarette paper, salt, matches and liquid fuel. As for agriculture, the state has now assumed a monopoly of the trade in grain, and every farmer has to offer his product for purchase to the state even before it is harvested. Other measures "for the protection of the farmers" will probably include a new farming law on the lines of the German *Reichserbhofgesetz*, which will make it impossible to sell or mortgage large and medium-sized farms. A compulsory farmers' organisation, which again will be a semi-official institution, will be modelled on the Nazi *Reich Nahrung*. It is somewhat ironic that, in the Duke of Spoleto's kingdom, every detail of economic organisation is taken from the German rather than from the Italian pattern.

The numerous trade unions have been amalgamated into one labour organisation under the auspices of the Ustasha. This organisation boasts that labour conditions have been improved by the new wage rates, but there are indications that its assistance to the workers is of a similar character to that of the German Labour Front. To the minimum hourly wage of 4 dinars (or 4 kunas, as it is now officially called) in August, 1939, has been added a bonus of up to 3 dinars, and to the minimum monthly wage of 1,200 dinars for white-collar employees has been added a bonus of up to 400 dinars, though, according to the official Economic Institute, food prices have increased by about 90 per cent; real wages have, therefore, been lowered. All men and women between 20 and 25 years of age have to live for one year in the barracks of the Compulsory Labour Service. This newly-created service is supposed to educate people

and to create a new national morale, but it will probably also provide the state with cheap labour for its new economic activities.

Manpower for Germany

The manpower reserves of the country are, of course, of special interest for its German masters. Significantly, the first international treaty signed by the Croatian Government, in May this year, was one with the Reich about the sending of Croatian agricultural and industrial workers to Germany. Some 54,000 workers were immediately despatched to the Reich, in addition to 12,000 others who had gone before on their own initiative; they are paid the same rates as German workers in the same position. This action is also thought to be an effective short-term measure against the extensive "invisible unemployment," which consists, mainly, of members of farmers' families who are more or less idling in the villages, and are now hoping for the day when they will be given allotments on new land by the "Board for Inner Colonisation."

Whatever may be the outcome of all these ambitious hopes and schemes, the present economic situation, after the Yugoslavian campaign and the "National Revolution," is anything but prosperous. A trade agreement was signed with Germany providing for the export of 500 million kunas' worth of timber, eggs, fruit and vegetables, aluminium, etc., in exchange for machinery and other industrial goods. This volume of trade does not suggest that either Croatia or Germany expects any spectacular rise in the country's exportable output in the immediate future. There is a definite shortage of fertilisers and coal in the country, and hardly any oil is available from Roumania, the most obvious source of supply.

In the first few weeks of the "Croatian revolution," the sale of textiles, footwear, soap and most sorts of tinned fruit was completely stopped, and a severe rationing system now covers all these goods. Bread consumption has been restricted to 14.2 oz. per day for workers and to 7.1 oz. for non-workers and its quality has deteriorated. Fats also are rationed, and butcher's shops must be closed on two days each week apart from Sunday. Fortunately for Croatia, the weather has been particularly bright this summer, and the harvest is supposed to be a good one. Even so, food rationing is likely to be tightened up during the approaching autumn and winter. The number of meatless days will probably be increased to three or four per week.

To these economic problems are added the political difficulties of the new totalitarian regime. Constant acts of sabotage by the Serbian and Moslem population, which at times amount to real riots, are upsetting administrative work in large parts of the country, while the whole coastline is occupied by Italian troops; only recently, the Croatian Government had to agree to a further extension of the area under foreign occupation. Serious purges within the Ustasha have been necessary to ensure the "national unity" which has to conform to Axis wishes.

A New Era in Hongkong

[FROM OUR HONGKONG CORRESPONDENT]

September 17th

SINCE the beginning of this month, there has been a change in the Governorship of this colony. After less than four years of office, Sir Geoffrey Northcote left Hongkong on September 6th, amidst widespread expressions of regret that ill-health prevented him from completing his full term. His name will be associated with the marked progress

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made in the amelioration of social conditions here; and it is the more to his credit that, despite wartime problems, arising from the Sino-Japanese conflict as well as from the wider struggle, he was able to pursue a vigorous policy of social reform and give every encouragement to unofficial relief organisations. He was a staunch friend of the University, for which he probably achieved more than any of his predecessors since Lord Lugard, and a special message from Dr Quo Tai Chi bore testimony to what he had done to develop Sino-British cultural relations.

The new Governor, Sir Mark Young, arrived a week after the departure of Sir Geoffrey Northcote. Sir Mark has been Governor of Tanganyika during the past three years, and as the administration of British territory in Africa appears to be conducted on more progressive lines than in the eastern colonies, there is every hope that he will continue the policy of his predecessor, who spent most of his service in Africa. During the past five or six years, the growth of Hongkong has been so rapid that it has outstripped the system of departmental government which was good enough when Hongkong was an entrepôt of trade and nothing more. Industrial and political problems have now become of paramount importance, and the task which lies before the new Governor will demand statesmanship in addition to administrative ability.

The finances of the colony are in a healthy state and revenue continues to flow in at a higher rate than was estimated. The surplus of assets over liabilities at the end of May exceeded \$24 millions, revenue for the first two months of the financial year beginning April 1st having exceeded expenditure by nearly \$2 millions. Contributions direct to the Imperial Exchequer, gifts to the Admiralty in the shape of locally built naval craft, and a big outlay on defensive works are all charged to local revenue, and in order to finance a progressive scheme of social betterment there can be no reduction in the present scale of taxation.

Communications with China

The development of air traffic between this colony and Free China has now reached considerable proportions. There are two services, one conducted by the China National Aviation Corporation, in which American capital has a half share, and the other the Eurasia Aviation Corporation. The latter was formed with German capital and German pilots were in charge of the planes. Since the termination of diplomatic relations between China and Germany, the Eurasia Aviation Corporation has become a purely Chinese concern. Both services ply between here and Chungking, connecting with Chengtu, Kunming and Rangoon. In addition to the passenger services, there are planes entirely given up to freight, which fly to Nam Yung, a town in Northern Kwangtung, about an hour's flight from Hongkong, where the goods are landed and distributed to various parts of Free China by river, rail and road. As many as ten freight planes leave Hongkong for the interior on some days, and, despite the high rates charged for the air portion of the journey, it is understood that the cost of transportation for many articles works out cheaper by this route than by sea to Rangoon and thence to the Burma Road.

There have been some substantial shipments of rubber footwear to Britain during the current year, but local factories are now finding difficulty in obtaining their requirements of chemicals, and it looks as if production will suffer. Factories engaged in textiles have been fully occupied with orders for Malaya and the South African markets, and many of them are now receiving orders for woollen garments for British troops in the east. These orders are placed by the Hongkong War Supplies Board under instructions from Delhi, as a result of the Eastern Group Conference of last autumn. Large amounts of steel helmets, entrenching tools, water-bottles, webbing equipment and ground-sheets have already been made and shipped to various ordnance depots east of Suez, and it is fortunate that Hongkong has been in a position to contribute in this way towards the war effort with considerable benefit to those engaged in industry. How far this work can be extended depends largely on the supply of raw material, which, of course, is becoming increasingly difficult to secure.

The conference in Hongkong between Shanghai banking interests and the Chinese Currency Stabilisation Board resulted in the withdrawal of foreign banking support from the black market. Thus the last free sterling market has been closed. This decision seems to have met with strong criticism in Shanghai; but while submission to exchange control may be unpalatable to many, there seems to be no

alternative remedy if Chinese currency is to be safeguarded from Japanese assault. No doubt there will be a good many difficulties to be overcome before the control functions smoothly, but, judged by a month's experience in Hongkong, legitimate trade is not likely to suffer, and there seems to be no reason why the new arrangement should not work out to the benefit of all concerned in the commerce of China.

A New Production Index in America

[FROM OUR NEW YORK CORRESPONDENT]

September 23rd
THE Federal Reserve Index of Production has been revised again, giving more complete representation to the defence industries. At the same time, the seasonal adjustments were revised. The net effect is to lift the new index slightly above the old, as follows:

INDEX OF INDUSTRIAL PRODUCTION (1935-39 = 100)				
	Without Seasonal Adjustment		With Seasonal Adjustment	
	Old	New	Old	New
1940: - July	118	120	121	122
Aug.	120	124	121	124
Sept.	129	132	125	127
Oct.	134	136	129	130
Nov.	135	136	133	134
Dec.	135	136	139	139
1941: - Jan.	134	135	140	140
Feb.	138	140	141	144
Mar.	143	144	143	147
Apr.	142	144	140	144
May	153	155	150	154
June	157	160	157	159
July	156	159	161	161

FEDERAL RESERVE BUSINESS INDICES (1935-39 = 100) (Adjusted for Seasonal Variation)				
	Aug., 1940	July, 1941	Aug., 1941*	
Industrial production (total)	124	160	161	
Manufactures (total)	126	165	166	
Durable goods	143	199	201	
Non-durable goods	112	138	137	
Minerals	113	130	132	
Construction contracts (total)	90	139	150	
Residential	82	117	123	
All other	98	157	173	
Factory employment (total)	107.4	133.3		
Durable goods	104.3	111.0		
Non-durable goods	110.2	126.1		
Factory payrolls (total)†	105.5	152.8		
Durable goods	106.5	172.6		
Non-durable goods	104.4	130.6		
Freight car loadings	112	138	139	
Department store sales	98	115	133	
Department store stocks	69	81		

* Preliminary. † Not adjusted for seasonal.

This tabulation does not exhibit one of the most interesting features of the past month—the visible and growing scarcity of certain items of consumer goods. Perhaps scarcity is too strong a word to describe a condition usually explained to the consumer with the statement that such and such items are “hard to get,” or that deliveries are slow. Nor is the number of such items great, or their urgency particularly imperative. Nevertheless, in a chronicle of the period, it marks a change—it was not encountered at all in July; it is not infrequently encountered in September. It is impossible to state positively whether this condition is more attributable to reduction in supply or increase in demand. The unadjusted index of non-durable goods production and of factory payrolls runs as follows:

	Non-durable Goods	Factory Payrolls
January	118	121
February	122	127
March	126	131
April	129	135
May	134	144
June	138	152
July	138	153
August	140	—

This involves two rather violent assumptions—that the index of non-durable goods can be imagined as an index of consumer goods; and that factory payrolls can be imagined as an index of consumer income. Neither of these assumptions is justified, yet they can be utilised to convey the general idea that the supply of consumer goods has not increased as much since spring as consumer income. Oddly enough, the item of consumer goods whose approaching scarcity was first publicised in mid-summer—petrol—seems to be in abundant supply, although the 7 p.m. to 7 a.m. curfew is still maintained, to the delight of filling-station attendants, and with only rare inconvenience for those motorists who, like the Foolish Virgins in the parable, neglected to keep their tanks full.

While the August figure of manufacturing reached a new high level, there is more talk and more evidence that the economy is in the vicinity of a ceiling, that is, that the production of the defence items can be increased only at the expense of a curtailment (or of no further expansion) in non-defence output. The system of priorities is, in effect, a scheme of rationing producers, while there has been no rationing of consumption. Administratively this is simple and probably effective; but it is bringing visible strain on the price structure.

The Executions in Czechoslovakia

[BY A CZECHOSLOVAK CORRESPONDENT]

October 13th.

DURING the first fortnight of Reinhard Heydrich's regime, of the 1,500 persons who were tried by military tribunals, 250 were sentenced to death; the rest were sent to concentration camps for further investigation by the Gestapo, whence, it is expected, only a few will ever return. Among the 235 people executed up to October 12th were men belonging to all classes of the nation. Officers and soldiers of the former Czechoslovak army, officials, journalists, merchants and workers were among the victims. Lt-General Alois Elias, the Prime Minister of the Puppet Government, who has been sentenced to death by the infamous “People's Court,” is still alive. In the headquarters of the Gestapo in Prague, he is confronted with hundreds of people every day and compelled under torture to give secrets which will lead to further trials. General Elias was a Legionary, and after Munich acted as deputy War Minister before he was chosen to be Prime Minister. He is a distinguished soldier, who obtained his final education at the French Staff College and represented Czechoslovakia as a military expert at the Disarmament Conference at Geneva in 1932.

Among the first victims executed were several prominent generals. They included the military commander of Bohemia, General Joseph Bily; the district commander of Slovakia, Lt.-Gen. Hugo Vojta, who has been retired since March 1939; and General Frantisek Horacek, who had for years been commander of an artillery regiment in Moravia and who shortly before Munich was transferred to the Ministry of National Defence, where he was considered to be one of the greatest experts in artillery. The second deputy Chief of the General Staff, General Mikulas Dolezal, commander of the Staff College, and General Oleg Svatik, commander of the 12th Division in Carpatho-Ruthenia, were also executed. Colonel Karel Capek, who was in charge of an NCO school in Olomouc, was sentenced to death. The Mayor of Prague, Dr Ottokar Klapka, who refused to sign a plea for mercy, was shot. No branch of national life was spared. Heydrich completed the drive against the Czech cultural organisations which had been started by Neurath two years ago. Professor Dr Wladimir Groh, professor of classical philology at the Mazaryk University in Brno, was sentenced to death. He was the centre of Czech cultural life in his town and was never concerned in politics. His fate was shared by his fellow citizen, Dr Voitech Jilek, a physician who was the leader of the sports organisation “Orel,” and by Augustin Pechlat, the organiser of the disbanded “Sokol” movement. Leo Schwarz, an engineer, who was financial adviser to the Legionary organisation and who figured in the German communiqué simply as “a Jew,” had to pay with his life for his loyalty to freedom. Among the executed are also Dr Karel Trejbal, President of the Court in the town of Velvary, a leader of

the trade union of judges, who often visited Great Britain as a chess champion, and Joseph Smrkovsky, a famous large-scale importer from Prague, who was accused by the Germans of having hidden material of all sorts in his warehouses.

Apart from those already mentioned, about 180 hostages were massacred in the true sense of the word. These hostages had been in prison for months and not the slightest reason can be offered by the Nazis to explain this slaughter. Heydrich tried to explain that he had to show a strong hand in order to protect the Czech people from an enormous food racket which, he alleged, was the reason for “certain dissatisfaction” among the Czech people. In order to give this ridiculous statement a semblance of probability, the head of the food department of the Ministry of Agriculture, Dr Frankfurter, and a number of traders and millers were executed.

Baron von Neurath, the former Protector, who is now in Stuttgart, had to retire because he was obviously unable to cope with the Czech resistance, though he tried hard to break the spirit of the Czechoslovak people in every possible way. It would be wrong to see in his departure a protest against any ruthless persecutions which might have been suggested to him by Berlin. He willingly took part in every act of violence; he approved the massacres of Czech students in 1939 and robbed the Protectorate in every conceivable way. The real reason for Heydrich's appointment seems to have been that the *Wehrmacht* seriously complained of the damage done by Czech sabotage. They pointed out that apart from the material losses by sabotage and passive resistance in factories, supplies for the Russian front, some of which have to cross Czech territory, were often delayed, damaged or even lost.

Books Received

Production for Victory, not Profit! By M. Edelman (London) Gollancz. 184 pp. 7s. 6d. net.

Eastern Workingmen and National Land Policy, 1829-1862. By H. S. Zahler. (London) H. Milford. 246 pp. 15s. 6d. net.

A New Order for Germany. By G. O. G. Luetkens. Peace Aims Pamphlet No. 8. (London) National Peace Council. 10 pp. 3d. net.

THE HIGHER CIVIL SERVICE OF GREAT BRITAIN

by H. E. DALE

10/- net

This book gives an account of the normal work and life (as they were before the outbreak of war, and may be again) of a small, very important, but little known body of men—the high permanent officials, a tiny fraction of the whole Civil Service, who stand close to Ministers of State, and are their principal advisers. (Ready 23rd October)

VALUE AND CAPITAL

by J. R. HICKS

12/6 net

“... This is the best treat we have had since Mr. Keynes' *General Theory*. . .” —*New Statesman*

“... This is one of the few books which mark a stage in the advance of a science. . . .” —*Economist*

Oxford University Press

THE BUSINESS WORLD

Against Inflation in America

THE tremendous surge in the production of the United States since the defence programme got under way and the concurrent expansion in the money income of the country have brought the problem of inflation to a head. The expansion in output is mainly attributable to the defence programme and is represented by the equipment of the new American forces or by exports under Lease and Lend. When the volume of real national income available for civilian consumption is decreased by defence demands, this persistent expansion in money income will create all the essential elements of inflation on a truly impressive scale. The United States, which to-day possesses between eight and nine times as much gold as all the rest of the world put together, is perhaps in more danger of inflation than any one of the belligerent nations. The reason is not to be found in the general implications of the "quantity theory," or even in the possession of large excess reserve balances by the member banks of the Federal Reserve system. It rather lies in the fact that the United States still lacks the array of anti-inflation devices, a closed capital market, high taxation, civilian rationing and control of essential prices, wages and profits the belligerent nations have all imposed—Germany with draconic ruthlessness, Britain with less verve, but none the less with considerable effect.

Some awareness of the danger of inflation into which the United States has been drifting has been shown by the authorities in that country for some time past. This recognition of the problem must not be confused with the dire prognostications of the "hard currency" economists who used to describe excess member bank reserves as "liquid dynamite," even in days when the number of unemployed in the United States topped the 10 million mark. Evidence of official appreciation of the inflation question has been provided within the past week or so by the proposal to tax excess corporation profits and by the decision to increase member bank reserve requirements. The need for such action can best be illustrated by quoting a few of the essential statistics. The annual rate of flow of national income payments in the United States had risen by \$14,000 millions to \$88,000 millions, or by 19 per cent, between May, 1940, when the defence programme was initiated, and July last. By 1942, the national income of the United States is expected to be running at the record level of \$100,000 millions. During the first 14 months of the defence programme, wage and salary payments had risen by about 25 per cent, and payments to factory workers were 55 per cent up. As the supplies of consumption and durable goods available for the civilian population have not increased commensurately with the rise in money incomes, an inevitable upward pressure on prices has been exerted. In the same 14-month period, the index of wholesale prices rose from 78.4 to 88.8 and the index of farm prices from 67.9 to 86.7. The rise in these indices has been steadily accelerating, and by far the greater part of the above movements has been compressed within the last four months of the period.

The first real indication of authoritative concern at the inflationary trend in the United States was provided by the special report to Congress submitted by the massed authority of the Federal Reserve System at the end of last year. This document, while admitting that inflation cannot be controlled by monetary means alone, demanded that "adequate means be provided to combat the dangers of over-expansion of bank credit due to monetary causes." It thus requested an immediate increase in statutory reserve requirements up to the permissible maxima, a general lifting of these maxima, and their application to banks outside the membership of the Federal Reserve system. The recom-

mendations also touched the more realistic aspects of the problem, and, in particular, suggested that an increasing proportion of defence expenditure should be met by tax revenue, rather than by borrowing, and that Government issues should tap genuine savings and should not go to the banking system, a procedure which would merely swell bank deposits and help inflation on its course.

Since this document was submitted to Congress, the United States authorities have been far from idle in getting an anti-inflationary drive under way. The adjustment of the fiscal effort to the stupendous budgetary task now facing the United States has made some, though admittedly slow, progress. The Tax Bill, as it has emerged from its mauling by the Finance Committee of the House of Representatives, provides for additional revenue of \$3,672 millions out of the additional \$5,600 millions which is required this year. Preparations are already under way to increase this tax revenue. The directions in which additional revenue will be found are the corporations' excess profits tax, a steeper graduation of the taxes on personal incomes, higher excise taxes on durable consumers' goods and inheritance and gift taxes. The shadowy outlines of the excess profits tax were recently drawn by Mr Morgenthau. It proposes a 100 per cent tax on profits in excess of 6 per cent on the capital employed in the business. It is evident that this and other new fiscal measures will take months to fructify.

Meanwhile, the Budget deficit for the current year is running at the rate of over \$5,000 millions on the basis of a total expenditure of \$12,700 millions. Both figures should be increased by a further \$1,000 millions to allow for the net disbursements of various Government agencies such as the Reconstruction Finance Corporation. It is evident from these figures that recourse to borrowing is heavy and that it must remain so for some time to come. The policy of the Treasury has been to direct the appeal to Government issues as exclusively as possible to the public, and thus to tap genuine savings. The sale of Defence Savings Bonds, for example, has been limited to investors other than commercial banks. More recently, the Treasury has introduced a new type of security, issued in anticipation of tax payments and thus exclusively reserved for subscriptions out of genuine savings. It is true that member banks' holdings of Government paper have continued to expand; but it is in the form of short-dated and very low-yielding securities that this expansion is taking place. The United States have, since the beginning of the defence borrowing programme, avoided the practice of encouraging the commercial banks to participate in subscriptions to the relatively high yielding Government issues intended for genuine savings.

In the qualitative control of credit, the United States are still at a highly empirical stage. Their capital market remains free. Nor do any general instructions appear to have been given to the commercial banks to guide them in the task of distributing their credit facilities in accordance with a general plan anchored to the defence programme. There have been some specific injunctions against the grant of instalment credit facilities; and these have been framed with the objective of discouraging the sale and production of durable civilian consumption goods, such as cars, refrigerators and vacuum cleaners, which compete for their material and labour with the industries that should now be working full out on defence orders. Apart from this negative influence on the distributive control of bank credit, the Federal Reserve System has set up an elaborate machinery to provide liaison between the banking system and industrial firms engaged on defence work.

It is clear, however, that the banking authorities in the United States have little faith in their ability to hold the

situation through the existing means at their command for the qualitative control of credit. It must be realised that, out of a total volume of United States bank deposits of \$65,211 millions (the figure for last April), only \$46,179 millions were held by member banks of the Federal Reserve system and thus amenable to the control vested in that system. Moreover, the recent history of United States banking suggests that the powers of moral suasion of the Federal Reserve authorities, even over their member banks, are not highly developed. There could, under existing conditions, be no parallel in the United States to the general body of instructions on the distribution of credit given to British banks by the Treasury through the Bank of England on the outbreak of the war. This probably explains the persistence with which the Federal Reserve authorities have been demanding stricter quantitative control of the credit situation. They are to have their way. From November 1st, the reserve requirements of member banks will be raised to 6 per cent on demand deposits (against the present figure of 5 per cent) and on time deposits to 26 per cent (against 22½ per cent) for Central Reserve City banks, 20 per cent (against 17½ per cent) for Reserve City banks and 14 per cent (against 12 per cent) for country banks. The new higher ratios are the maxima which the Board of Governors are empowered to impose under existing legislation. They will cancel about \$1,200 millions of excess reserves, compared with the latest total of \$5,190 millions to which these excess balances have been swollen. If, therefore, the quantitative control of credit is to be at all effective, fresh legislation is needed to increase the reserve requirement maxima and to make them apply to non-member as well as to member banks.

If these moves and preparations are to be taken at their face value, they suggest that the United States has gone back to the principle of credit control by allowing the rate of interest to squeeze out non-essential production. Excess reserves will have to be mopped up to the point at which genuine scarcity of credit becomes evident and at

which interest rates begin to climb. It might have been thought that, following the hard-earned experience of the belligerent countries, greater efforts would have been made by the United States to attain the objective of control over the distribution of credit by more direct and less expensive measures than those now under contemplation. Perhaps what the United States Treasury and Federal Reserve authorities have in mind is a mixture of the two techniques. It is true that, in Britain, where qualitative control of credit is attaining some proficiency, the volume of bank cash as determined by the authorities is not allowed to rise above the minimum level required to uphold the superstructure of bank credit. No harmful effect to the structure of American money rates need therefore be caused by merely absorbing the existing volume of excess reserves, provided subsequent reserve policies or open market operations see to it that the credit expansion demanded by the still swelling flood of production is satisfied without causing any perceptible hardening of money rates.

It is nevertheless evident that this tinkering with reserve requirements cannot solve the problem of inflation in the complete war economy into which the United States is fast becoming immersed. More direct methods will have to be used. Taxation must inevitably be raised further. A wide expansion of the social security programme and, in particular, of unemployment and health insurance, would act as a potent antidote to inflation at the present moment. Finally, direct measures of price control and of its corollary, civilian rationing, will probably have to be extended. The machinery for this has already been set up with the establishment of the Office of Price Administration and Civilian Supply. If the ghost of inflation is to be effectively laid in the United States it will be by Mr Henderson, the head of this organisation, and Mr Morgenthau, with his fiscal armoury, rather than by Mr Eccles and his power to adjust bank reserve requirements.

Food Distribution Shares

IT is a sound investment principle to include in any portfolio of equities a fair proportion of shares in concerns supplying the necessities of life, and it might well be contended that, within this class, firms engaged in retail food distribution should be given a high place. The contention is just, subject to a further principle, applicable to all investments, namely, that the management must be in question distribute much which, even in time of peace and full employment, cannot without an abuse of language be termed necessities. It has also to be remembered that, since little capital equipment is necessary to start up in a small way, competition is always acute—except in those areas where town planning has imposed too strict limits on shopping facilities—and that, even there, the large chain stores and the co-operatives bid against one another.

Actually, the private grocer and the co-operatives take one large slice of the total trade, and the provision departments of almost every large store another. In view of this and the grouping of the remaining companies, the investor has not a very wide choice in this field. Even so, a representative selection of the shares available shows wide variations of experience over as short a period as the past decade. Of the eleven companies selected, the first four represent the retail trading in food of the Unilever group, and the fifth, International Tea, their principal competitor. The ABC and Lyons run food distribution as an adjunct to catering businesses. The Express Dairy does some catering, while it and United Dairies treat food distribution as a sideline to their milk business, but, before the war at least, must have handled a large volume of dairy produce and packet foods. Fortnum and Mason are a guide to the purchases of the relatively well-to-do, while Lovell and Christmas, more properly merchants than retail distributors, are included to give a clue to the development of the wholesale side of the business, in which some of the firms actually selected are engaged to a greater or lesser extent. In fact, in this business it is extremely difficult to segregate firms into producers and wholesale or retail distributors.

One aspect of the past history of the companies selected is summarised in Table I, giving figures of gross profits, where available, over a period of ten years. So far as increase in earning power is concerned, the two dairy companies are in a class by themselves—on the showing of these

TABLE I.—GROSS PROFITS £'000's

Company and Date of Accounts	1932	1936	1937	1938	1939	1940	1941
Home & Colonial (Jan. 4)	862	231	206	293	378	447	257
Lipton (Jan. 2)	275	121	142	158	197	244	245
Maypole (Jan. 2)	477	256	271	339	383	348	291
Meadow (Jan. 4)	259	107	111	124	123	130	102
Fortnum & Mason (Aug. 31)	885	865	680	626	687	795	844
International Tea (Apr. 30)	57	88	101	81	70	49	5
Lovell & Christmas (Mid. June)	137	206	143	90	104	170	5
A.B.C. (End Sept.)	210	235	217	189	121	14	5
J. Lyons (End March)	954	1,023	1,024	1,024	1,026	1,024	897
Express Dairy (End Dec.)	73	105	116	104	122	116	5
United Dairies (End June)	627	628	654	654	605	527	520

† After Tax.

§ Not available.

figures. This probably reflects the progressive triumph over their smaller competitors, the secular upward trend in milk consumption and their success in invading parts of the territory of the grocer—a campaign carried out both by their shops and their roundsmen. They were doubtless also assisted by the growth of population in London and its

CANADA HER WAR EFFORT AND POST WAR POSSIBILITIES

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a 44 pp. Supplement containing many authoritative articles on Canada's war effort, and on post war possibilities, by leading Dominion Ministers. The Supplement will include the first detailed description of the St. Lawrence Deep-Waterway project to be published in this country.

surroundings, up to the start of evacuation on a considerable scale. It may be noted in passing that the activities of the roundsmen, outside the distribution of milk, have already been severely restricted, and may suffer still further; but there is a substantial offset to this loss of business by the saving in cost through the reduced service rendered to the consumer by the cutting out of deliveries.

As will be seen from Table II, neither of these companies has so far found it necessary to reduce its dividend from the high level of full peacetime operation. This is, however, not true of the next share for consideration, Lyons ordinary, which suffered a cut from 23 to 20 per cent rather over a year ago. For Lyons, catering is presumably the most important single interest. With their widespread geographical distribution, it is doubtful how far evacuation and bombing would have reduced profits from this source. It is probable that the progressive withdrawal of men and women into the forces, the restriction of food sales through their shops and, perhaps most of all, the dislocation of their normal methods of manufacture by the restriction of imports, accounts for the setback in earnings recently shown. The case of the Aerated Bread Company, their direct competitor over a considerable field, is far less fortunate. Already suffering keenly, for a couple of decades at least, from the competition of their more successful rival, they have been exceptionally hard hit by the concentration of their business in the London area. It is clear that the task of regaining even the reduced share of the market which they held before the outbreak of war will be one of exceptional difficulty.

TABLE II.—EARNINGS AND PAYMENTS PER CENT ON ORDINARY CAPITAL

Company	1935	1936	1937	1938	1939	1940	1941
	E. P.	E. P.	E. P.	E. P.	E. P.	E. P.	E. P.
Home & Colonial	9.5 10	...	...	0.2 ...	4.4 3	7.5 6	...
Maypole	8.0 6	5.4 4	6.4 5	9.3 7	10.5 9	7.6 7	4.9 4
Meadow	1.1 ...	5.4 5	6.6 5	9.5 5	9.3 5	11.7 5	5.1 5
International Tea	38.9 30	30.8 30	19.4 16	14.5 10	18.9 10	23.5 12	24.8 12
Fortnum & Mason	21.4 8	20.4 12	21.5 15	18.4 15	10.3 10	4.9 5	...
Lovell & Christmas	12.5 8	12.6 10	7.7 7	2.2 ...	4.8 ...	10.3 6	...
A.B.C.	7.6 5	7.9 5	6.5 5	4.4 5	...	...	...
J. Lyons	29.5 23	29.8 23	29.9 23	30.2 23	30.2 23	33.0 20	22.4 20
Express Dairy	25.6 8	29.4 10	34.4 8	28.3 8	18.4 8	17.1 8	...
United Dairies	19.2 12	17.9 12	19.4 12	19.7 12	17.5 12	12.6 12	12.6 12

E. Earned. P. Paid. † Tax free. * Including special 2 per cent bonus.
‡ On capital doubled by bonus. § Not available.

Next there are the grocery chain stores *par excellence*, the Home and Colonial, with its affiliates, Lipton and the Maypole and Meadow dairies, and the subsidiaries, Brouchs, Pearks and Sherry's, on the one hand, and their rivals, the International Tea Company's Stores, on the other. Almost ever since the proposals for an amalgamation of these two groups were rejected, at the fiftieth minute of the eleventh hour, by International Tea, the fortunes of the Home and Colonial group have suffered a reverse. The profit of the parent declined from £862,000 in 1931 to £206,000 in 1935, and after more than doubling in the following three years, suffered a setback in 1940. This fall appears to have been due entirely to the incidence of EPT, the base period for which coincides with the three years when both Home and Colonial and its affiliates were experiencing the full effects of a period of unwise management. Two of those years saw the fortunes of International Tea near their highest, and it appears to be mainly, if not wholly, on account of this past misfortune that, while the shareholders of the latter group received 12 per cent last year, those of the Home and Colonial stand very little chance of getting anything until the war is over—or the basis of tax assessment is altered. The experience of this company is a supreme instance of the inequity of EPT. Maypole and Meadow dairy shareholders are more fortunate, but their return is very moderate. Before attempting any estimate of the future, it should be pointed out that the exceptionally good results of International Tea for the year ended April 30th last were accompanied by a very heavy fall in stock-in-trade from an unparalleled peak of over £2,500,000 to not very much more than £1,750,000, which was rather below normal.

The immediate outlook is conditioned by restrictions upon the supply of foodstuffs, by the growth of price-fixing and by the extent to which these companies can find new outlets for their energies, and others can invade their already limited field. Most of the figures so far available relate to periods when rationing and price-fixing were still in their early stages. A good deal of progress has been made in both fields

lately, and there is every reason to look for more, if only as one way of preventing, or at least mitigating, the effect of a considerable dose of credit creation upon the cost of supplies to the Government. It will not be surprising if, in the course of the next few months, most foodstuffs which can be considered at all essential are brought under control of one sort or another. It is also the fact that—despite any easing in the shipping position which may accrue within a similar period—the supply of non-essentials ought not to increase, and should possibly be reduced still further for certain sections of the population. It is also virtually certain that, with every fall in the total supply, and with every extension of price limitation, a larger proportion of the total will go to the less well-to-do, with a resultant tendency to improve the relative position of those concerns which cater mainly for the industrial worker and in particular those in heavy industries.

With the significant exception of International Tea, the latest accounts all show an expansion in stocks, but this does not carry the story much beyond April. According to the statistics compiled by the Bank of England, there were marked rises in stocks of foodstuffs, compared with a year before, up to the end of May, since when there has been a sharp decline. The figures are based on a much less representative sample than those of sales, but the development doubtless reflects the disappearance of a further section of luxuries from the shops. Taken by and large, it is improbable that the experience of individual concerns will differ much in this respect from now on, although there will still be some room for initiative to yield results.

The companies selected, with the exception of ABC, enter upon a period of restricted supplies with strong liquid positions. Their actual liquidity should be increased by a falling off in turnover, but their ability ultimately to replace stocks will depend upon a maintenance of the present price level. Further, a combination of very high taxation with an inadequate system of allowances and war damage contributions may make inroads into the resources of all companies. Accounts so far published do not suggest that these inroads have been serious to date, but it is a matter which should be closely watched. With these very important reservations, the more distant outlook for retail food distribution appears to be reasonably good, better for those who cater mainly for large numbers, less so for the high-class specialist trade. Post war conditions are, by common consent, likely to differ from those of the past, both in the relative demands of different strata of society and in trading conditions. Adjustment to these changes is likely to call for a high degree of initiative, and management will, probably, be even more important than it has always been. Table III shows recent

TABLE III.—PRICES AND YIELDS

Company	1939		1940		1941	Yield on Oct. 15 Latest Div.
	High	Low	High	Low	Oct. 15	
Home & Colonial (4s. ord.)	5.6	2.4	4.6	2.6	3/	...
Maypole Dairy (2s. defd.)	3/11	2.3	2.9	1.3	1/9	4.57
Meadow Dairy (£1 7½% on pref)	24.6	20/-	26.6	19.6	23/-	6.25
International Tea (5s. ord.)	13/21	8.10	12.4	9/	11/9	5.11
Fortnum & Mason (£1 ord.)	42/-	30/-	32.9	28/-	23/9	4.21
Lovell & Christmas (£1 ord.)	13/3	8.6	14/4	7.9	11/9	10.21
A.B.C. (£1 ord.)	18/10	7.4	9.6	3.6	9/3	...
J. Lyons (£1 ord.)	115/-	76.3	88.9	67.6	95/-	4.21
Express Dairy (£1 A. pref.)	28/9	25/-	23.3	27/9	4.87	...
United Dairy (£1 ord.)	56/6	42.6	53/-	38/9	49/3	5.07

* Ex. dividend.

movements in prices and the yield obtainable on the basis of the dividend paid for the last completed year. It will be seen that, for those companies which made payments, the equity yield ranges from 4 to some 5 per cent, for the retail distributors. The return on Lovell and Christmas reflects the virtual certainty that their export business must suffer severely under existing shipping conditions. This return compares with one of 4.69 per cent for stores and catering for the end of September given by *The Actuaries' Investment Index* and with 5.25 per cent for industrial equities as a whole. It is a clear indication that the impending reduction in turnover is considered as being strictly temporary, and places the shares which give these yields on an equal footing with such groups as building materials, electricity supply, gas, electrical and motor manufacturing, all industries intimately concerned with the supply of necessities or amenities.

Finance and Banking

Treasury Deposits into Bonds

The money market has sunk back into lethargic monotony during the past week. Now that the excitement of bidding for the end of year bills has passed, the tender rate for Treasury bills has returned to its normal level, yielding a profit of some £20 for every £1,000,000 of bills turned over to the banks at their buying rate of 1 per cent. With part of the Empire central bank demand for bills satisfied through the tap, the market is faring slightly better in its allotments at the weekly tenders. Last week it obtained a 32 per cent allotment. The banks have been fair buyers of bills, despite the £60,000,000 of Treasury deposit money which they have paid over during the week, and the extent to which they helped to swell the first week's total of National War Bond sales. These reached £31,169,850 in the five-day period, October 9th-14th, the week's total of subscriptions to war and savings bonds amounting to £41½ millions. So far as the banks are concerned, however, it is generally assumed that their subscriptions were financed by recalling Treasury deposits prior to their maturity, and the net effect of these operations on the money market (and on the Exchequer) was therefore nil. There is no evidence of stringency in the latest Bank return, despite a further expansion of £2,744,000 in the note circulation. This factor has been more than offset by a further increase in the Bank's holding of Government securities, this item showing an increase of £3,430,000 over the week. As public deposits have fallen by a further £900,000 bankers' deposits are up from £126,468,000 to £128,217,000 on the week, a level which spells a continuance of exceptional ease. Next week, some of the banks will be making up, but this is not expected to cause the market the slightest discomfort.

South Africa's Debt Repatriation

The Union of South Africa continues on its highly profitable course of repatriating external debt out of the proceeds of gold exports. The latest such operation, by which about £30,000,000 of South African loans held by residents in the United Kingdom are being requisitioned by the Treasury, is, however, the first in which the method of payment by the Union to the British Treasury—in gold—is specifically mentioned. This gold is to be paid over between now and the end of the year and will be provided out of the reserve of the South African Reserve Bank—partly out of an accumulation of gold built up in recent months for this special purpose. By arrangements made soon after the outbreak of the war, the British Treasury has purchased through the Bank of England the whole of the gold produced by the Union at the official price of 168s, delivery being taken in South Africa. Most of that gold, as may be seen from the American statistics, has been making its way direct from the Cape to the United States. The Union, whose balance of payments with the United Kingdom has been active over the past two years, even after allowing for considerable repatriation of gold mining shares previously on the London register, and for the redemption of £7,900,000 of London debt in 1940, has, with its net surplus of sterling funds repurchased gold from the British Treasury. Thus the assets of the South African Reserve Bank maintained in London have been kept at an exceptionally low figure, the holding of British Treasury bills, for example, falling from about £1,300,000 to under £1,000,000 over the year to August 15th last. Over that period, however, the gold holding of the Reserve Bank had risen from £37,500,000 to £52,600,000. At the outbreak of war that reserve stood at around £27,000,000. There is thus ample gold with the Reserve Bank to finance the latest debt repatriation. In order to prevent this repayment from exerting an unduly deflationary influence on the Reserve Bank's position, the bulk of the internal loan to be issued in replacement of the repatriated securities will presumably, go directly or indirectly to strengthen the Reserve Bank's holding of South African Government securities.

A Bank-Insurance Marriage

One of the most interesting alliances in the history of British banking was announced this week with the news that Lazard Brothers had acquired a large holding in the firm of A. W. Bain and Sons, one of the most important insurance brokers in this country. The marriage of insurance with banking is no new thing. Their respective spheres of activity have been contiguous at a number of points. In the months preceding and following the declaration of war, some of the more astute of British merchant banks engaged either directly or through subsidiaries in insurance business. This was particularly true of banks which had to handle considerable shipments of bullion or securities either for themselves or for their clients' account. The disorganisation of the normal insurance market at the time and the inordinate rates quoted made the intrusion of these banks in this field highly remunerative for them. This latest development is, however, quite of another character. It represents an investment of banking funds in a business of general insurance brokers. The main motive for it must not be sought in special factors making specifically for such an alliance. Rather is it to be found in the fact that Lazards, owing to the dwindling of acceptance, foreign exchange and issuing business, find themselves in an exceptionally liquid position and are not averse to the investment of their unutilised resources in directions which provide them with some hedge against the possibility of a permanent contraction in the traditional sphere of activity open to the merchant banks.

Instalment Finance in Canada

Important restrictions on instalment purchase finance have been announced in Canada this week. They form part of a series of measures intended to counter inflationary tendencies set in motion by competition between civilian demands for durable consumption goods and the needs of the armament industries. A list of goods has been published of which the "cash down" payment must equal at least one third of the total purchase price, and the balance must be paid in full within twelve months. No monthly payments are to be less than \$5. For other goods, such as motor cars, where the competition of civilian demand is to be especially discouraged, the minimum cash payment has been put as high as 50 per cent. These instalment finance restrictions are to apply to second hand as well as to new goods.

Clearing Bank Returns for September

The September clearing bank returns were commented upon in these columns last week. The customary table showing the changes in the principal items over the previous twelve months is given below. The detailed returns for September will be found on page 492.

In £ millions						
	Sept. 1940	May 1941	June 1941	July 1941	Aug. 1941	Sept. 1941
Capital and reserves	139.7	140.2	140.2	140.2	140.2	140.2
Acceptances, etc.	119.0	107.8	106.2	98.5	100.5	101.5
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts	2,596.7	2,824.0	2,945.9	2,990.7	2,997.1	3,114.5
Total liabilities	2,856.8	3,073.4	3,193.7	3,230.8	3,239.2	3,357.6
Cash	288.2	293.1	310.8	306.3	316.2	330.0
Cheques, balance, and items in transit	110.4	112.7	151.6	113.2	107.6	112.7
Money at call	143.7	128.4	142.9	138.6	139.5	134.0
Discounts	401.3	172.8	193.0	274.5	265.9	315.1
Treasury deposit receipts	91.5	469.0	482.0	476.0	468.5	531.0
Investments	697.1	848.3	880.2	902.5	935.2	939.3
Loans and Advances	936.8	873.0	859.2	853.4	838.0	826.2
Investments in affiliated banks	23.6	23.8	23.8	23.8	23.8	23.8
Cover for acceptances, premises, etc.	164.2	152.3	150.2	142.5	144.5	145.5
Total assets	2,856.8	3,073.4	3,193.7	3,230.8	3,239.2	3,357.6

Black Market in Shanghai

The delays encountered in getting the new Chinese exchange control scheme into full and smooth operation have given some encouragement to the development of a black market for Chinese dollars in Shanghai. The authorised banks are selling American dollars and sterling in limited quantities at the fixed rates, but the demands for these currencies from holders of Chinese dollars apparently exceed, by a considerable amount, the volume of exchange which the authorised banks are prepared to sell. This week, despite the news of the Chinese victories (news which

Shanghai can perhaps discount at a more realistic rate than London), Chinese dollars came heavily on offer in the unofficial market. The rate for American dollar notes has risen this week from about 24 to 34 Chinese dollars to the American dollar against the official equivalent of 19½ Chinese to 1 American dollar. Negotiations are now going on in Hongkong which, if successful, should considerably ease the functioning of the exchange control. But, however smoothly that control works, it is evident that it will never abolish the black market in notes for which Shanghai offers the ideal setting.

Investment

Search for Security

Another week of see-sawing prices has failed to bring any decisive development in the stock markets. According to the indices of *The Financial News*, industrial equities are now about 2 per cent below their peak of mid-September and some 1.6 per cent under the level of a few days ago. Against this, fixed interest stocks have, according to the same authority, touched a new high record, although this does not appear to be the case with the majority of the gilt-edged list. In that section, while there have been recoveries in the "longs" which bring them to, or within sight of, their previous maxima, the "shorts" have continued weak, and there is as yet no sign of the adjustment of this section of the market to the terms which the new tax issue suggests are now acceptable. If that issue has done little to bring activity, or even substantial price changes, to the Consol market, it has given rise to a good deal of discussion as to the outlook for the Funds. According to the classical school of thought, the improvement, which has occurred in almost every section of the market in twelve of the fifteen months since prices began to recover from the collapse of France, is due to returning confidence. Fixed interest prices are now above, and those of equities not much below, the levels ruling before the collapse, and yields are, in general, lower. According to the same school, this general movement should be followed by an improvement of equities in terms of fixed interest stocks, a movement which has already gone some way, despite the crippling effects of EPT on the former. In so far as that impost is not to be regarded as a permanent feature of taxation, the tendency for relatively greater progress in equities should materialise, and it is a matter of opinion whether the relative decline in the Funds should take place by a fall in their prices or a further rise in equities, or, indeed, by a general but unequal movement in either direction.

While it would seem that this argument should apply in anything approaching a free market, and while prices will doubtless discount a return to such conditions well in advance of the event, it seems doubtful whether it does full justice to the potency of the measures by which low interest rates are at present maintained. By canalising the flow of additional bank deposits into "shorts," by pressing insurance companies to take nothing but Government securities, and by the investment of the proportion of extra-budgetary receipts which is not spent outright, the Treasury is able to apply strong pressure to keep up the level of prices. Much of the new Government securities issued are either not negotiable or, like National War Bonds, do not make a wide appeal to the ordinary investor. Thus the total supply of Government stock in which private investors are mainly, and institutions considerably, interested does not show the proportionate rise which the heavy borrowing of the Government would seem to postulate. Prices, or terms of issue, of a large section of stocks remain virtually stable, with the exception of the terms of issue of National War Bonds, and the impact of much of the demand, private, institutional and official, is concentrated upon the remainder, whose volume is stationary. No doubt there is a point beyond which the power of these factors must decline rapidly, and no doubt the whole set-up depends upon the assumption that a closed market will be maintained for some time to come. It seems doubtful, however, whether the return to anything like free conditions is sufficiently near to exert any great influence on the course of prices for some time.

South African Vesting

The end of last week brought the first order vesting South African securities held in this country. Hitherto, the Union has been able to dispose of any surplus of sterling held by the repayment of maturing stock, some £8,000,000 of 5 per cent loan having been paid off by July 1, 1940. The present operation is more substantial, involving four issues, the 3 per cent stocks of the Cape of Good Hope and Natal, the 4 per cent Union stock of 1943-63 and the 5 per cent issue of 1945-75, with a total amount outstanding of just over £40 millions. The first two stocks, accounting for one-third of the total, are callable at any time and could not be replaced on such favourable terms. The others are taken over before their due date, but at the market prices, plus interest to the date of payment under the vesting order, namely December 1st next, for those who lodge their stock with all necessary documents by November 10th. As the Union will still have some £52 millions of high-interest stocks outstanding after the operation, no complaint can be made, even by those who consider that the market price does not fully reflect the right to a continuance of the present rate of interest. As in the case of all recent vestings, holders of the stock to be surrendered may invest the proceeds in Government tax issues, subject to the regulations as to maximum holdings. Further, while residents in the United Kingdom must surrender their stock, those within the sterling area, but outside these islands, may do so under the terms of the offer. It is calculated that, of the total outstanding, about one-quarter is held outside the United Kingdom. The only point which distinguishes this operation from the vesting of Indian and Canadian stocks is the method by which the British Treasury is to be put in funds. In the other cases, the object has been to get rid of accumulations of sterling. But the Union, as a gold producer, keeps its surplus in gold rather than in currency, and payment is to be effected in that form before the end of the year. A substantial part of the total, estimated at some £30 millions odd, has already been accumulated, and the rest will be withdrawn from the reserve of the Reserve Bank until this is replenished by new deliveries from the mines. The purchase of this gold is to be financed by a special internal loan, which is, apparently, already on tap.

"Limited's" Obligations to NV

The board of Lever Brothers and Unilever, Limited, has made a further statement which gives greater precision to the conditions under which payments may be made to holders of ordinary capital of the Dutch associate, NV, out of the £1,500,000 set aside for this purpose from the profits of 1939 and 1940. Actually, the statement does little more than confirm what had already been supposed. There is, first of all, the overriding consideration that, before any payment can be made, the consent of the Treasury must be obtained, which was a foregone conclusion. It is further provided that normal relations must have been resumed between the English and Dutch companies, and that the latter must renounce any right to declare an ordinary dividend in respect of the period prior to settlement and release any claim which it might have under the equalisation agreement. Finally, a holder of ordinary shares in the Dutch company will only participate in any distribution if he has acquired his shares *bona fide* in English law, the payment in fact going to the *bona fide* holder irrespective of where the actual physical ownership lies. While the statement contains little that is new, it is perhaps permissible to deduce from its publication that conversations have at least been initiated with the British authorities, and possibly with those of the Dutch Government here, as to the method of a final settlement.

Mexican Oil—A Fresh Start

The decision of the American oil interests to reject the terms of compensation, offered by the Mexican Government, for the expropriation of their properties, has been hailed as a bull point for British interests, and in particular for the shares of Mexican and Canadian Eagle. In so far as this means that British and American interests see more nearly eye to eye on the matter, it is a step in the right direction, but it seems far from being established that an acceptable settlement is near. The dispute is now over 3½ years old. The British companies went to the limit of reasonable concessions in the Richberg negotiations, broken off by the then President of Mexico as long ago as August, 1939. It was then conceded by the companies that the Mexican Government which had granted the concessions had acted against Mexican traditional law in alienating the sub-soil, but it is on this very point of compensation for sub-soil rights that the negotiations with American interests have broken down. There is every reason to suppose that the position of Mexico has been weakened by the outbreak of war and the closing of alternative markets, but there is, so far, little indication that the Government is prepared to adopt a conciliatory attitude. There can be no question about the desirability of bringing Mexico effectively within the American bloc of nations, but there are plainly limits to the concessions which can be made for this end. It is also plain that the British Government should do what it can to act in consort with Washington in all matters affecting our interests, but this is rendered difficult by the unfortunate fact that diplomatic relations between this country and Mexico, broken off in 1938 by President Cardenas, have not been resumed. It is perhaps not too much to hope that, after this rebuff by the American interests, it may be possible to resume negotiations on the oil question alone, but, in view of the disadvantages under which Mexico continues to labour owing to the failure of the settlement, it seems more than probable that the aims which bulk largest in their programme are not purely financial. In these circumstances, perhaps the best hopes of settling the oil dispute lie in the conclusion of a wider arrangement, including the restoration of diplomatic relations, a development which, there is reason to suppose, would be very welcome to Mexico.

Company Notes

United Dairies' Earnings

Even the most optimistic stockholder must be pleasantly surprised by the stability of United Dairies' profits at £522,838 against £527,404 in the year to June 30th last. Interest charges are somewhat lower at £3,372 against £7,157, and it is consequently possible to maintain the 12½ per cent dividend, which has been distributed throughout the last decade, out of current profits. The rate of equity earnings again amounts to 12.6 per cent and the small surplus of £1,416 raises the carry forward to £171,487. Since the proportion of the foodstuffs retailed by the company, which fell within the scope of rationing, increased substantially, and now includes both jam and eggs, these results are highly creditable. Moreover, the chairman, Mr J. H. Maggs, points out in his statement that sales of liquid milk were restricted both by the outbreak of heavy bombing in the autumn of 1940 and the following spring, when sales in London had returned to normal, by the Government decision to curtail liquid consumption in the interests of manufacture. It does not seem to be inevitable that the company will be adversely affected by Government control of milk distribution, which will, presumably, do nothing to reduce the total of liquid milk available for consumption. But it must be remembered that, in so far as the scheme succeeds in levelling out consumption, it may work to the disadvantage of those areas with a high standard of adult consumption, and there is every probability that United Dairies are pre-eminently interested in supplying these areas. The balance sheet shows a satisfactory degree of liquidity, creditors, including taxation, having fallen from £681,383 to £609,752. Debtors, although some £6,000 higher, stand at the inconsiderable total of £41,856, but cash holdings are up from £239,940 to £251,034 and Government securities from £275,654 to £526,044. The reserve fund is unchanged at £1,100,000. The directors are able to state that, despite a reduction in profits of subsidiaries, dividends have been covered by current earnings after meeting ARP and war damage charges. The value of the balance sheet is

unfortunately impaired by the absence of a consolidated statement, investments in subsidiary companies amounting to £4,270,934 out of total assets of £7,982,441. The £1 ordinary stock, at 49s. 3d. ex dividend, offer a sound yield of £5 1s. 6d. per cent.

Brazilian Traction

After a lapse of two years, ordinary shareholders in Brazilian Traction are again to receive a dividend, amounting in the current year to 40 cents per common share of no par value against 50 cents in 1938. It has always been clear that the failure to maintain ordinary payments was due to exchange difficulties rather than to the moderate setback to gross and net earnings which has occurred during the past two years. Indeed, gross revenue of \$9,849,000, in U.S. currency, for the calendar year 1940 showed only a moderate decline from the \$10,316,000 earned in 1938 and was substantially above the \$6,636,000 realised in 1936, when ordinary shares received 70 cents. Moreover, the carry forward in 1940 stood at \$34,245,000 against \$40,863,000, despite a transfer of \$25 millions to general reserve in 1939. Earnings per share, over the three years, have fallen only from 1.37 cents in 1938 to 1.31 cents last year. The company's main public utility services, traction, gas, electrical and telephone, have continued to expand, although, as was pointed out in last year's report, operating results have suffered from the rise in costs. The factor most vitally affecting dividend payments is, however, the state of Brazilian trade and its implications for the exchange position. There has been growing evidence during the past year that Brazil has begun to adapt its foreign trade to the disruption which followed on the German occupation of Europe. Trade with Germany in cotton goods has to some extent been replaced by markets in other South American countries and in Canada, while the exchange position has no doubt been eased by credits for trade purposes, made available by the United States, and by the improvement in the coffee position. Moreover, there has been a certain import of refugee capital in recent months, which has further increased the liquid resources available for transfer. Payment to shareholders is, of course, subject to Canadian non-resident income tax. The price of ordinary shares in this country rose to \$12 on the announcement, later reacting to \$10½ compared with \$6 in New York.

"Emmies" Improvement

The preliminary statement of Electric and Musical Industries for the year to September 30, 1941, shows a substantial rise in net earnings, after tax and contingencies, from £38,048 to £126,581. Thus, last year's net profits are greater than the total income for 1939-40 of £120,919, and are, in fact, the highest since £313,964 was realised in 1936-37, when ordinary shares received 10 per cent. The preliminary statement announces a payment of 6 per cent on ordinary capital, the first since 5 per cent was paid in 1937-38, and equity earnings can be estimated to provide a rate of cover amounting to 7.8 against 1.3 per cent. In the absence of any transfer to reserve, the carry forward should be raised from £169,652 to £195,000. These results must prove reassuring to shareholders, who may well at one time have considered a distribution on ordinary capital out of the question for the duration. It is probable that the company is at last benefiting from readjustment of some of its equipment to war production and also from the adaptation of sales and factory organisation to which reference was made in Mr Alfred Clark's speech at the last ordinary general meeting. In the absence of the accounts, it is difficult to estimate whether the chairman's forecast that purchase tax would not restrict sales of records has proved correct, but there is every probability that sales of bicycles have again been limited only by shortage of raw materials. There is little doubt that the improvement in trading profits of the operating companies which took place in the last three months of the year ended September 30, 1940, was maintained and probably increased last year. The 10s. ordinary shares now stand at 12s. 9d., offering a yield of £5 per cent.

Trinidad Petroleum Development

The preliminary statement of Trinidad Petroleum Development for the year to July 31st last shows net profits, before tax, of £342,770 against £360,677. There is no

announcement as to whether the company's EPT liability has yet been agreed, but provision for tax and contingencies amounts to only £175,000 against the £200,000 for 1939-40 which the directors considered fully adequate. This reduction permits a rise in equity earnings from £160,677 to £160,770, representing a rate of 17.2 against 16.8 per cent, and the 10 per cent final dividend is repeated, making again a total of 15 per cent for the year. In the absence of a striking rise in expenditure on oil wells and development, it would appear that total earnings have risen by much less than the previous year's increase of £264,217. Since there is a strong probability that demand for the company's output was at a maximum last year, it is likely that rising costs have played an important part in restraining net earnings. The Trinidad companies did not participate in the recent boom in oil shares; the £1 ordinary, at 57s. 6d. ex dividend, yield £5 4s. 4d. per cent.

Montague Burton Setback

The preliminary statement of Montague Burton for the year to March 31st last shows a fall in net profits, struck after EPT, but before income-tax, from £677,099 to £454,168. No further information is supplied other than that the ordinary dividend is to be maintained at 5 per cent. It seems probable, however, that the profits figure of £454,168 is net of depreciation, fees and debenture charges, but before transfer to staff funds. Since income-tax absorbed £320,059 in 1939-40, and can scarcely have required less last year, despite the strong probability that gross income was lower, cover for the ordinary dividend, which amounted to an earned rate of 13.8 per cent in the previous year, must have been reduced to an extremely low level. In the absence of the accounts, it is impossible to say whether payment of the ordinary dividend required a draft on the carry forward, which stood at £241,692 at March 31, 1940. In 1939-40, total income reached the record level of £1,096,572, and it is clear that last year's trading conditions, which combined rising costs and shortage of materials for

civilian use, with the smaller margins on Government contracts to clothe a proportion of their customers drafted to the Services, must have been responsible for some setback and that the fall in the net figure cannot be ascribed wholly to the impact of EPT. In the current year the concern will also suffer from the effect of clothes rationing, although it is possible that Government contracts may have done something to make good the lower turnover. The 10s. ordinary shares, at 10s., yield £5 2s. 7d. per cent.

Gestetner Accounts

The results of D. Gestetner for the year to August 31st last show remarkable stability. Gross profits are down from £231,645 to £229,621, but, after a reduction of just over £3,000 in depreciation to £17,593 and of £2,000 in tax provision to £80,000, equity earnings stand at £104,011 against £101,219. The reduction of 2½ per cent in the interim payment is made good in the final distribution, so that the total payment for the year is maintained at 25 per cent, for which the cover is raised from 25.2 to 26.6 per cent. The surplus is devoted to raising the carry forward from £34,097 to £37,253. The directors state that the company's works were fully employed last year, and there is a strong possibility that the shortage of office equipment for which enemy action and limitation of supplies have been jointly responsible has stimulated the demand for Gestetner apparatus. The balance-sheet position is also satisfactory. Stock is up from some £156,000 to £163,000; debtors from some £244,000 to £273,000; creditors by £40,000 to £78,791 and cash from £173,000 to approximately £221,000. Holdings of trustee and other securities are some £20,000 higher at cost, with a market valuation of £173,363 against £148,917. General reserve is unchanged at £65,000 and taxation reserve is down from £174,000 to £134,000. In view of last year's trading difficulties the results appear highly creditable. The 5s. ordinary stock, at 20s. ex dividend, offers a conservative yield of £6 5s. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

Uncertainty regarding the situation in Russia led to a quiet close before the week-end, with prices slightly easier. Although the announcement of the South African vesting order provided some slight support, the opening on Monday was quiet, and markets generally remained steady. The following day an improvement set in, accompanied by a revival of interest in the speculative sections, particularly in the oil market, but the volume of business remained small. Later, news of continued German progress in Russia led to some marking down of prices.

In the absence of support, prices in the *gilt-edged* market before the week-end were generally lower, some slight selling leading to declines of ¼ in 2½ per cent Consols, Local Loans and 3½ per cent War Loan, while 2½ per cent National War Bonds 45-47 and 46-48 both declined ¼. Business on Monday was slight, and apart from a gain of ¼ in 3 per cent War Loan prices remained unchanged. The following day, however, the South African call up inspired some anticipatory buying and 2½ per cent Consols and Local Loans improved ¼, while 3½ per cent Conversion and 3 and 3½ per cent War Loan all improved ¼. The tone continued firm in mid-week, with a few small rises. Small declines were generally registered in Japanese and Brazilian bonds in the *foreign bond* market before the week-end, when Mexican issues were also lower, and Czech 8 per cent bonds lost 1½ and Polish 4 per cent loan of 1924 1 point. The downward trend continued on Monday, Brazilian 5 per cent Funding 1914 and 20-year Funding A each losing 1 point, while Mexican 5 and

6 per cent issues were ½ point lower. Japanese bonds were mainly steady. Later, prices generally remained unchanged, although the 4 per cent Japanese issues of 1899 and 1910 lost ½ point each on Tuesday and Brazilian issues were slightly better.

Lack of interest in the *home rail* market was reflected in the numerous small losses both before and after the week-end. Thus, GW ordinary and Southern preferred lost ¼, and LMS ordinary and Southern deferred ¼ on the previous Friday. The decline continued at the reopening with losses of ¼ in Southern preferred, GW and LMS ordinary. Senior issues remained steady with few slight improvements. On Tuesday, however, renewed support reversed the trend and LMS ordinary and Southern deferred gained ¼, while GW ordinary rose ¼ and Southern preferred ½. London Transport "C" exceptionally fell 1½ points. Later the rise in senior issues continued, but equities tended to slip back. Small losses in foreign rail issues were numerous both before and after the week-end, but the undertone remained firm, and, on Tuesday, in common with other markets, prices were slightly higher. Canadian Pacific ordinary were persistently strong, until Wednesday, when they lost ¼.

The *industrial* market suffered from lack of support before the week-end. In the early part of the current week trading was modest, but the general tone firm. Heavy industrial issues were generally easier before the week-end, but later prices moved within narrow limits. Aircraft and motor shares were irregular, Rolls-Royce declining ¼ on Friday, while, on Monday, Raleigh Cycle Holdings, Triplex and Ford were all lower. Later, small gains predominated, De Havilland rising 10½d. on Tuesday.

Among brewery issues, losses of 1s. and 6d. for Watney deferred and Guinness, respectively, were the only changes before the week-end; but, early in the week, losses in the order of 6d. were general, extending to Bass, Guinness, Ind Coope and Watney deferred. Textile issues were dull before the week-end, Patons and Baldwins losing ¼, but recovering ½ on Monday. Later, prices remained unchanged. Shipping shares were in demand on Tuesday, when Cunard repeated the previous day's rise of 9d. In the tobacco group, Imps, BAT and Gallaher were all lower before the week-end; the two former each gained ½ on Monday and ¼ the following day. Among miscellaneous issues, Brazilian Traction jumped ¼ before the week-end on the dividend announcement, while Emmies improved 9d. on Monday. Later prices moved irregularly, but with a firm undertone.

Cautious dealing marked the close in the *kaffir* market before the week-end, but, in the absence of selling, declines were slight. At the reopening, Blyvoors were prominent with a jump of 1s. 6d., West Wits improved ¾, and Sallies gained ¼. Blyvoors continued to attract attention, but later in the week dividend-payers were mainly out of favour. While there was no great activity in the *rubber* market, either before or after the week-end, the undertone was firm, and small gains predominated. Prices in the *oil* market reacted before the week-end, Anglo-Iranian losing ¾, Burmah ¼ and Shell Transport ¾. On Monday, interest revived and Mexican Eagles were prominent with a rise of 1s., Ultramar gaining ¼ and Canadian Eagles and Shell Transport 7½d. Burmah, however, was ½ lower. The upward movement continued the next day, when the 8 per cent Mexican Eagle preference issue gained 1s. 3d. (Continued on page 487.)

Industry and Trade

Unemployment in September

The number of persons on the registers of unemployment exchanges in Great Britain has been comparatively small for some months. Unless the Essential Work Order is applied to every occupation in the country, there will always be a small number of persons between jobs, while others are temporarily stopped because of the seasonal nature of their occupation or owing to unfavourable weather. The total number of persons on the registers was 230,621 on September 15th, compared with 270,289 on August 11th and 829,846 a year ago. Of those without work on September 15th, 196,594 were wholly unemployed, 23,973 were temporarily stopped, while 10,054 were persons normally in casual employment. The solitary girl registered as unemployed among casual workers in that category on August 11th has since been joined by five others. The wholly unemployed on September 15th included 87,638 men (against 98,737 on August 11th), 12,410 boys (against 17,390), 78,854 women (against 82,208), and 17,692 girls (against 21,436). But while the unemployment registers cannot furnish many more recruits for war work, the debate in the House of Commons on Wednesday last week showed that much remains to be done to distribute Great Britain's labour force as advantageously as possible. It is the redistribution of all able-bodied adults in accordance with the needs of war that must still be speeded up. And Mr Bevin's conclusion that individual reservation may have to be substituted for block reservation fore-shadows a further step in the right direction.

Keeping Faith

The change in British export policy, which was brought about by the necessity of ensuring that Lease-and-Lend materials are used only for the purposes intended by our American friends, has inevitably caused certain difficulties. It has embarrassed some British exporters who had patriotically laid long-term plans for an export drive which must now be abandoned, and it has been suspected of ingenuously by some people in the United States who did not realise that some deliveries are still arriving which were arranged for before the passage of the Lease and Lend Act. The position is made more bewildering for these people by the fact that advertisements still appear in the British press for goods which British manufacturers would not be justified, under the terms of the September White Paper (which was discussed on page 344 of *The Economist* of September 20th), in exporting. In point of fact, these advertisements are on the same footing as those of a well-known breakfast food which ingeniously contrives to depict an invisible toast-rack. They are meant, not to suggest that the goods are available for export, or even, necessarily, for home consumption, but to keep alive goodwill ready for the time when materials are again available. It is to correct this impression that the press, including papers like *The Economist*, which do not usually carry advertisements of this kind, has been asked by the Ministry of Information to publish the announcement on this page.

Decline in Retail Trade

The returns relating to the average daily value of retail turnover, compiled by the Bank of England, suggest that, compared with a year ago, the fall in the volume of sales has appreciably exceeded the rise in prices. As the accompanying table shows, the average daily value of both food and other sales has been lower than in the corresponding month of 1940 since last May; the only exception was the increase in non-food sales in June, when the introduction of the clothes rationing scheme gave rise to a temporary spurt in purchases. The fall in turnover last August was widespread, both geographically and in individual commodities. The fact that total sales in Central London were only 2.3 per cent smaller last August than a year earlier, compared with a decline of 5.4 per cent in Great Britain, suggests that the movement of population has been reversed. Indeed, sales of food showed an increase of 33.4 per cent in Central London, against a fall of 1.9 per cent in all districts. The value (at cost) of food stocks held by retailers in Great Britain was 23.2 per cent lower

than a year ago at the end of last August, but that of other merchandise showed an increase of 13.3 per cent on the year. The fact that not only the volume, but also the value,

PERCENTAGE CHANGES IN RETAIL SALES 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
	April	+ 0.9	+ 2.9
	May	- 4.3	- 2.4
	June	- 3.1	+ 6.8
	July	- 6.7	-15.9
	August	- 1.9	-10.8

of retail trade is now running below last year's level emphasises the need for adapting the industry more rapidly to wartime conditions.

Cotton Prices

At the beginning of this week, a new schedule of raw cotton prices came into operation. Since March 31st, when the Liverpool futures market was closed, prices have remained at the level then existing. Prices of the different grades have now been adjusted to bring them into closer relationship with their respective spinning values without appreciably altering the general level of prices. American middling fair staple has been raised from 9.24d. to 9.25d. per lb. There has not been any change in fully good fair Giza 7 or Sakel descriptions. Ashmouni F.G.F. has been reduced from 11.37d. to 11.15d. per lb., and Zagora F.G.F. from 11.07d. to 10.90d. per lb. Substantial reductions have been made in the spot prices of Indian cotton. Some adjustments have been made in yarn prices in accordance with the changes in raw cotton rates. The Controller has announced that spinners' margins will not be increased in the near future. According to our Manchester correspondent, spinners are disappointed at this decision, and further representations are likely to be made in this matter. The Controller has stated that there has been a substantial improvement in raw cotton and coal supplies to nucleus mills during the last few weeks. Steps are now being taken to bring the staffs of nucleus mills up to the level required for maximum production. The alterations announced have not had much effect upon new business; in practically all sections of the industry, demand exceeds supply, and numerous orders cannot be placed because manufacturers are not able to obtain cover in yarn.

Food Ration Changes

Recent weeks have seen several changes in the quantities of rationed food allowed to the domestic consumer, and others have been announced for next month. The table overleaf shows the changes which have taken place during the year in rations which are calculated on a weekly basis. In addition, preserves and syrup were rationed from March 17th to one pound per month. This was reduced to half a pound on May 1st and increased to one pound in four weeks from July 28th. At first, retailers were allowed to sell any surplus over their ration requirements, but this concession was later withdrawn. It has recently been announced that mincemeat will be included in this ration. In addition to the charges tabulated, registration was also introduced for eggs, milk and onions. The allocation of eggs was approximately one a week during July and August, 3 and 2 a month respectively in September and October. A daily minimum of liquid milk has been guaran-

The fact that goods made of raw materials in short supply owing to war conditions may be advertised in this Journal should not be taken as an indication that they are necessarily available for export.

teed of one pint for expectant mothers and children under six, and half a pint, in addition to milk in schools, for children from six to seventeen years old. The 1941 crop of onions is to be distributed to customers who have registered.

CHANGES IN WEEKLY QUANTITIES OF RATIONED FOODS IN 1941

In force	Sugar	Bacon	Butter or Margarine	Margarine or Cooking Fats	Meat†	Tea	Cheese
Jan. 1	8 oz.	4 oz.	6 oz. (not more than 2 butter)	2 oz.	1/10 (exc. offals and pork)	2 oz.	...
" 6	"	"	" " "	"	1/6 (inc. offals and pork)	"	...
" 13	"	"	" " "	"	1/2 (inc. offals and pork)	"	...
Mar 10	"	"	6 oz. (not more than 4 butter)	"	" " "	"	...
" 31	"	"	" " "	"	1/- (inc. offals and pork)	"	...
May 5	"	"	" " "	"	1/- (exc. offals)	"	1 oz.‡
June 9	"	"	6 oz. (not more than 2 butter)	"	" " "	"	2 oz.‡
" 30	"	"	" " "	"	" " "	"	"
July 7	"	"	" " "	"	1/2 (exc. offals)	"	"
Aug. 2	"	"	" " "	"	" " "	"	3 oz.‡
Nov. 11	12 oz.	"	7 oz. (not more than 2 butter)	3 oz.‡	" " "	"	"

† Half rations for children under 6. ‡ Cooking fats only.

§ 8 oz. for agricultural and certain other heavy workers.

* During July an extra half-pound weekly was issued for jam-making.

tered with greengrocers, and is expected to yield not less than two pounds per head. It is open to question whether the labour and expense involved in rationing such commodities as onions is justified by the small result.

American Zinc Supplies and Prices

The price of zinc in America, which had been kept stable at 7.25 cents per lb. (East St. Louis basis) since September 23, 1940, has now been raised to 8.25 cents. While the current price is the highest since 1925, it is still 50 per cent below the peak reached during the last war. The increase, which is designed to stimulate production, appears to mark a departure from the policy of stabilisation, for in the case of copper, it had previously been decided to provide an incentive to expansion by the granting of subsidies to high cost producers rather than by a general increase in prices. Last year, when Germany secured control over the zinc smelting industry of Belgium—the biggest after that of the United States, and one of Great Britain's sources of supply—and when the United States had to meet part of Great Britain's as well as its own growing requirements, a serious scarcity of this metal seemed imminent. But the position has shown some improvement in recent months, due to the American Government's decision to increase domestic refining capacity by one-fifth and to import the surplus ore of Latin America, Canada and Australia, and to the enforcement of a priority system since the beginning of July. Domestic production of zinc is now at the rate

of 900,000 short tons per annum, against 724,000 tons last year, while deliveries in the past three months were at the annual rate of 825,000 short tons, compared with 775,000 tons in 1940. As a result, "visible" stocks in the United States, which had fallen from 122,814 short tons at the outbreak of war to 6,969 tons at the end of last March, rose to 19,427 at the end of last month and are expected to show a further improvement, especially if the increase in prices acts as a stimulus to production.

More Fish for Eire

During the first half of this year, landings of fish on the coast of Eire have more than doubled in value compared with those of January-June, 1940. That this increase is by no means all due to the rise in prices is shown by the following table:

	Quantity	Value	Quantity	Value
	1940	1941	1940	1941
Prime fish:—				
Brill	272	273	1,341	1,826
Solms	921	745	2,972	5,890
Turbot	178	163	1,063	1,175
Total prime fish	1,371	1,003	8,576	8,891
Wet fish:—				
Cod	7,665	5,635	23,597	23,204
Conger eel	685	1,019	697	2,142
Haddock	1,083	1,310	2,571	4,637
Hake	1,680	662	6,748	3,080
Herrings	18,177	34,989	14,837	39,173
Ling	354	631	558	1,347
Mackerel	29,754	64,271	15,287	144,748
Plaice	5,121	4,825	15,119	20,969
Ray or skate	4,993	6,543	5,845	12,357
Sprats		45		15
Whiting	11,838	17,103	15,352	26,369
All other ex. shellfish	5,096	4,090	8,534	10,026
Total wet fish	87,817	142,126	117,721	296,958
Shellfish:—				
Crabs	7,224	6,792	67	105
Crayfish	216	562	10	36
Escallops	185,252	271,452	1,510	2,765
Lobsters	37,692	26,092	1,993	1,795
Oysters	28,500	48,728	187	317
Mussels	6,780	20,481	1,088	4,120
Periwinkles	10,077	15,020	3,169	5,365
Other shellfish	360	423	305	293
Total value of shellfish	...	...	8,329	14,796
Grand total of value	...	...	126,050	311,754

There is a presumption that the impulse to this increased activity was the shortage of food in Eire, for it is among the cheaper wet fish, the staple fish foods such as herrings, mackerel, whiting, haddock and skate, that the increase in the bulk of landings is most marked. Catches of luxury fish such as brill, soles and turbot were all smaller, and increases in shellfish landings did not include lobsters. It is remarkable that such substantial increases have been practicable in present conditions.

COMMODITY AND INDUSTRY NEWS

THE Board of Trade has informed the Metal Exchange that it is unlikely to licence the export of tin to the United States in the near future. Tin prices have continued stable. On Wednesday standard cash was £265-£265 5s. per ton, as it was a week earlier. Three months' tin was £259 10s.-£260 per ton, compared with £259 15s.-£260.

Cotton Market.—The feature of interest has been the announcement by the Controller this week of the revision of raw cotton prices, discussed in a note on page 483. The alteration in raw cotton prices will be of some benefit to certain spinners, as rates have been reduced, especially for Indian qualities. General business, however, has not shown any particular expansion. There have been further efforts to place cloth orders by shippers, but manufacturers have sold cautiously, as they are already short of yarn. Most of the contracts have been for South America, Java, West Africa, Egypt and the Dominions, with a few Government con-

(Continued on page 491)

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week Ended	From Apr. 1 to
	Sept. 29, 1941	Oct. 4, 1941
Argentina	57	85
Atlantic America	...	86
Danube region	...	678
S. and E. Africa	...	1,081†
Indo-China, etc.	...	91

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

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week Ended	From Apr. 1 to
	Sept. 29, 1941	Oct. 4, 1941
N. America	495	534
Argentina, Uruguay	117	245
Australia	...	2,282
Russia	...	...
Danube and District	...	182
Other countries	...	...

* Unobtainable.

Source: The Corn Trade News.

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

	Daily Average Sales	Stks. (at cost) end Aug.
	1941	1940
(a) By Commodities		
Non-food Merchandise	188.3	24.1
Piece-goods	2.4	22.5
Women's Wear	2.4	15.7
Men's and Boys' Wear	2.4	21.9
Boots and Shoes	14.9	7.6
Furnishing Departments	6.6	17.0
Hardware	11.0	14.3
Fancy Departments	13.8	7.1
Sports and Travel	0.7	13.6
Miscellaneous	8.4	6.8
Total	6.8	15.9
Food and Perishables	3.1	6.7
All Departments	0.6	10.3
(b) By Districts		
Scotland	4.8	3.4
North-East	6.3	6.8
North-West	10.3	9.8
Midland and S. Wales	3.7	9.3
South England	2.0	5.4
Central and West-End	9.4	21.8
London	7.2	13.4
Suburban London	...	...

Source: Board of Trade Journal.

COMPANY MEETINGS

A. C. COSSOR, LIMITED

WORKS FULLY OCCUPIED

SIR LOUIS STERLING'S SPEECH

The third ordinary general meeting of A. C. Cossor, Limited, was held, on the 15th instant, at Winchester House, Old Broad Street, London, E.C. Sir Louis Sterling (chairman and managing director) presided.

The Secretary (Mr J. W. Horton, A.C.A.) having read the notice convening the meeting and the report of the auditors,

The Chairman said: Gentlemen, in presenting the accounts, the directors have endeavoured to give a comprehensive outline of the company's activities during the financial year. We have again issued a consolidated balance-sheet, and this gives in some detail a comprehensive view of the position of your company and its wholly owned subsidiaries.

The profit and loss account shows that the net profit on trading, including interest and dividends receivable, amounts to £157,730, as against a corresponding figure of £136,027 in the previous year.

Taxation absorbs the sum of £50,718, as compared with £30,942 last year, and we are faced this year, for the first time, with a new item of expense of £6,000 in respect of the company's liability under the War Damage Act, 1941.

IMPROVED RESULTS

Although our activities and those of the subsidiaries have expanded very considerably, resulting in an increase in the trading profit of over £20,000, the net balance available amounts to £94,701, as against a sum of £99,294 in our last balance.

Although our pre-war standard of profits is such that we are again immune from excess profits tax, you will appreciate that under war conditions a reduced margin of profit may be expected. All our works are fully occupied and the directors are taking every step to preserve the "goodwill" of your business until after the war, when the present restriction of supplies is removed.

Our two operating subsidiary companies have traded satisfactorily and, as pointed out in the directors' report, the full benefits of our reorganisation of the Sterling Cable Company have been felt for the first time during the year.

DIVIDEND OF 15 PER CENT

After providing for the Preference dividend for the year and an interim Ordinary dividend of 5 per cent., there is a balance of profit, including the amount brought forward from last year, of £84,959. You will see from the directors' report that we recommend a transfer to taxation reserve against the 1941-42 income-tax liability of £30,000.

We then propose, as you will have seen, to pay a final dividend on the Ordinary shares of 10 per cent., less income-tax, making 15 per cent. for the year, this being the same distribution as that of the previous year, and the amount to be carried forward will be £29,959, as against £21,883 last year, an increase of £8,076.

Our net profit for the year, after deducting national defence contribution but subject to income-tax, was approximately £140,000, and this represents 6 per cent. on the Preference share capital and approximately 22 per cent. on the Ordinary share capital.

CONSERVATIVE VALUATION BASIS

Turning to the consolidated balance-sheet, I will not take up your time in making detailed comparisons, but will merely draw your attention to the fact that it has been necessary for us to extend considerably our commitments. These factors are a reflection of our increased activities, but our inventories of stocks and work in progress have been drawn up on what may be regarded as a very conservative basis.

This review of the year's operations would be incomplete without an expression of appreciation to the company's staff from the senior executives downwards. We have not always been free from operating difficulties, but the co-operation of all concerned has enabled us to overcome most of our troubles.

The report and accounts were unanimously adopted, the retiring directors, Messrs T. A. Macauley and N. S. Holland, were re-elected, and the auditors reappointed.

ASPRO, LIMITED

EXPANSION OF EXPORT TRADE

The annual general meeting of Aspro, Limited, was held, on 8th instant, in London. Mr G. M. Garcia (chairman and managing director) presided.

The chairman in the course of his speech said: The profit on trading showed £285,120, and there remains a sum of £274,631, which shows that the net profit has been practically maintained at the previous year's level. To this must be added the sum of £19,028 brought forward from last year, which includes adjustment for change in the rate of income-tax, making a total available balance of £293,660. The net profit enables your directors to recommend that a final dividend be now declared at 15 per cent. on the ordinary stock, which brings the total distribution for the year up to 25 per cent. (the same as for last year), and there is a balance left of £18,316 to be carried forward to next year. On the assets side of the balance-sheet you will see that an additional sum of £25,000 has been advanced to the Treasury, free of interest, for the period of hostilities, making £50,000 in all.

At our last annual meeting I drew your attention to the undertaking given by the Chancellor of the Exchequer to endeavour, before the introduction of the next Finance Bill, to see whether he could not get the parties together and get some reasonable solution of the "perfectly impossible" position created on the introduction of Purchase Tax by the retention of Medicine Stamp Duty. As chairman of the Proprietary Association of Great Britain, of which your company is a member, I took the first step towards enabling the Chancellor to implement this undertaking by approaching the various interested parties. Early this year we were able to submit to the Chancellor of the Exchequer a memorandum embodying an agreement effected by mutual consent, an agreement which, to quote the words used by the Minister of Health in moving the second reading of the Pharmacy and Medicines Bill, would substitute a trading privilege for the financial advantage enjoyed by chemists hitherto, and at the same time enable the normal channels to continue to be used for the sale of proprietary medicines.

Last year I made reference to the gratifying expansion in the exports of Aspro. In spite of the vicissitudes of war, I am glad to say that this expansion has been fully maintained during the past 12 months. I shrink, however, from any attempt to presage the future course of this branch of our business, which is apparently destined to be caught between the upper and nether millstones of divergent and often conflicting policies, including such factors as the allocation of available raw materials. The people of this country are deeply conscious of the debt they owe to America for the great help that is being extended, but we must face the fact that the operation of the Lend-Lease Act will inevitably curtail our export trade.

We must not lose sight of the fact that in maintaining our flow of exports of branded British goods, including medicines, we are enhancing the prestige of British products abroad while providing a foundation for the further expansion of our foreign trade after the war, when exports will be more than ever a vital factor in the rebuilding of our national economy.

APPRECIATION OF ASPRO

The intensive cultivation of the land at our disposal, the loans to the Treasury, in addition to many other activities, some of which I have outlined in my foregoing remarks, are a proof that your directors are not unmindful of the pressing claims of war and that they have been, and are, intent upon making the maximum possible contribution towards promoting our national war effort. In the accomplishment as well as the prosecution of these efforts I am confident that I have your unqualified support. Nevertheless, we feel that the maintenance of health is a matter of paramount importance in sustaining output in essential work, bearing in mind the psychological factor of the inevitable feeling of depression engendered in individuals by some incidental disposition, be it a cold or a headache or a twinge of rheumatic pain, if it could not be alleviated by recourse to a remedy of proven value. The countless letters which we have received from war workers since the outbreak of this war testify to the efficacy of Aspro in these cases, a further proof, if proof were needed, of the well-founded value of Aspro in relieving pain and suffering.

The report and accounts were unanimously adopted.

THE UNITED STEEL COMPANIES, LIMITED

LARGER TURNOVER

SUBSTANTIAL TAXATION

SIR WALTER BENTON JONES'S SPEECH

The annual general meeting of the United Steel Companies, Limited, was held, on the 15th instant, at the Iron and Steel Institute, 4, Grosvenor Gardens, London, S.W.

Sir Walter Benton Jones, Bt., chairman and managing director, presided.

The Secretary (Mr R. Gresham Cooke) having read the notice convening the meeting and the report of the auditors,

The Chairman said: Gentlemen, May I assume you will take the directors' report and the accounts as read? (Agreed.)

DEATH OF TWO DIRECTORS

It is with great regret that I have to record the deaths since our last meeting of Mr Albert Peech and Mr Charles Walsh. Mr Peech died in March at the age of 68. He was a well-known personality in the iron and steel industry, with the management of which he had been intimately connected for more than 40 years. A partner in the firm of Steel, Peech and Tozer, he took part in the formation of our company and was one of the original directors. He was our chairman from 1920 until 1928 and he remained an active director until he died. He played a leading part in the formation and working of many of the organisations connected with the iron and steel industry. In 1924 he had the honour to be elected President of the Iron and Steel Federation. He was a man of great experience, great charm, unfailing courtesy and kindness, and he had a wide circle of friends in many countries. His death is a great loss to the company.

Mr Walsh died very suddenly in February at the early age of 56. He had been connected with the engineering and iron and steel industries all his life. He joined the company in 1932 as assistant to the managing director. In 1934 he took over the management of our largest branch, Appleby-Frodingham. In 1939 he was appointed managing director of the company, a position he might well have held for many years. He had exceptional ability, was very much liked and esteemed by all who worked with him and for him, and his sudden death was a great shock to us all.

CHANGES ON THE BOARD

Following the death of Mr Walsh, Mr N. H. Rollason kindly undertook the duties of managing director until June of this year, when I assumed that office. In these duties I have the assistance of Mr Gerald Steel, the general manager of the Samuel Fox and Co. branch, in connection with the iron and steel works, and of Mr C. F. Ward Jones, the general manager of the Rother Vale Collieries branch, in connection with mines and coke works. Both have been appointed directors, as has also Mr L. Highton, general manager of the Workington Iron and Steel branch.

During the year your directors invited Mr A. C. Macdiarmid, the chairman of Stewarts and Lloyds, to a seat on their board, and the directors of Stewarts and Lloyds have done me the honour to ask me to be a director of their company. These reciprocal invitations are of a personal character; they indicate no more than the friendly relations existing between the two companies, which have much in common.

Mr P. F. Summers, the chairman of John Summers and Sons, in which, as you know, we hold a substantial interest, joined the board in March. These appointments bring to the board a valuable addition of technical and commercial experience and I am sure will commend themselves to you. You will be asked to confirm the appointments in accordance with the articles of association.

TRIBUTE TO OFFICERS AND STAFF

Again I should like to put in the forefront of my remarks an expression of our gratitude to all who are working for us in whatever capacity they are engaged, and particularly the officers and staff. As I have often said, the company is well served by a loyal and efficient staff and in these days they have not spared them-

selves, but with constant application have continued to work at high pressure.

With regard to the report and accounts, I do not propose to review these in detail. The balance-sheet, profit and loss account, and the statement of combined assets and liabilities show in each case the corresponding figures of the previous year, which enables you to compare the two years for yourselves. The only comment I have to make on the balance-sheet concerns the item of creditors on one side and stocks and debtors on the other. The substantial increase in both cases is due to a larger turnover and high prices.

TRADING PROFIT

The report tells you that the balance of trading profit was £2,066,625, and the directors call attention to the large appropriation made to reserve and provision for taxation. I should like to add that the appropriation includes £187,000 in respect of increase in the rate of income-tax on profits made in previous years. Last year also we had to make a substantial addition to this reserve for the same reason. I venture to hope that we shall not have to make a similar provision next year.

After making the appropriation to reserve for income-tax there remains £725,375 for the shareholders, out of which to make reserves and provide contributions to staff and workmen's pensions schemes and to pay a dividend. Taking the year 1937-38, the comparable balance of profit was £2,125,375, and after deducting the appropriation to reserve for income-tax there was left £1,329,375.

LARGE CONTRIBUTIONS TO STATE

The present form of taxation first limits profits to an arbitrary standard based on some recent pre-war performance, and then divides them by two. I have shown how this affects us and our case illustrates the very large contributions which industrial undertakings are making to the State.

The report also tells you how we have provided for war risks insurance premiums. These are not a charge against profits, and, being designed for the most part to make good damage already sustained by the general community, they are not insurance in the usual sense. They are, in effect, a capital tax.

In these days a chairman's annual speech to his shareholders can be little more than a commentary on the accounts. None wish to use the opportunity to criticise but only to express their desire and intention to work their hardest and to serve by every means within their power. This is the view of your directors and in expressing it they are confident that it will have the unanimous approval of all the shareholders.

The report and accounts were unanimously adopted.

The proposed final dividend for the year ended June 30, 1941, at the rate of 5½ per cent., less tax, making with the interim dividend of 2½ per cent. already paid a total distribution for the year of 8 per cent., less tax, was approved.

The retiring directors, Mr A. C. Macdiarmid, Mr R. F. Summers, Mr Langton Highton, Mr C. F. Ward Jones, Mr Gerald Steel, Mr J. I. Spens, Sir Herbert A. Walker, K.C.B., Mr P. Lindsay and Mr N. H. Rollason, were re-elected and the auditors, Messrs Peat, Marwick, Mitchell and Co., were reappointed.

The proceedings terminated with a vote of thanks to the chairman, directors and staff.

CABLES INVESTMENT TRUST, LIMITED

The sixth ordinary general meeting of Cables Investment Trust, Limited, was held, on the 15th instant, in London, the Right Hon. Lord Pender (the chairman) presiding.

The following is the chairman's statement which was circulated with the report and accounts:—Debtenture stock amounting to £8,950 has been purchased and cancelled, as shown in the accounts, and the balance of £6,050 required to complete the sinking fund for the year to December, 1941, has been purchased since June 30th. It will be observed that a further £16,417 debtenture stock has been purchased during the year.

From the details shown on pages 3 and 4, it will be seen that the gross income from investments was £329,123 and the net income £225,097, in each case showing a small decrease compared with the previous year. The market value at June 30th last of securities having a book value of £7,069,770 was £5,643,540, this figure showing considerable improvement on last year's valuation.

After payment of a final dividend of 3 per cent, making 5 per cent. for the year, on the ordinary stock, the carry-forward has again been increased, and now amounts to £171,052, as against £135,955 previously carried forward.

The adoption of the report and accounts, together with the payment of a final dividend of 3 per cent, less tax, on the ordinary stock, making 5 per cent, less tax, for the year was approved.

BANGRIN TIN DREDGING COMPANY, LIMITED

The twenty-first ordinary general meeting of the Bangrin Tin Dredging Company, Limited, was held, on the 14th instant, in London, Mr Kenneth O. Hunter (the chairman) presiding.

The following is an extract from the Chairman's statement issued with the report:—The increased price obtained for the 1940 output, and the realisation of accumulated tailings resulted in a profit from mining operations of £96,262. This apparently satisfactory position is discounted by the fact that we have excess profits tax to take into account, and the directors have found it desirable to set aside for this purpose a provision of £24,700, with the result that the balance of revenue account is £59,934, which compares with £51,239 for 1939. The dividends for the year 1940 absorb 37,500, being 12½ per cent, including the final dividend of 7½ per cent. proposed.

As regards taxation of income, if account is taken of the income-tax deducted from dividends paid to stockholders, the amount contributed out of the profits of the year 1940 will amount to some £41,400 in addition to excess profits tax for which the directors have deemed it necessary to provide £24,700. This is a total of £66,100 out of earnings amounting to £84,634.

The report was adopted.

THAI TIN SYNDICATE, LIMITED

The thirty-fourth ordinary general meeting of the Thai Tin Syndicate, Limited, was held, on the 14th instant, in London. Mr Kenneth O. Hunter (the chairman) presided.

The following is an extract from the Chairman's statement which was circulated with the report:—The profit for the year is £138,319, against £119,677 in 1939. It will be observed, however, that the amount which we have thought advisable to include as the provision for excess profits tax is £20,000, whereas in the previous year the similar provision was only £6,250.

Dividends in respect of the year 1940 are shown to amount to £75,000, being 50 per cent for the year, including the final divi-

dend of 10 per cent proposed. The directors have set aside £56,572 to provide for income-taxes which will become payable in this country and abroad in respect of the 1940 profits, and a sum of £7,000 has been transferred to an investment reserve. There is then a balance of £10,675, which we propose should be carried forward.

With regard to taxes on income, when one takes account of the tax deducted from dividends paid to stockholders, the contribution out of the company's earnings for the past year is approximately £89,500, and with the addition of excess profits tax, for which we have provided £20,000, a total of £109,500.

The report was unanimously adopted.

TEA CORPORATION, LIMITED

The ordinary general meeting of Tea Corporation, Limited, was held at 110, Cannon Street, London, E.C., on 9th instant.

Mr E. F. Slade (chairman of the company) in the course of his speech said that a year ago the net profit had been nearly £2,000 more than in the previous year, but this year it was back, or nearly so, to what it was in 1939. The falling off was not due in any way to non-productivity of the estates, the output of tea and rubber having shown considerable increases, the value of their total produce being £15,246 more than in 1939. On the other hand, cost of production came to £19,055 more than in the previous year. In most concerns where tea was the major output a falling off in profit in 1940 was fairly general, and it had been caused in a great measure by the increase in standard wages of the labour force. The net profit was £6,478 and the directors proposed to pay a dividend of 6 per cent., which would absorb £6,300.

All properties were in a good state of cultivation and upkeep. The visiting agents were able to say that the estates were well managed and improving. The tea crop had exceeded the export allowance by 195,084 lb., and coupons were bought for 102,799 lb. during the year. The rubber crop showed a very considerable increase. No new planting or replanting were undertaken during the year but the 42 acres replanted during 1939 were coming along well.

Last year they had cropped 1,168,485 lb. of tea and exported the quantity over and above that allowed under restriction by purchasing coupons. In the current year the board had decided to keep the crop as near as possible to the exportable allowance and consequently they had budgeted for only 946,000 lb. They had been able to harvest to the end of August 1,314,266 lb. of rubber against 1,199,062 lb. for the same period in the previous year.

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and Ultramar 32. By mid-week, war news brought a partial reverse in both oil and kaffir shares.

"FINANCIAL NEWS" INDICES

	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices 30 Oct. Share*	20 Fixed Int.†
1941				
Oct. 9	3,512	1,408	78.5	130.8
" 10	3,152	1,779	77.8	130.8
" 13	3,458	1,421	78.0	130.9
" 14	2,984	1,009	78.2	131.0
" 15	3,002	1,810	78.1	131.1

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1941 highest, 79.7 (Sept. 12); lowest, 66.8 (Apr. 24). 20 Fixed Int., 1941; highest 131.1 (Oct. 16); lowest, 126.1 (Jan. 2).

New York

WAR news, together with continued uncertainty regarding future tax and price control policy, and the impending Columbus Day holiday, all served to strengthen the cautious attitude prevailing on Wall Street before the week-end. Nevertheless, the close was steady with slight support for aircraft, motor and steel issues. Conditions remained unchanged over the holiday and trading on Tuesday was dull, with small but scattered losses in industrial, mining and steel issues. In mid-week prices declined over a wide front on the news from Russia.

The Iron Age estimates steel mill activity at 98 per cent. of capacity.

New York Prices

	Close Oct. 14, 1941	Close Oct. 15, 1941	Close Oct. 16, 1941	Close Oct. 17, 1941
1. Railroads.				
Balt. & Ohio	44	44	44	44
Ill. Cent.	88	88	88	88
N.Y. Cent.	112	112	112	112
Norfolk	61	61	61	61
Penn. Ry.	22	22	22	22
Southern	171	168	168	168
2. Utilities, etc.				
Amer. Tel.	153	152	152	152
Amer. Wks.	4	3	3	3
Pub. Sv. N.Y.	191	191	191	191
St. Ed. Ed.	23	23	23	23
United Gas	6	6	6	6
3. Commercial and Industrial.				
Amer. Metal	201	201	201	201
Am. Roll. M.	13	12	12	12
Am. Smelting	39	39	39	39
Am. Soda	26	25	25	25
Briggs	19	19	19	19
Columbian A.	23	22	22	22
4. Chrysler	7	7	7	7
5. Eastman K.	25	24	24	24
6. Gen. Elec.	88	88	88	88
7. Int. Harv.	28	28	28	28
8. Liggett Myers	87	87	87	87
9. Nat. Dairy	15	15	15	15
10. Nat. Distillers	24	24	24	24
11. Nat. Steel	51	51	51	51
12. Proct. Gamble	57	57	57	57
13. Sears Roebuck	71	71	71	71
14. Shell Union	14	13	13	13
15. Socony Vac.	9	9	9	9
16. Std. Oil N.J.	41	41	41	41
17. 20th Cen. Fox	8	8	8	8
18. U.S. Steel	53	52	52	52
19. West. Elec.	84	84	84	84
20. Woolworth	30	30	30	30
21. Yngstn. Sheet	34	33	33	33

STANDARD STATISTICS INDICES (1935-36 = 100)

	1941†	Sept. 15, 1941†	Oct. 1, 1941†	Oct. 8, 1941†
Low Apr. 30				
High Jan. 15				
347 Industrials	83.6	86.0	93.9	82.5
32 Rails	82.5	84.4	28.5	71.2
40 Utilities	67.0	78.7	69.1	79.5
419 Stocks	71.9	68.1	79.0	82.6
Av. yield*	6.80%	6.11%	6.36%	6.41%
	High (c)	Low (d)		

* 50 Common Stocks. (a) July 30. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 28. † Old Basis. ‡ New Basis 1935-36 = 100.

DAILY AVERAGE OF 50 COMMON STOCKS

	Oct. 2	Oct. 3	Oct. 4	Oct. 6	Oct. 7	Oct. 8
	101.0	100.7	100.7	100.6	99.3	99.2
1941 High: 105.8, January 10. Low: 90.7, April 30.						
Total share dealings: Oct. 9, 720,000; Oct. 10, 490,000; Oct. 11, 230,000*;						
Oct. 13, Columbus Day; Oct. 14, 440,000; Oct. 15, 180,000.						

* Two-hour session.

Capital Issues

	Week ending October 18, 1941	Nominal Capital	Conversions	New Issues
Particulars of Government issues appear on page 488.				
Year†				
1941	1,204,467,250	1,150,859,968		
1940	1,180,039,036	827,083,903		

Destination (Conversions Excluded)

	Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1941	1,147,508,567	3,481,401	70,000	
1940	826,099,231	984,672		

Nature of Borrowing (Conv. Excl.)

	Year†	Deb.	Pref.	Ord.
1941	1,144,855,218	477,460	5,527,290	
1940	811,403,588	1,513,755	14,166,569	

† Includes Government Issues to Oct. 7th only. Above figures include all new capital in which permission to deal has been granted.

Electrolytic Zinc (Australasia).— Preliminary statement June 30, 1941. Total profit £707,784 (£612,178). Net profit £362,784 (£448,782) after depr. £125,000 (£100,000) and taxes £320,000 (£163,396). Pref. and ord. divs. 14 per cent. (same).

Transvaal Gold Output.— September 1941, fine ozs. Witwatersrand 1,173,131 (1,136,354), other districts 30,212 (29,798); total output 1,203,355 (1,166,152).

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	or in Carry Forward	Total Profit	Net Profit	Ord. Div.
Coal, Iron and Steel													
Parsons Marine Steam Turbine	June 30	56,207	£	£	£	£	£	%	£	£	£	£	£
Stephenson Clark & Associated Cos. .	Mar. 31	668,282	156,786	53,066	60,109	44,044	31,692	10	20,000	1,374	82,581	78,211	10
				185,951	275,014		60,187	7½	50,000	31,720	719,725	227,891	78
Financial, Land, &c.													
British North Borneo Co.	Dec. 31	537,736	25,694	169,531	259,426	...	92,620	5	80,000	3,089	446,895	104,838	4
Cables Investment Trust	June 30	341,638	...	225,097	361,052	90,000	100,000	5	...	35,097	335,536	216,008	5
Duff Development Co.	Mar. 31	57,209	1,600	17,610	33,134	...	16,603	15	...	1,007	50,401	22,301	16
Estates Control	Mar. 31	69,063	...	59,140	239,658	33,723	20,500	100½	...	4,887	83,609	81,835	100
Rosehaugh Company	June 30	13,883	...	10,644	11,901	5,401	3,789	3	1,500	46	15,909	9,044	2
Trafford Park Estates	June 30	100,304	...	32,987	95,068	...	45,500	7	...	12,513	104,427	59,662	8
Wool Exchange & General Investmts.	Mar. 25	88,110	...	23,579	31,944	10,625	4,750	21	5,000	3,204	106,885	34,595	4
Rubber													
Chembong Malay	Mar. 31	39,055	586	10,894	25,018	...	10,885	6	...	9	24,166	9,172	4
Kali (Java)	Dec. 31	7,111	549	5,405	6,754	...	3,341	5	...	1,164	2,303	518	Nil
Kinta Kelas	Mar. 31	40,114	776	17,948	23,326	...	15,250	10	...	2,698	26,346	14,813	10
Malay United	Mar. 31	12,150	...	3,663	4,339	...	3,500	4.16	...	163	7,577	1,852	2.1
Parit-Bruas	June 30	31,421	500	7,592	7,614	...	7,500	15	...	92	18,616	7,419	15
Perak	Mar. 31	19,322	500	8,656	12,700	...	8,900	10	...	244	12,649	9,048	10
Shops and Stores													
Peacock's Stores	Dec. 31	56,475	12,424	9,687	34,966	8,976	4,900	8	...	3,289	57,688	22,078	8
Tea													
Bowlana	Mar. 31	14,845	1,500	402	2,129	...	1,225	21	...	823	10,822	579	21
Brahmapootra	Dec. 31	39,131	1,500	22,643	33,549	...	22,900	20	...	457	45,027	34,097	25
Hornsey	Mar. 31	3,813	819	738	2,379	600	1,200	10	...	1,062	4,862	2,614	12½
Namdang	Dec. 31	16,548	...	14,548	23,129	...	14,000	10	...	548	25,475	19,475	10
Trusts													
Land Revenues Trust	June 24	42,046	...	Dr. 545	10,415	2,264	...	...	...	2,809	46,762	3,176	21
Second American	Aug. 31	56,145	...	12,015	28,116	11,812	...	...	...	203	61,196	15,500	Nil
Other Companies													
Horlick's Limited	Mar. 31	217,852	...	90,189	110,771	...	80,000	30	10,000	189	225,424	96,583	30
Low Temperature Carbonisation ..	Mar. 31	123,344	10,022	26,342	56,783	...	28,022	31	...	1,680	53,323	29,402	31
Phosferine Products	June 30	5,692	...	4,261	6,132	...	2,120	20	1,000	1,141	3,351	2,398	20
United Dairies	June 30	522,838	...	504,416	674,487	195,000	308,000	121	...	1,416	527,401	505,095	121
Totals (£000's):													
Week to Oct. 18, 1941	No. of Cos.	26	3,181	213	1,515	2,437	402	886	...	1,578	3,097	1,608	...
Jan. 1 to Oct. 18, 1941	1,581	322,615	25,840	150,391	231,187	35,539	92,387	...	11,725	310,338	169,807	...	...

† 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	Pay- able	Prev. Year	Company	*Int. or † Final	Total	Pay- able	Prev. Year	Company	*Int. or † Final	Total	Pay- able	Prev. Year
BANKS														
National of Australasia	6pa*	...	Nov 26	6pa*	African City Properties	4*	...	...	4*	Harrisons & Crossfield	20†	25	...	25*
INDUSTRIALS														
					Alliance Investment	2*	...	...	2*	Hill (Philip) & Partners	5*	...	...	30*
					Andersons' Rubber	21*	...	...	21*	Horlicks Limited	16 1/2	30	...	30*
					Anglo-American Debenture	3 1/2*	...	Nov 1	3 1/2*	Industrial & General Trust	4*	...	Nov 1	31*
					Armstrong Shock Absorbers	...	7 1/2	...	24	Low Temp. Carbonisation	...	3†	...	3†
					Bankers' Investment	2*	...	...	2*	Metal Agencies	...	12†	...	10†
					Beer (L.) & Sons	3*	...	...	3*	Morris (Herbert)	3†	...	...	125
					Benger's Food	21*	...	...	21*	Olympic Portland Cement	15 1/2	120	...	21*
					Birkett (T. M.) & Sons	10†	15	...	15	Parsons Steam Turbine	21*	...	Nov 15	10*
					Blakey's Boot Protectors	7 1/2†	15	...	15	Patding Royal	6†	10	...	15*
					Brazilian Traction	40 cts	...	...	Nil	Quebec Power	...	...	...	24 cts
					British United Shoe	16*	...	Dec 22	110*	Rawlplug Co.	25 cts	...	...	10*
					Bryant & May	18 1/2*	...	...	5	Ribble Motor Services	4*	...	...	3†
					Burton (Montague)	...	5	...	5*	Scottish Mortgage & Trust	31*	...	...	10*
					Calcutta Electric	13 1/2*	...	...	8	Second Edinburgh Invest.	7†	10	...	2*
					Callender (Geo. M.)	...	30	...	15	Second Mercantile Trust	2*	...	...	5†
					Chamber's Wharf	5†	10	...	5	Second Scottish Mortgage	3†	5†	...	22 1/2
					Clyde Paper	...	4	...	21*	Skefko Ball Bearing	16 1/2	...	...	16 1/2
					Cook (James W.) & Co.	21*	...	Nov 1	12†	South-Western Gas	2*	...	Oct 27	7†
					Doxford (William)	...	12 1/2	...	12†	Stephenson Clark	...	...	...	2*
					Drake & Gorham	...	5†	10	10	Stream-Line Filters	3*	...	...	3*
					East London Coal	...	6	...	Nil	Telephone & General Trust	3*	...	...	3†
					Electric & Musical Instrument	...	...	Nov 1	3†	Thorn (Alexander)	31*	...	...	31*
					Ever Ready Tst. Ord., Def.	3*	...	...	24	Ward (Thos. W.)	7 1/2†	11†	...	11†
					Goldsworthy (Thos.)	...	2 1/2	...	5*	West's & Moultons	5*	...	...	5*
					Hall & Co.	5*	...	...	4*	Whites (Timothy) & Taylors	7 1/2*	...	...	7 1/2
					Hammeton (Charles)	5*	...	...	5*					
TEA AND RUBBER														
Bukit Panjong Rubber	3*	...	...	21*										
Duff Development	10†	15	...	16†										
Harewood Rubber	...	4	...	2 1/2										
Kawie (Java) Rubber	...	10	...	7 1/2										
Malay United Rubber	...	4-16	...	2-08										
Mambau (F.M.S.) Rubber	...	6	...	4										
Rim (Malacca) Rubber	...	10	...	10										
Selangor United Rubber	...	10	...	7 1/2										
Tismoda Estates	...	10	...	10										

† Receipts in Argentine pesos.

UNIT TRUST PRICES

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

Name	Oct. 14, 1941	Name	Oct. 14, 1941	Name	Oct. 14, 1941
Second Bt.	21 1/2 bid	National D.	11/14-12/14	Key. Gold	8/9-10/0
Lim d Inv.	14 1/4 bid	Century	12/14-13/14	Br. Ind. 4th	12/3-13/9
New British	8 1/2 bid	Scottish	11/0-12/0	Flav. Inds.	14/0 bid
Inv. Trust	9/0-10/3*	Univ. 2nd	13/14-14/14	Met. & Min.	10/9-12/3
Bk. Insur.	15/3-16/9*	Inv. Flex.	10/0-11/0	Cum. Inv.	14/6-16/0
Insurance	15/6-17/0*	Inv. Gen.	13/74-14/74	Producers	6/14-7/14
Bank	15/3-17/0	Key. Flex.	11/14-12/14	Donn. 2nd	5/74-6/4
Scotbills	11/0-12/0	Key. Con.	10/6-11/6	Orthodox	7/6-8/4

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

BRITISH WHOLESALE PRICES

	Oct. 7, 1941	Oct. 14, 1941	Oct. 7, 1941	Oct. 14, 1941	Oct. 7, 1941	Oct. 14, 1941
CEREALS AND MEAT			TEXTILES—continued			
RAIN, etc.			COTTON <i>continued</i>			
Wheat	s. d.	s. d.	Cloth, 38 in. ditto, 38 yards,	s. d.	s. d.	
No. 1 N.Mt. 496 lb. f.o.b. Mont.	32 9	31 9	18 × 16, 10 lb.	14 10	14 10	
Eng. Gaz. av. per cwt. (c)	14 9	14 9	39 in. ditto, 37½ yards,	13 9	13 9	
Flour per 280 lb.			16 15, 8½ lb.	13 9	13 9	
Straights d/d London	33 3	33 3	FLAX (per ton)	£ s. d.	£ s. d.	
Barley Eng. Gaz. av. per cwt. (c)	28 9	28 10	Livonian 2K	Nom.	Nom.	
Oats (c)	13 10	14 4	Perch HD	Nom.	Nom.	
Maize, 1st 1/2, 480 lb. f.o.b.	15 10½	15 10½	HEMP (per ton) — Manila, spot	30/0/0	30/0/0	
MEAT—Beef, per 8 lb.			" 12"			
English long sides	4 8	4 8	JUTE (per ton)	42/10/0	41/10/0	
Imported hinds	5 0	5 0	Daisie 2/3 c.l.f. Dundee	s. d.	s. d.	
Mutton, per 8 lb. English	4 4	4 4	Common 8 lb. cops. (per spindle)	4 11½	4 6½	
Imported	8 0	8 0	10½/40 Hessians, per yd.	0 6½	0 11	
Pork English, per 8 lb.	8 0	8 0	10/40 Hessians, per yd.	0 5-20	0 5-20	
BACON—(per cwt.) Wilts, cut side	126 0	126 0	10/40 Calcutta Hessians, Nov.			
HAMS—(per cwt.) Green	132 0	132 0	Dec., 100 yds.	48 0	45 0	
OTHER FOODS			7½/40	36 6	35 3	
Butter (per cwt.) All Grades	142 0	142 0	Sisal (per ton)—African, Oct.	£ s. d.	£ s. d.	
First hand			Dec.—No. 1	30 0	30 0	
CHEESE (per cwt.)			WOOL (per lb.)—	d. d.	d. d.	
Home Produced	99 2	99 2	Lincoln wethers, washed	19½	19½	
Imported	99 2	99 2	Selected black-faced, greasy	14	14	
COCOA (per cwt.)			Australian serd. fleece 70's	37	37	
Accra, g.f.	45 0	45 0	Cape serd. average snow white	39½	39½	
Granada fine	81 0	81 0	N.Z. serd. 2nd pieces, 50-56's	24	24	
COFFEE (per cwt.)			Tops	45	45	
Santos, supr. c. & f.	Nom.	Nom.	6's warp	39	39	
Costa Rica, medium to good	185 0	185 0	8's super carded	31	31	
EGGS (per 120)—English	200 0	200 0	48's average carded	29½	29½	
LARD (per cwt.) Imported	64 0	64 0	44's prepared			
POTATOES (per cwt.)			MINERALS			
English, new	7 0	5 0		s. d.	s. d.	
SUGAR (per cwt.)	9 0	9 0	Welsh, best Admiralty	31 7	31 7	
Centrifugals, 96", prpt. shipm.			Durham, best gas, f.o.b. Tyne	28 10½	28 10½	
C.I.F. U.K./Cont.			IRON AND STEEL (per ton)—	128 0	128 0	
Refined LONDON			Pig, Cleveland No. 3, d/d	312 6	312 6	
Granulated, 2 cwt. bags	49 10	49 10	Bars, Mildlesbrough	290 6	290 6	
Granulated, 2 cwt. bags, domestic			Steel, rails, heavy	29 9	29 9	
consumption	31 2	31 2	Templates (home, i.e. 14 × 20)			
West India Crystallised	47 4	47 4	NON-FERROUS METALS (per ton)—	62/0/0	62/0/0	
TOBACCO (per lb.)			Copper (c) Electrolytic	256/0/0	256/2/6	
Indian stemmed and unstemmed	0 8	0 8	Tin—Standard cash	256/5/0	256/5/0	
Rhodesian, stemmed and un-	0 10	0 10	" Three months	259/10/0	259/10/0	
stemmed	2 4	2 4	Lead (d) Soft, foreign, cash	259/15/0	259/15/0	
TEXTILES			Spot (d) G.O.B., spot	25/0/0	25/0/0	
COTTON (per lb.)	d. d.	d. d.	Aluminium, ingots and bars	110/0/0	110/0/0	
Raw, Mid-American	9-24	9-25	Nickel, home delivery	190/0/0	190/0/0	
" Giza, F.G.F.	12-05	12-05	Antimony, English, 99%	195/0/0	195/0/0	
Yarns, 32's Twist	16-81	16-85	Wolfram, Empire	120/0/0	120/0/0	
" 40's Weft	18-12	18-16	Platinum, refined	2/10/0	2/10/0	
" 60's Twist (Egyptian)	25-95	25-75	per oz.	9 0/0	9 0/0	
Cloth, 32 in. Printers, 116 yards,	s. d.	s. d.	Quick-silver	48/0/0	48/0/0	
56 × 16, 32's & 55's	28 0	28 0	per 76 lb.	48/15/0	48/15/0	
36 in. Shirtings, 75 yards,				s. d.	s. d.	
19 × 19, 32's & 40's	40 3	40 3	GOLD (per fine ounce)	168 0	168 0	
			SILVER (per ounce)	1 11½	1 11½	
			Cash			

(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 buyer's premises.

(d) Average for weeks ended Oct. 4 and Oct. 11.

(e) Charges for weeks ended Oct. 4 and Oct. 11.

CEMENT, best Eng. Portland, d/d site, London area, in paper bags or jute sacks 20 to ton—(a)			MISCELLANEOUS		
	s. d.	s. d.		s. d.	s. d.
6-ton loads and upwards per ton	49 6	49 6	Acid, Oxalic, net	60/0/0	60/0/0
CHEMICALS—			" Tartaric, English less 5% . . . lb.	3 3½	3 3½
			Ammonia, Sulphate	9/11/0	9/11/0
			Nitrate of Soda	13/10/0	13/10/0
			Portland, Sulphate	11/0/0	11/0/0
			Soda Barab.	5/0/0	5/0/0
			Soda Crystals	5/5/0	5/5/0
COPRA (per ton) — S.D. Straits				12/10/0	12/10/0
			c.l.f.	s. d.	s. d.
HIDES (per lb.) —					
			Wet salted Australian, } 40/50 lb.	0 7½	0 7½
			Queensland	0 6½	0 6½
			Cape, J'burg Ord.	0 8½	0 8½
			Dry Cakes, 18 20 lb.		
			English & Welsh Market Hides	0 6½	0 6½
			Best heavy ox and heifer	0 8½	0 8½
LEATHER (per lb.)—					
			Sole Bends, 8/14 lb.	2 0	2 0
				4 0	4 0
				1 3	1 3
			Shoulders	2 4	2 4
				0 7½	0 7½
			Insole Bellies	1 2	1 2
				2 0	2 0
			Dressing Hides	2 6	2 6
PETROLEUM PRODUCTS (per gal.)—					
			Motor Spirit, England & Wales	1 9	1 9
			(b) Kerosene, Burning Oil	0 11½	0 11½
			" Vaporising Oil	1 0	1 0
			(b) Automotive gas oil, in bulk, ex road tank waggon.	1 6½	1 6½
			Fuel oil, in bulk, England and Wales		
			Furnace	0 8½	0 8½
			Diesel	0 9½	0 9½
ROSIN (per ton)—American				Nom.	Nom.
RUBBER (per lb.)—				s. d.	s. d.
			St. ribbed smoked sheet	1 1½	1 1½
SHELLAC (per ton)—TN Orange.				162/10/0	165/0/0
TALLOW (per ton)—London Town				22/10/0	22/10/0
VEGETABLE OILS (per ton net)—					
			Linsed, 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, Linsed, Indian	7/15/0	7/15/0
			Oil Seeds, Linsed—		
			1a Plata (new)	12/5/0	12/7/6
			Calcutta	19/10/0	19/5/0

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

000's omitted

SEPTEMBER, 1941	Barclays Bank Ltd.	Coutts & 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.	Aggregate
Date	30th	29th	24th	23rd	23rd	24th	24th	26th	24th	25th	23th	£
ASSETS												
Coin, Bank Notes and Balances with the Bank of England	64,030	3,402	13,016	6,756	58,533	15,939	69,233	3,400	44,484	44,912	6,276	329,981
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland	22,111	865	3,345	1,542	16,308	3,123	17,649	210	14,435	16,900	3,535	100,023
Items in Transit	16,210	3,207	4,839	6,805	21,674	9,475	20,668	4,203	18,831	22,828	7,908	123,631
Money at Call and Short Notice	62,554	2,728	15,119	3,797	57,102	15,565	74,552	1,123	43,293	36,432	2,891	315,136
Bills Discounted	110,500	2,500	21,500	5,500	99,500	17,000	117,000	500	69,500	76,500	11,000	531,000
Treasury Deposit Receipts	156,604	12,119	43,231	20,787	151,131	57,921	194,636	16,252	133,943	134,451	18,273	939,348
Investments	183,502	8,708	24,945	9,889	140,575	34,770	167,892	16,025	111,771	116,728	11,434	826,239
Advances to Customers and other A/c's	12,527	969	2,973	3,910	19,411	8,231	13,550	255	10,502	27,290	1,860	101,478
Liabilities of Customers for Acceptances, Endorsements, etc.	7,953	412	1,533	740	7,125	2,854	9,397	556	7,219	5,230	991	44,010
Bank Premises Account	6,283	...	...	...	3,775	...	8,200	...	2,514	2,992	...	23,764
Investments in Affiliated Banks and Subsidiary Companies	642,254	34,910	130,501	59,726	584,609	165,374	692,777	42,524	456,492	484,263	64,168	3,357,598
Ratio of Cash to Current, Deposit and other Accounts	10.63	10.65	10.71	12.53	10.85	10.67	10.62	8.90	10.39	10.25	10.54	10.59
LIABILITIES												
Capital Paid up	15,858	1,000	2,976	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875	78,197
Reserve Fund	11,250	1,000	2,976	850	10,000	3,600	12,410	1,160	8,500	9,320	900	61,966
Current, Deposit and other Accounts	602,619	31,941	121,576	53,906	539,378	149,362	651,658	38,202	428,011	438,317	59,533	3,114,503
Acceptances, Endorsements, etc.	12,527	969	2,973	3,910	19,411	8,231	13,550	255	10,502	27,290	1,860	101,478
Notes in Circulation	...	...	...	...	10	21	...	1,407	...	16	...	1,454
	642,254	34,910	130,501	59,726	584,609	165,374	692,777	42,524	456,492	484,263	64,168	3,357,598

TRANSVAAL GOLD OUTPUT

Statistics for September, 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					Central Mining—Rand Mines—cont.					"Johnnies"				
Brakpan	135,000	252,510	87,749	109 8.1	New Modder	197,000	26,611	67,534	117 10	E. Champ D'Or	35,000	74,694	39,268	80 0
Daggafontein	164,000	390,296	224,300	71 5.9	Nourse	82,000	16,331	31,308	129 10	Gov. Areas	259,000	427,028	165,300	103 8
East Daggafontein	85,000	189,315	73,254	103 0.7	Rose Deep	87,000	13,575	26,169	129 7	Langlaagte	122,000	139,335	10,140	157 4
Sth. African Land	120,000	278,275	152,834	75 9.2	Transvaal G.	31,900	5,231	4,509	148 11	N. State Areas	124,000	250,126	120,066	88 8
Springs	165,000	372,512	190,111	82 3.9	General Mining					Randfontein	390,000	470,606	130,085	122 8
West Springs	90,000	163,495	58,695	107 8.8	Van Ryn	62,000	58,370	6,206	153 6	Van Ryn	108,000	117,430	15,058	147 6
W. Reefs Devpt.	46,500	83,664	15,183	137 7.2	W. Rand Cons.	237,000	368,702	157,145	99 10	Witwatersrand	86,000	107,676	18,072	141 9
Central Mining—Rand Mines					Goldfields					Union Group				
City Deep	110,000	25,246	66,035	115 10	Venterspost	118,000	22,833	54,100	120 11.4	E. Geduld	161,000	46,294	255,296	57 10
Cons. M. Reef	208,000	31,866	50,100	136 9	Simmer and Jack	145,000	25,831	40,594	136 8.8	Geduld	116,000	27,573	119,239	81 10
Crown	337,000	79,210	290,603	94 11	Robinson Deep	124,000	26,041	79,036	107 6.9	Grootvlei	128,000	34,884	143,719	85 8
Durban Deep	200,000	36,231	102,003	111 9	Sub Nigel	65,500	41,521	228,186	58 2.4	Marievale	50,000	13,239	36,085	113 1
East Rand Prop.	224,000	45,015	112,045	118 5	Vogelstruisbult	76,000	19,556	61,713	105 5.8	Modder Deep	49,700	6,215	10,826	134 11
Geldenhuis	69,000	8,764	14,008	136 1	Rietfontein	35,000	5,363	16,187	107 7.9	Van Dyk	99,400	25,731	83,563	103 2
Glyn's Ltd.	9,800	3,109	8,098	116 0	Luipaards Vlei	88,000	18,364	43,063	121 2.7					
Modder B.	90,000	15,735	62,911	88 2										
Modder East	141,000	23,426	80,621	99 4										

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NOTICE IS HEREBY GIVEN that a DIVIDEND of 2 per cent, being at the rate of 8 per cent per annum, upon the paid up capital stock of the bank, has been declared for the three months ending November 30, 1941, and will be PAYABLE at the bank and its branches on and after December 1, 1941, to shareholders of record October 31, 1941.

By Order of the Board,

E. B. MCINERNEY, London Manager.

6, Lothbury, London, E.C. 2. October 16, 1941.

THE ECONOMIST

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No. 5122

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The Enterprise of England

JULY, 1588: "Sir, for the love of God and our country, let us have with some speed some great shot sent us of all bigness; for this service will continue long; and some powder with it." The writer is Lord Howard of Effingham, Lord High Admiral, in the thick of the running battle through English waters against the Grand Fleet of Spain. May, 1940, on the eve of the campaign that shook the world: "The situation as regards equipment . . . caused me serious misgivings. . . . There was a shortage of almost every kind of ammunition." The writer is Lord Gort. The story of an English strategy creaking for want of supplies is both new and old. It was the lack of numbers, more even than the *Luftwaffe*, that the skill and quality of the RAF mastered a year ago when so many owed so much to so few. It is lack of equipment now, of weapons and munitions and ships, that narrows the choices of England between holding this island safe, nourishing the Soviet Union and the great Middle Eastern army and striking straight at the enemy.

This is the lesson of Lord Gort's belated dispatches—the shortage of weapons, supplies and equipment—not the reasons for recrimination they undoubtedly give. The dispatches do show France doomed by its own weaknesses. They show soldiers, bound by faulty civilian decisions. But to lean on the past would be fatal. The fall of France is a fact, not the salve for a conscience. The blindness of a Secretary of State for War whose name no one even remembers to reproach is no more than an odd fossil; and among the civilian voices of spring, 1940, Mr Churchill's was not the most silent. It is human, but a perilous, enervating path, to blame friends for their undoubted bungling and neutrals for their folly. The responsibility now is England's—and America's. The lessons of the dispatches will not be found in Paris or London—or Laeken, but on the battlefield and on the airfield, in the factory and workshop. The shortage of powder and shot that caused Drake and Frobisher to cease firing when the Armada was at their

mercy was paralleled three and a half centuries later when, from the outset, the BEF risked running out of rounds—"even at the rate of expenditure laid down for sustained operations before the war." The short sight that did not envisage the munitions needed by the swift new gunnery of 1588 was matched by the myopia that did not see the preparations, the science, the guns and the mobility required by the warfare of 1940.

Mr Bevin has made it plain where we stand—an increase of 30 or 40 per cent in production to hold our own. Lord Croft, the Under-Secretary of State, has gone farther. Hitler will "almost certainly come at Eatum and Baku in the spring"; and on the Caucasus and beyond he will find the British with a twofold task, to aid in the Russian defence of Baku and Caucasian oil and to deny the road to Egypt, India and the east. Aid to the Soviet Union in this crisis of the war—within a strategy that had already poured half a million men into the Near East before the Soviets were forced to battle—means three things: the continuation of strategic bombing in the west to disrupt output and transport; the ferrying over long sea and land routes of civilian supplies, munitions and military equipment; and the defence of the Caucasus, Near Asia and North Africa. The strategic riddle, it seems, has been resolved. The ships and the supplies are needed for the Soviets, the men and the equipment for the Near and Middle East. There are not the ships, the men and the equipment in existence to attack Western Europe, to aid Russia to the utmost demand and to sustain the Straits-Black Sea-Caspian Sea line against the enemy. It would be "doorstep suicide" (says Lord Moyne) to attack in the west. But there is a land front. It was reinforced with a quarter of a million men after the Russian war began. It is 7-8,000 miles away.

It would be a bold layman who would fault these decisions with any sureness. He might claim with reason that action in the west would need only a part of the ships demanded by defence in the east. But the German

armies in Libya and the Ukraine cannot be argued away. He might contend that mere defence carries its own special dangers, as the war of 1939-41 plainly proves. It is the aggressor's sin and crime, but also his great advantage, that he always attacks. The peril of a defensive strategy in the Near and Middle East, which engages all the offensive apparatus at England's disposal, the critic suggests, may be that three quarters of a million men may be immobilised there during a nearer crisis. He fears defeat in detail. But, while he pleads for action to alarm and assail the denuded western marches of German Europe, he must still face Lord Croft's straight question: "Do they understand the strength of the vast German army?" Mr Hicks may proclaim from the Ministry of Works and Buildings that four million Germans have been lost in Russia. But only the historians will know how many Germans have been lost. It is, of course, certain that, if four millions have fallen, the west must be bare indeed. But the defence of Britain, of Russia, of Egypt and of India are first charges.

It is a simple question of relative strengths, of manpower, equipment, shot, shell, ships and aircraft. A distinguished American speaks of Hitler's straits when he is constrained to call for the aid of a million Italians on the eastern front. But it is precisely because it is sprung upon the enlistment of millions of non-Germans, of Roumanians, Hungarians, Italians and Finns, in the field as well as in the factories, that the German invasion of Russia has acquired such stamina and such resilience. The fact is that the defenders of freedom are still too weak to do all that the critics cry out for. The critics are not alone in their yearnings. Every man and woman in every English street shares them. It needs no Gallup to show that there is dissatisfaction—but not so much with what is being done as with what cannot be done. For each and all, and for their rulers most of all, there is only one message—"great shot . . . of all bigness; and some powder with it"; more equipment, more production. When the House of Commons said in July that war industry was working 25 per cent below capacity, the Prime Minister was indignant and reproachful. Now the Minister of Labour speaks of a 30 or 40 per cent increase in the winter. When helpful voices suggested, months or a year ago, that men should be reserved from military service on account of the actual jobs they were doing and not according to the qualifications they held, or the occupational groups they belonged to, Mr Bevin said it was neither necessary nor desirable. Now, because "there must be national service on a more intense scale," he proposes to substitute individual for group reservation. But the "more intense" need has not just arisen. It is true, of course, that the need to sustain Russia and defend the Caucasus is new. But four months ago the whole weight of the Nazi *Wehrmacht*, unbattered by the fierce Russian resistance, was leaning towards Britain and the Empire.

When Lord Gort surveyed his men in France in the quiet months last year he could see clearly enough on the spot that the scale and tempo of what used to be called "preparedness" were inadequate. It was proved so in battle. It has been underlined since. The "alarmists" who have spoken of "life and death" and "siege" have been right. It is a historical phenomenon of the first significance that the country which built all the world's first railways and clothed the peoples in wool and cotton has failed in a succession of years to use its industry fully for its own and the world's defence; the success of the United States, the universal provider, in the same test is still in the balance. After over two years of war, most of the right methods are in use in England: rationing, the limitation of supplies, the concentration of industry, priorities and the allocation of materials, registration and the direction of labour. Ministers move in a new world, and one which, eighteen months ago, they would have denied. But they still move, and the people move, too late and too slowly. Historically, the German campaign in Poland tore to shreds the professional and Treasury notion that the goods of total war could be delivered by a small specialised war industry.

In practice, the notion was in the saddle here until Chamberlain fell, and it has not been finally unseated yet—on either side of the Atlantic. It is not a question of war industry at all, but of all of industry and all of the population; and it is fantastic, at this late hour in destiny, that any man or any woman whatsoever should be contributing nothing to the war effort—for want of will or willingness, for want of orders or for want of common sense or common decency. Mr Bevin prefers "leadership to compulsion," so that while Russian women are in the front line, English women are still in the front parlour, the back kitchen, the hotel lounge, or the otiose office. "You must handle women gently," the Minister says, a thigh-slapping aphorism which, insofar as it is valid, surely means no more in wartime than that you must tell them what to do, train them properly, house them decently, put them to work in tolerable conditions, feed them well and pay them fairly.

Mr Bevin and his Ministerial colleagues—and Sir Walter Citrine—might take counsel from the penitents in the ranks of labour. Before the German attack on Russia, the shop stewards movement in the factories was probably more interested in the rights of trade unionists than in the rights of man, and certainly more than in the rights of Englishmen. Now, with an odd but undoubtedly sincere passion, they are ashamed of Britain's inability to take its full share of working and fighting alongside the Russians. They are convinced that all rules of demarcation between one grade of labour and another, where they impede work and output, must go; that every able-bodied person should be in the forces, in war industry or in civil defence; and that skilled men, wanted for fighting—and unwilling "to fight to the last unskilled worker"—should train and make way for women.

No magic will raise the output of coal and steel, ships and munitions of war. It will be a long and arduous climb, even with American aid, to the pinnacle where the enemy can be mastered on land and in the air. If strategy is patchwork now, it is because the cloth it is cut from is scanty. First of all, the belief in miracles must go. No statesman or commander can base his smallest hopes or plans upon anything but the enemy's power in battle. Miracles happen, and will happen again; but belief in them is the foundation of the Maginot mirage which leads nations to their destruction. Secondly, this country's effort must become as universal and as energetic as if the enemy were at the gates of London. Russia is the road to London. Every individual who falters where he should stride, every leader who exhorts where he should command, every employer who bungles where he should produce and every civil servant who delays where he should decide—these are, in no merely rhetorical sense, the fifth column. If there is not an end to haggling, reluctance, stupidity, botching, time-serving and time-wasting, there will be an end to England. Of itself, a crusade cannot produce armaments. But patriotism can breathe life into planning—sweeping away the rivalry and procrastination that still waste and confuse the demands of the supply departments upon industry; and setting free in every industrial district the enterprise and initiative that are surely there to make the utmost of labour, plant and materials, within the broad frame of the Government's programmes and apportionments.

It is a matter of technique and organisation, of priorities in labour as well as in materials, of rationalisation and mobilisation, of plant pools as well as labour exchanges, of welfare in canteens and workplaces, of hard work at the bench and competence in the manager's office. Rhythm and balance are still needed in the flow of materials, transport, orders and output. It would reinforce the War Cabinet to refresh its membership, to reduce its numbers and to remove its departmental preoccupations. Ministers must guide and plan. But, above all, this is a test of character—national character, "class" character and the character of English statesmanship. Philip of Spain failed in his "Enterprise of England." Hitler of Germany, in his, is still advancing; and it is only by the enterprise of Englishmen that he can be pinned and thrown.

Far Eastern Defence

JAPAN is passing through another "hour of decision." It is the fourth or fifth this year and, although there is now fighting deep in Russia, it no way differs in essentials from the others. The ship of state is sailing so near the wind that the slightest change in its direction entails a great flapping of the sail and manœuvring of the tiller. This time it has needed a change in the whole Cabinet to meet the new situation created by the German advance on Moscow. General Tojo, Prince Konoye's War Minister, becomes Prime Minister, and combines the office with those of Minister for War and Home Minister. His Cabinet is, on the whole, extremer than the last—which means that it includes more friends of the Axis and more supporters of state control and fewer representatives of conservative nationalism and the business world. This does not mean, however, that the Far East is about to be plunged into war. Japan's more recent hours of destiny have seldom meant anything so sensational. General Tojo has declared that he is continuing the policy of Prince Konoye and is ready to carry on the "peace talks" with the United States. In the meantime, the world has been warned again, and the impatience in Japan has been given a temporary safety valve.

Yet, even if this crisis does not mean general war, it skirts it only by a narrow margin. The situation in the Far East is permanently on the brink of general war, because Japan's policy of Co-prosperity can be carried beyond a certain point only at the risk of war, and the Japanese are for ever trying to discover what that point is. In 1937, their policy of expansion into China reached the point of general Chinese resistance. The question to-day—as in every other of the year's "hours of decision"—is whether the Japanese have not brought all the Far Eastern Powers to the same point.

Co-prosperity entails Japanese control of the Russian Maritime Provinces, possibly of Western Siberia as well; of Manchuria and all China and possibly all Mongolia too; of Indo-China, Thailand and perhaps the Malay Peninsula; of the Philippines, the Netherlands Indies and, very possibly, all Australasia. This objective does not vary, and the Japanese make no secret about their intentions. So ambitious a programme offers them a large field of experiment and action and, like the German High Command before the launching of a major offensive, Japanese diplomacy is for ever testing the front to discover points of weakness against which the attack can be directed. In the south, the obstacles are the entrenched interests of other Great Powers, the British Empire and the United States, as well as of France and the Netherlands; in China, there is the unbroken resistance of General Chiang Kai-shek; in the north, Russia's Siberian army.

In the last year, the Japanese have tested and felt these sectors of the front again and again. The defeat of the Netherlands and the collapse of France turned them to the south. Here their advance, successful in Indo-China, was checked—temporarily perhaps—on the frontiers of Thailand by a warning that Britain would regard an attack on Thailand as a menace to her own security; by the freezing of Japan's assets in the United States and the British Empire; and by the signs that American public opinion was for checking a Japanese advance southwards, even at the risk of war.

The China sector has been re-tested in recent weeks by the campaigns in Hunan and Shansi. The results of the fighting can only have confirmed the likelihood that Japan has got as much from China as can be gained by a direct military offensive. Behind their mountains, the Free Chinese forces remain intact and can slowly build up their resources for a counter-offensive. The last year has proved that neither by assault nor by attrition can a total Japanese victory be secured in China.

In the north-west, after the encounter at Nomanhan in 1937, the Japanese were content to let the Russian

front alone. But Hitler's onslaught and the Russian retreat in the west have renewed their appetite. In recent weeks, the Japanese garrison in Manchuria has certainly been increased—according to some reports, to twenty-two divisions, according to others, to thirty-five; Chinese forced labour is at work on military roads from Manchuria into Mongolia; at the same time, the arrival of American war supplies at Vladivostok has been made the occasion of protests and threats to both Moscow and Washington. To-day, the new wind to which General Tojo is trimming Japan's sails is a wind from the west, the attack on Moscow and the retreat of the Russian Government to Kuibyshev. The question is whether the Japanese consider that the Russians' predicament in Europe has weakened them enough for expansion to be practised at their expense.

In their patient probing of the long East Asian front, the Japanese have until very recently had the advantage of dealing with each sector independently. Against the single and undivided threat of Japan's predatory conquests, the Far Eastern Powers have had no concerted policy. On the contrary, they have tended to buy Japan off at each other's expense. America and the Dutch East Indies have supplied the oil for the bombing of China; the British Empire has sent wool and cotton and machinery to the armies which now stand on the frontiers of its ally, Russia, and its neighbour, Thailand. This policy can be held to differ radically from the direct military submission of Vichy France only if the out-dated division between military and economic war is allowed to stand.

The scope of Japan's ambitions has however frustrated their achievement. Had the Japanese confined themselves to the task of wearing China down, squeezing out foreign business and establishing an undisputed control over the whole economy of China, it is almost certain that the other Far Eastern Powers, more and more deeply involved in the wars of the Atlantic world, would have left Japan to go its own imperial way. The very weakness of the other Powers' Far Eastern defence has, however, tempted the Japanese into the path of ultimate defeat. To secure hegemony in East Asia, it was not necessary to link the two world fronts by joining the Axis; it was not vital to Japan's immediate task of conquest in China to launch out via Indo-China into the South Seas; it is not essential to it today to cast greedy eyes on the Maritime Provinces. The great temptation to the Japanese in the last year has been to discover weak point after weak point in their Far Eastern front and to want to exploit them all at once. By doing so, they have lost their greatest single advantage, the lack of any concerted opposition. By threatening every Power at once, they have at last brought home to the Powers that they are all subject to the same threat. After the cowardice and uncertainty of a whole decade, a co-ordinated system of Far Eastern defence is at last taking shape.

In the economic sphere, there is the freezing of Japanese assets and the very real restrictions on Japanese trade and shipping which have been imposed by the British, American and Dutch Governments. These restrictions do not apparently amount to a complete embargo, although the machinery of embargo exists. Nevertheless, certain vital commodities such as motor fuel are banned and the list could at any time be made complete. In the military sphere proper, there are the reinforcements to Malaya, Hongkong and the Philippines. Thailand's readiness for self defence and Britain's reinforcements on the Thai-Malayan frontier guarantee the landward approaches to Singapore. The crux of the matter is, however, Anglo-American naval power. (The details of the strategic situation are discussed in a Note on page 500.) If defence is to be effective in the South Seas, the process of getting "mixed up together" must go forward, with a joint use of ships and bases wherever the first calls of strategy demand. Mr Curtin's statement that

defence measures had been "confirmed" may perhaps cover some such arrangement.

The extension of Lease and Lend to China; the arrival in Chungking of a United States Military Mission; the functioning of the Burma Road—all these are promising signs of a growing recognition that China is a fighting ally in the Far East. Only in the Manchurian sector of the long front is the Allies' defence position still in great need of clarification. The readiness of the American people to check Japan, if need be by war, does not, it appears, extend to a threat to Vladivostok, even though in strict logic a Japanese attack upon the Maritime Provinces and the extension of Japanese control to East Siberia and Kamchatka would be far more direct a threat to the Western Hemisphere than a Japanese attack on the Philippines. Nor has the British Government made its attitude clear on the question of the defence of Siberia. The switch in Japanese attention from south to north is a direct reflection of this uncertainty. Something like an agreed limit—the Thai frontier—and a common stand exist in the South Seas. Because they do not exist in the north, Vladivostok is for the time being the weakest point in the Far Eastern line. It is here therefore that General Tojo's Government is likely to try the next probe.

The Japanese are conscious of the gradual emergence of some kind of Far Eastern defence system. They are talking of "encirclement," and encirclement, in the Japanese as in the German vocabulary, is the aggressor's

word for collective security. The question whether "encirclement" will drive the Japanese to war—the stock argument of appeasement—is immaterial. This is not a choice of war or peace, but a choice of consecutive or concurrent war. The Japanese would prefer a limited war in China, a limited war in Siberia, a limited war in Malaya. They would prefer, in a word, to continue to strike down their victims one at a time. A genuine system of Far Eastern defence—that is to say, a collective determination to resist, with all the military resources of the ABCD powers (America, the British Empire, China and the Dutch) and of Soviet Russia, any new Japanese attempt at aggression wherever it may fall—will either check the Japanese completely or ensure that the most, and not the least, effective resistance will be set against their predatory advance.

As long as inconclusive "peace talks" between America and Japan leave America's attitude undefined; as long as the Anglo-American reaction to Japanese aggression against Russia remains uncertain; as long as war materials are still sold to Japan; as long as China's place in the centre of Far Eastern resistance is not recognised; just so long will Japan stage "hours of destiny"—to make the ABCD Powers' "flesh creep," to probe the effectiveness of their will to resist and to pull off, if possible, yet another local success. There will in fact be no peace in the Far East until all the Allied Powers have squarely faced, and jointly planned for, the possibility of war.

Wage Stabilisation in Eire

IN Britain, the stabilisation of wages and prices is still being hotly discussed. In Eire, stabilisation is being tried, though under very different conditions; in Britain, the demand for labour is insatiable, while in Eire there is a problem of unemployment. From the beginning of the war, the Government of neutral Eire has shown an intelligent understanding of economics in near-war conditions. It may be that the memory of the last war is still alive there. In 1914-18 prices and wages soared in Ireland; a severe deflationary process was experienced after the war; and it has been made clear that no similar inflation will be tolerated this time if it can possibly be prevented. The machinery of price control, admittedly still imperfect in practice, was considerably tightened up after the outbreak of war, and profiteering of all forms was discountenanced. The need for the stabilisation of wages was early appreciated. In the Budget speech of 1940, the Minister for Finance gave a warning against increases in wages, and stated that cost of living bonuses acted as an aggravation rather than a remedy. The cost of living bonus of Civil Servants and of the employees of local authorities was stabilised last year.

In spite of these measures, prices and the cost of living have risen. In introducing the British Budget, in April this year, Sir Kingsley Wood announced his intention of stabilising the cost of living at about 125-130 per cent of the pre-war level. At that time, the rise in the Irish cost of living from the beginning of the war had been about 27 per cent and there was some anxiety lest, if this rise should continue while the British price level was stabilised, the Irish pound should become overvalued, and the maintenance of parity with sterling be made difficult, if not impossible. The British method of keeping down the cost of living by means of extensive subsidies was considered. But it was decided that, in the circumstances of Eire, such measures might be both expensive and ineffectual. The Government made a frontal attack on the rising cost of living by means of the Order for the Stabilisation of Wages which was issued on May 7th, the day on which this year's Budget was introduced.

This Budget severely increased direct taxation. Income tax and corporation profits tax were raised and profiteering

was made almost impossible. The Stabilisation Order was made under the Emergency Powers Act to prevent increases in the remuneration of a very large number of earners of wages and salaries. It made illegal increases in remuneration—including time rates, piece rates, overtime and payments by commission—in transport, public utilities, banking, insurance, and in a large number of manufacturing industries mainly concerned with the production of essential or protected goods. The operations of trade boards and of other statutory minimum rate-fixing authorities were suspended for the duration of the emergency; and strikes to raise wages in the scheduled occupations were deprived of the protection of the Trade Disputes Act. It was provided that companies should not increase their rates of dividend or the fees of directors—subject to the exception that dividends can be increased to 6 per cent where they have previously been below that level.

This drastic Order was justified by the Minister on the ground that it would help to prevent the "mad circle" of consecutive increases in wages and prices which would ultimately lead to inflation. It was stated that wages had already been raised in some of the sheltered trades, with the result that costs of production and prices had been raised at the expense of the less favoured members of the community. The wages of unskilled labourers and of workers in the unsheltered industries could not receive equivalent increases; unemployment tended to be increased and the standard of living of the unemployed to be reduced. Agricultural producers, who had to sell in export markets, were put at a disadvantage. The terms of trade from the beginning of the war had moved in favour of industry and against agriculture; and the measure can be regarded to some extent as an intervention by the Government to protect rural interests against exploitation by more favourably situated interests in the towns.

All the Opposition parties united in objecting to the Order as an abuse of the Emergency Powers Act. It was argued that the matter should have been dealt with by legislation after Parliamentary debate rather than by emergency decree. The Government replied that the stabilisation of incomes was essentially an emergency measure which could not brook delay, and that, if it had not been imposed rapidly and without notice, it would

have been frustrated by increases in wages, salaries and dividends in anticipation of its becoming law. The Labour Party attacked the measure violently. The Government was accused of favouring low wages, of depriving organised workers of all the gains they had made during the last century and of attempting to reduce free labour to a state of slavery. Ministers were simultaneously accused of being ruthless totalitarians and reactionary pluto-democrats. Unfortunately, the introduction of the Order coincided with the debates on the Trades Union Bill, which had already aroused the wrath of organised labour; and the two measures were branded as a conspiracy against the trades union movement—although in fact they were entirely independent in scope and purpose.

The more reasoned opposition to the Order rested on three grounds. In the first place, it was urged that the control of wages without the control of prices would operate unjustly against the working classes. Secondly, it was argued that the lower paid workers should be exempted from the Order lest its operation should reduce their standard below a decent minimum. Finally, it was suggested that the measure should be accompanied by a system of family allowances in order to maintain the standard of living of the working classes as a whole. In reply Government spokesmen drew a distinction between avoidable and unavoidable increases in prices. Many increases arose out of the conditions of the blockade and war scarcity and could not be prevented. All preventable increases had been kept in control by the mechanism of the Price Regulation Acts; and the present measure, it was urged, would do a great deal to prevent further increases in the prices of manufactured commodities. As regards the poorer workers, it was stated that the Order was drafted in their favour in order to protect them from exploitation by the more highly paid and more highly organised trade unionists; that the Budget made provision for additional services in kind for the poorer sections of

the population; and that, in any event, the Order was an emergency measure which would be repealed when the crisis was over. To attempt to lay down minimum standards of living or to introduce family allowances in an emergency decree of this kind would be going far outside its true purpose and intention. Subsequently, however, with a view to meeting to some extent the representations made by Labour interests on behalf of the more lowly paid workers, an Order was made excluding from the scope of the Stabilising Order workers paid less than 50s. per normal working week in the county boroughs and 40s. in towns with a population of over 7,000. In other towns and in rural areas no increase is permissible.

In spite of the spirited opposition in both the Dail and the Senate, the Order came into operation, and has been successfully applied in practice. The real opposition to the Order in the ranks of Labour throughout the country is a good deal less than that offered by Labour spokesmen. The fact is that the acute problem at the present time is to maintain the volume of employment, and the trades unions have proved reasonable in meeting the efforts of employers to reduce to the minimum unemployment caused by the scarcity of raw materials. In Eire, as distinct from Britain, stabilisation is plainly simpler, because the trend of employment is not up, and there is no upward pressure upon wages and there has been no large creation of extra purchasing power by Government spending on the weapons of war. Even before the Order was made, demands for increased wages were not numerous and the number of strikes and industrial disputes since the outbreak of the war has been abnormally small. The essential justice of stabilisation has been generally appreciated by those sections of the population in whose interest it was framed; and it may be taken to have become a definite part of the Irish Government's economic programme for the war years.

NOTES OF THE WEEK

The Powers of the House

In all fairness, Mr. Churchill can hardly be accused of seeking to restrict the rights of Members of Parliament. There are times when the natural impatience of a burdened man with sniping critics goes perhaps too far and embraces honest questioners who are only carrying out their essential duty of vigilance to the best of their ability. Mr. Churchill, too, is human. But few Prime Ministers, with even a tithe of his personal power, have been such good Parliament men. Twice recently he has had to speak against rumours of repression, once last week when the air sub-committee of the House's Select Committee rebelled against the suppression, by its own parent committee, of a report, and the other time, on Tuesday, when the Home Secretary was arraigned for refusing Mr. McGovern permission to visit Ireland. In the first case, as a Note below shows, it was made quite clear that no pressure by the Executive upon the invaluable Select Committee, Parliament's most important and most characteristic wartime contribution, was admissible—or had been attempted. In the second, Mr. Churchill strongly opposed the suggestion that Mr. Morrison was "arrogating the right to say whether it was in the national interest for Members to do whatever they wanted to do." "He is not arrogating to himself any right (protested the Prime Minister). These duties have been placed upon him by the House. . . . The House has given the power, and I am bound to say that the Home Secretary has given the House a feeling, first of all, of the submissiveness of the Executive to parliamentary institutions and, secondly, of the care with which the powers are exercised." There are many instances since September, 1939, of drastic Executive powers being assailed and even modified by the Commons. Tuesday's debate was itself the clearest proof of Parliament's responsibility and authority. It is still possible to believe, in principle, that Mr. McGovern might perhaps have been allowed to cross the Irish Sea to investigate the case of Mr. Cahir Healy of the Northern Ireland Parliament, who is now in Brixton, without feeling that the rights of Members have in fact been thereby

impugned in any way by this decision; the disingenuous way in which the Member for Shettleston set about making his application was not calculated to inspire official confidence. In wartime there must be bounds to the actions—and words—even of Members. If they are dissatisfied with the way their Ministerial servants use the discretion given them, the Commons have the remedy in their own hands—as the debate and the Prime Minister's reply showed.

* * *

The Four Members

Scandal-mongers had their palates well tickled recently when the four members of the Air Services Sub-Committee of the Select Committee on National Expenditure asked the House of Commons to discharge them. It appears that the Co-ordinating Sub-Committee recommended that, on security grounds, a report they had prepared should not be published to the House, but should instead be sent direct to the War Cabinet; and the Select Committee, by a majority of one, adopted this recommendation. This procedure of reporting direct to the Prime Minister was carried out by virtue of special powers which, in May, 1940, at the request of the Select Committee itself, the House agreed to grant. These powers have only been used three times; but the Air Services Sub-Committee felt so strongly that Parliament should be told about what they believed to be a case of "bad administration, official negligence and wasteful extravagance in money, material and manpower" that they asked to be allowed to resign. Rather more than a mere difference of opinion on what is a matter of public security seems to have been involved. The Sub-Committee hinted that the plea of public security had been used to cover up the mistakes of Ministers and Departments, and that Ministerial pressure had been exercised to keep the report from publication. Nobody but those with full knowledge of the case can form an opinion on the first contention. As for the second, Sir John Wardlaw-Milne, chairman of the Select Committee, made it quite clear that Ministerial

advice on the question of publishing a report is never sought, though various items, such as facts and figures, are sent to a department, as a matter of routine, for an opinion on the wisdom of revealing them. This denial of Ministerial pressure was endorsed by the Prime Minister. He has also arranged for the past and present Ministers of Aircraft Production to meet the Select Committee and explain why the Sub-Committee's recommendation that the expenditure in question should be stopped cannot be accepted. With this assurance, the members of the Sub-Committee have withdrawn their resignations, and the matter will presumably be allowed to drop. Thus ends another incident in the long struggle to strengthen Parliament's control over expenditure. Once again it is clear that the Executive, which, through its responsibility for policy, must also be responsible for spending, has won. This does not mean that the Select Committee's work is valueless, or that the Four Members rebelled in vain. On the contrary, nearly all of the close on 50 reports issued by the Committee have been searchlights on administration and policy, and have provided a factual basis for responsible criticism. This right of criticism, which is the Commons' most valuable function in war-time, has been strengthened, not weakened, by these recent events.

The Defence of Moscow

After a week of tremendous battles, there has again been a pause in the German drive on Moscow. It is too early to say whether it represents the exhaustion of the offensive or the necessary regrouping of the attacking armies before the next effort is launched. There was a pause a week ago after the encirclement of Bryansk and Vyasma, and the fall of Orel. The attacks which followed carried the Germans to Kalinin in the north and to Mojaik and Maloyaroslavets in the centre. It is doubtful whether they penetrated as far as Tula in the south, and in both the northerly and southerly sectors, the pause appears to be due, not only to a self-imposed delay, but to strong local counter-attacks by the Russian defenders. The Russian defence has been beyond praise, and even though the Government has moved east to Kuibyshev (Samara) on the Volga, there is at least a hope now that Moscow can be held. The weather is reported to be deteriorating and, between the last spell of dry weather and the coming of hard frosts, there may well be weeks when the German army will flounder in mud. If Moscow holds, the problem of quartering the vast Nazi armies will tax the efficiency of the German Commissariat, especially since the same problem in an even graver form confronts them on the Leningrad front. However, even though the Russian defenders have purchased a respite for Moscow, there is no slackening of the Germans' relentless attack in the south. Taganrog has fallen; the Germans report the capture of Stalin, an important industrial centre in the Donetz basin, and claim to be at the gateway of Kharkov and Rostov-on-Don. The bitter fight for Moscow has tended to divert attention from these dangerous developments in the south. The loss of the Donetz basin would mean the loss of the backbone of Russia's heavy industry. The threat to Rostov is a threat, not only to Russia's communications with Iran, but also to nine-tenths of its oil supplies. If the Germans were to succeed in a drive across the Caucasus to Astrakhan, all land supplies and shipments of oil from Baku would virtually cease. There are further oil supplies to the east of the River Ural, but they cannot meet more than a fraction of Russia's consumption. Next in importance to keeping the Caucasian oil supplies for Russia is to prevent them from falling to the Germans. Here it may be possible for British forces to participate directly in the defence. Preliminary organisation is reported to be under way.

The Afghan Route

The news that about 90 German engineers and agents are to leave Afghanistan relieves Anglo-Russian defence of a great danger, and opens up new possibilities of effective military co-operation. The war is moving east. The new centre of Russian administration at Kuibyshev (Samara) is on the railway serving Tashkent, Samarkand and Bokhara; and from this run branch lines to the Afghan frontier at Kushk and Termez. The Ural industrial area, also served by this railway system, is likely to be the centre of Russia's continued existence; and if, by the misfortunes of war, the Allies' supply route through the Caucasus should be lost, other routes would have to be found to the east of

the Caspian Sea. The creation of an Afghan supply line depends, not only on the goodwill of the Afghan Government, but also on the work done in Afghanistan by Allied engineers with the co-operation of local labour supplies. The good will of the Government could by no means be taken for granted. There is a standing dispute over the Indian-Afghanistan frontier, and the Germans were quick to offer the Afghans Baluchistan and the Indus frontier. The dissident Afghans have long caused endless trouble along the frontier, and, since they are exactly the kind of material Nazi agents seek to use, they might have proved inflammable material, given a German-inspired government



at Kabul. The British Government had been slow in the question of economic co-operation, while the Germans were able to establish themselves some five years ago, and secure dominant positions as engineers and advisers. A German was chairman of a Government Committee for studying economic development, and a German-Afghan company obtained a monopoly for prospecting for minerals. Happily the Barakzai dynasty have preferred the security and independence of a friendly understanding with Britain to Germany's specious promises. The German agents are to leave. Now there must follow the development of this preliminary agreement into a programme of work and co-operation which will enrich Afghanistan by improving its transport system and throw open Russian Turkestan to Allied supplies. If Todt principles and Todt energy are applied, the task is not insuperable. The worst of the climb from Karachi is passed by the time the railway reaches Quetta. From there to Kandahar, 80 miles on, the way is downhill, and easy routes go the next 350 miles to Herat. Here the chief difficulty in the route, a mountain range, cuts off Herat from Kushk, the Russian railway terminus, 60 miles further on. But, with the help of German engineers, the Afghans have already thrown a motor-road across the Hindu Kush. It should be possible to repeat the performance with British aid and encouragement.

Revising the Neutrality Act

Throughout the week Congress has been discussing the question of the revision of the Neutrality Act. It has done so against a background which the Nazis have conspired to make appropriate. First came the news that the United States destroyer *Kearny* had been torpedoed, but not sunk, some 350 miles south-west of Iceland. Subsequent reports established that eleven men were missing and that some others had been injured. Later in the week, the news arrived of the sinking of two more merchant ships; the first, the *Lehigh*, was sunk off the African coast on a voyage on ballast from Bilbao to the Gold Coast; the other, the *Bold Venture*, although it was flying the Panamanian flag, was owned by the United States Maritime Commission. This ship was sunk in the area in which the *Kearny* was attacked, some 500 miles south-west of Iceland. The news of the sinking of the two American

merchantmen reinforced the impression made by the attack upon the *Kearny*. The *Kearny* alone was sufficient to secure in the House of Representatives a vote of 259 to 138 for repealing the clause in the Neutrality Act which bans the arming of merchantmen. The sinking of the *Lehigh* and the *Bold Venture* came in time to create a profound impression in the Senate before whose Foreign Affairs Committee the revision of the Neutrality Act now lies. It seems certain that the necessary revision will be secured. Indeed, it would almost certainly have been possible to secure a much wider revision of the Neutrality Act, had it not been for the obstructionist tactics of Senators Wheeler, Clark and other embattled Isolationists. When it became known that certain of the Senators who support the Administration proposed to attach to the revision of the clause dealing with the arming of merchantmen a further revision, abolishing the ban on the entry of United States ships into British and other belligerent ports, the Isolationist wing declared their intention of tacking on a proposal that Congress should declare war. This move was, of course, designed simply to embarrass the Administration and to produce a vote in Congress so hostile to a declaration of war that, both in Europe and in the Far East, the effects of the United States' forward and determined policy would have been reversed. In order to meet this manoeuvre, the President, after consulting with some of the leading Congressmen, has advised the Senate to confine itself strictly to the question of arming American merchantmen. The revision of the combat zone is postponed for the time being and Messrs Wheeler and Clark can flatter themselves that they have done Hitler at least this service.

Small Mercies

The Government was roughly handled in last week's Commons' debate on Service pay and dependants' allowances. Apart from the official spokesmen of the Ministry of Pensions, not one of the large number of speakers from all sides of the House gave unreserved support to the White Paper (Cmd. 6318). The great majority attacked it in no measured terms. The most that could be said in favour of the new measures was that they represented small mercies. It would, of course, be idle to deny that the families who will draw more money under the new scheme will be better off. The great disadvantage of the arrangement, as was made abundantly clear in the debate, is that it will involve the application of a form of means test to the vast majority of homes whose breadwinner, whether man or woman, has joined up. The task of individual investigation imposed on the Ministry of Pensions is so immense that it must involve very serious delay; and, moreover, the detailed investigation of circumstances, which is now to be the rule rather than the exception, is an invidious proceeding. A considerable waste of time is implied in the use of an army of minor officials to analyse and classify family incomes. The main justification for this procedure is the contention that an automatic flat rate increase in the allowances paid by the Service departments would cost the taxpayer too much. But the time has surely gone by when the country could afford to calculate war costs in monetary terms. The true loss to the country, for instance, of the misemployment of civil service officials is greater than the sums they will save in rejecting claims to bring the total down to the sum of £13,500,000, which the Minister of Pensions proposes to spend—a net increase on previous allowances of £8 millions. It is true that no flat rate payment could obviate hard cases, and there is good reason for leaving the War Service Grants Advisory Committee to deal with exceptions. But to devise a scheme by which it will assume the enormous responsibilities implied in the White Paper is to shift to the Ministry of Pensions a duty of maintenance which should be the routine task of the Service departments themselves.

The Risk Bearers

The biggest and most obvious anomaly in wartime is the discrepancy between remuneration for service in the armed forces and remuneration for service in war industry. Last week's debate on dependants' Service allowances gave a chance to discuss it. Much of the deep emotional appeal that has attended the campaign for better Service pay and allowances is due to the recognition—the uncomfortable and disturbing recognition—that the reserved man generally draws highly satisfactory wages, while the soldier obtains

insufficient pocket money and his dependants a pittance. The discrepancy is painfully driven home in many ways. No doubt taxation and rationing should see to it that the factory worker cannot actually consume more than the fighting man, and may, in fact, eat less well. But the fact that the soldier cannot save for post-war contingencies, for setting up a home, or for educating his children, is a real grievance; and, even more important, the wife and children of men in the fighting forces are almost certain to be less well off than the families of friends and neighbours employed in factories. Even the new patchwork system of war service grants will only ensure that these families do not fall below the level of subsistence. No system of payment, of course, can really put the fighting man on the same footing as the man in civil life. Despite long periods of waiting, the main duty of the soldier is to fight with a rather more than equal chance of injury, imprisonment or death. These are risks which cannot be compensated in terms of money; and, consequently, no payment made to the fighting forces can be more than token. It should be possible, however, to provide fighting men with adequate pocket money, and, at present, the married man on the lowest rate of Army pay does not receive enough. As far as the man's family is concerned, the position is different. Equity demands that conscription should not leave the wives and children of men in the Services on the margin of subsistence. On grounds of expediency, morale in the Forces demands that a very generous system of prompt and automatic allowances should be paid to the dependants of fighting men. This surely is the way to make good the debt which the civilian owes to the combatant, and the purely monetary argument in an economy where money is rapidly losing all formative influence is irrelevant—certainly while it is now apparently impossible to use this argument to prevent the upward movement of civilian wages.

Steel Supplies

Lord Gort's despatches have once more emphasised the decisive role of modern equipment—of tanks and aircraft—in the present war. And, as is shown in an article on

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page 493 the production of the tools of war must be appreciably increased if Britain's striking power is to be developed. Since the supply of steel is one of the limiting factors in the output of modern war equipment, no effort must therefore be spared in securing the greatest possible quantity of steel, in the quantities in which it is needed, from the resources at Britain's disposal. The iron and steel industry was faced with considerable difficulties in maintaining a high rate of crude steel output when it was cut off from its European sources of raw material supplies. But, as a result of an expansion in the output of domestic ore and assistance from the United States, it was able to overcome its difficulties, though the current output of crude steel may be somewhat below the high level of the best pre-war year—it was some 13 million tons in 1937—and well below its pre-war capacity of nearly 15 million tons per annum. Domestic crude steel supplies, however, have been considerably augmented in the last two years by heavy imports from the United States. But America's own production programme is now absorbing growing quantities. Scrap exports to this country have already been drastically cut; and the time may not be far off when America will have little to spare in semi-finished and finished materials, if American capacity to produce armaments is to be fully utilised. It requires little imagination to see that this country will have to rely more on its own resources. These must be exploited to the full if the output of tanks and other equipment is to be increased to the desired level. While the home production of iron ore can no doubt be raised still further, the main effort must be concentrated on an increase in the flow of domestic scrap to the steel furnaces. There is enough potential scrap in this country to permit a very considerable increase in the output of crude steel. But it will not be forthcoming in adequate quantities in the future unless the problem of collection is tackled with much more imagination and boldness than hitherto.

Transport on Tap

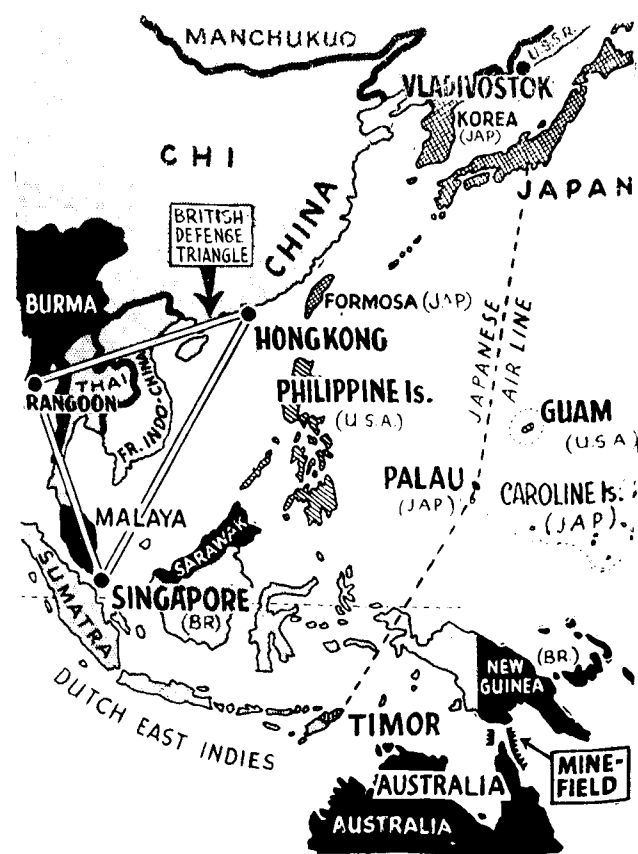
Lip service has long been paid to the need for regarding and treating the various means of transport—still one of the scarcest of vital commodities—as so much interchangeable carrying capacity. A good deal of progress has been made, since the formation of the Ministry of War Transport last spring, to improve efficiency. But there is much still to be done. Administratively, among the various carrying facilities, the road haulage industry has proved the most difficult to fit into a scheme of war transport. Before the war, some 148,000 lorries were operated by no fewer than 61,000 A and B licence-holders, and 365,000 vehicles by 178,000 C licence-holders. Last January, the Ministry of War Transport decided to enter the road haulage business by hiring vehicles from operators for the carriage of Government traffic. But the scope of the Government's enterprise remained severely limited. Now the original plan has been modified by the Ministry of War Transport, after consultation with the Road Haulage (Operations) Advisory Committee. Additional vehicles are to be available on call to the Ministry, which will operate the scheme in "partnership" with the hauliers. The Ministry will set up an area organisation—there will be six divisions which are to be subdivided, as a first step, into fourteen areas—which is to control the operation of the fleet of vehicles at its disposal and to act as a clearing house for traffic. Parallel to this, the road haulage industry itself will set up an organisation to allocate the traffic passed to it by the Ministry. Presumably this means that the Ministry will hire the vehicles, supervise their employment, and decide on the traffic they are to carry, while the industry will actually operate them. Agreement has been reached concerning rates of hire and working conditions. The success of this modified scheme must depend on the number of vehicles which will come under the Ministry's direction, and on the efficiency of their operation. The existence of many thousands of A and B licence-holders cannot be cited as an excuse for further indefinite delay in bringing all possible vehicles into this war transport scheme under the Ministry's direction.

Pacific Bases

The policy of Pacific defence is discussed in a leading article on page 495. Its strategy must rest upon hard geographical facts. From the point of view of American

defence, the Pacific has three zones: an Asiatic zone which runs in an arc from Singapore to Petropavlovsk on Kamchatka; a central zone from the Aleutian Islands in the north to New Zealand in the south; and an American zone from Alaska to the Panama, or, if South America is included, to Santiago. The Panama Canal is safe from attack so long as the United States holds Hawaii, the hub of their Pacific defence. Here, at Pearl Harbour, is the largest single defence area controlled by the United States military authorities. The Pacific fleet is stationed there, as well as an infantry division and a growing air force. The islands are protected by Midway, Wake and Johnston islands, from which long-distance planes can patrol about 4,000 miles to the west of Hawaii. Midway is a fully equipped air and naval base, and Wake has only limited facilities; but both are being improved and expanded to the tune of a Congress grant of over \$9 millions voted in March this year. The danger to the American zone comes from the north. East Siberia, the Aleutian Islands and Alaska are potential stepping stones for a Far Eastern aggressor. But Alaskan defence has been vigorously developed in recent years. There are two first-class air bases at Fairbanks and Anchorage, and a string of naval bases runs from Dutch Harbour on Unalaska Island to Seattle.

It is in the Asiatic zone that American defence faces real problems. The Philippines and the approaches to Alaska give the United States clear interests and responsibilities in this zone, and, apart from this, a general interest in checking Japanese aggression links it with the defence problems of the other peace-loving Powers. If the Asiatic zone is



divided into two sectors, north and south, each covering a potential area of conflict, it is clear that the Japanese enjoy a considerable advantage against Vladivostok. From their bases in South Japan and from Formosa, they would be in a strong position to prevent any naval reinforcement of the Russians. Aircraft could, however, be flown to Siberia via Alaska. In the southern sector, it is the turn of the Japanese to face serious strategic difficulties. Any naval advance would have to run through the Scylla and Charybdis of Hongkong and Cavité Bay in the Philippines, and, unless Camranh Bay can be transformed into a first-class base in a very few months, a Japanese fleet operating against, say, the Dutch East Indies would be nearly 3,000 miles from its home base, whereas the defenders would be strongly based on Singapore and Surabaya in the Netherlands Indies. The difficulty is that, whereas it is

very unlikely that Britain can spare a full battle fleet for Far Eastern waters and the Dutch navy, though very serviceable, is small, the American Pacific fleet has no suitable bases west of Pearl Harbour, some 4,000 miles away. The project of equipping Guam as a naval outpost was abandoned first in 1922, under the Washington Treaties, and later in 1938 in order not to offend Japanese sensibilities. To-day it would cost over \$200 millions to prepare, and the work would last over two years. As it stands, Guam has no particular military significance. Cavité Bay, the base at Manila, has no proper facilities for heavy repairs and is not very strongly defended. The obvious solution is the use by the American fleet of British and Dutch bases in a wide arc from Brisbane to Singapore. It should not be imagined, however, that the use of a base by the fleet of another Power merely consists in sailing in and anchoring. Vast stores of American material, spare parts, etc., would have to be brought to Singapore. However, if serious defence is intended, it is planning on this scale that is above all necessary.

France "Betrayed"

On October 20th Dr Karl Holtz, Field Commander of the Nantes Military Region, was shot in the neck by two assailants and was killed instantly. The two men escaped. The Germans have retaliated by establishing a 6 o'clock curfew in Nantes and by shooting out of hand 50 hostages. Two days later, another German officer was killed, this time in Bordeaux. The Germans again retaliated with a curfew and with the arrest of 100 hostages whose fate cannot be in doubt. These shootings followed on wholesale arrests among the intelligentsia of Paris and are signs of a new wave of general unrest. And it is against this background that Marshal Pétain has decided to open the formal trials of Mm Daladier, Blum, Gamelin, La Chambre, Jacomet, Paul Reynaud and Georges Mandel at Riom. So far only the official case against these men has been made known. But that alone is enough to make entirely fantastic the idea that justice can be served by setting up Pétain, Darlan and Laval in judgment upon the men of the *ancien régime*. The charges, taken point by point, apply as obviously to the men of Vichy as to any of those whom they presume to condemn. Blum, La Chambre and Jacomet are accused of keeping secret their knowledge of the disorganisation and lack of material preparation in France. Blum in particular is arraigned because, so the charge maintains, the process of disintegration began under former Prime Ministers. But was not Laval a former Prime Minister? Did not Darlan know as well as Gamelin that the French forces were insufficient? Was not Pétain concerned with the training and equipment of the French Army? Again, Daladier and Blum are both accused of failing to suppress labour unrest and of helping on the "process of disintegration." But in the supreme hour, can it be said that France was more corrupted from the Left than from the Right, and did not the word of surrender come not from the ranks and the masses but from the little group of *bien-pensants* who saw their way to save their bacon by betraying France? With tremendously inappropriate grandiloquence, Pétain declared in a broadcast that "the country which has felt itself betrayed has a right to the truth and to the whole truth." But the country which feels itself betrayed is not boot-licking in Vichy. It is shooting down Vichy's masters in the streets of Nantes. And the country which indeed feels itself betrayed will demand an account and a restitution, not from Reynaud or Mandel who were ready to carry on the fight from North Africa, but from Darlan and Pétain who preferred an armistice to occupation and total dishonour to honourable defeat.

Feeding the Children

Malnutrition among children was prevalent even in peacetime, but the only step taken then to prevent it was the half-hearted scheme for supplying cheap milk in schools—which, in the case of many local authorities, was a dead letter. Even now, after a wartime campaign to increase the consumption of milk, the proportion of children receiving milk under the scheme is, according to Mr Butler, only some 60 per cent. The Board of Education now aims at raising this proportion to as near 100 per cent as possible. This will mean, in the absence of enough one-third pint

bottles, that distributors will have to supply more and more of the milk in bulk, and the Exchequer will bear the cost to the local authorities of providing utensils and washing them. Moreover, the Exchequer grant on the school milk service as a whole will be raised to 100 per cent. There should, therefore, be no excuse for dilatoriness on the part of local authorities in extending the service. More difficult, but more far-reaching, will be the big extension of school meals that was also promised this week by Mr Butler and Lord Woolton. At present, only 300,000 of the 5,000,000 children in secondary and elementary schools receive a mid-day meal at school. Here, again, one of the chief obstacles has been finance, and the Exchequer grant in respect of the cost will be raised to a minimum of 70 per cent, with a maximum of 95 per cent and an average of 80 per cent. Another, hardly less important, obstacle, however, has been the lack of equipment. The Ministry of Food is, therefore, to allow local authorities to use its emergency cooking depôts and the facilities of British Restaurants for supplying meals in schools. Some time will even now elapse before the whole of the five million children can be catered for, and an obvious deficiency in the whole policy of feeding children is the absence of special arrangements for children who leave school at 14, just when many most need plentiful food. It ought to be made possible for those who have no canteens where they work to use the local school canteen at least until they reach the age of 16. But, on the whole, the scheme cannot be too highly praised; it must rank as one of the most important social measures to be introduced since the war began.

Differential Rationing

As the meals in school scheme is gradually extended, the principle of having a basic plus a supplementary ration will be strengthened. The basic, or domestic, ration is, according to Lord Woolton, based on "the average need of the average family." But with the special rations for the armed forces; the possibility of an off-the-ration meal for five million children; and the extension of industrial canteens and special rations for certain classes of workers, without taking into account the restaurant service—whether British or otherwise—the basic ration must become less and less important as the measure of the nation's diet. The supplementary ration, on the other hand, is more and more to be determined according to needs and on dietetic principles. Thus, expectant and nursing mothers are given priority for milk and shortly for eggs; and children for milk, eggs and oranges. Invalids are allowed supplementary rations according to the nature of their disease, and underground and agricultural workers are given extra cheese. Lord Woolton has now announced that, in the allocation of food to canteens and catering establishments, they will be classified according to whether they serve heavy workers, other workers and the rest of the population. This differential rationing for civilians is

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admirable. At present, the only section which is nutritionally favoured, apart from the paltry 5 ounces extra of cheese given to underground and agricultural workers, is seamen on weekly articles. These are entitled to 7½ lb. of meat a week, 8 ounces of bacon and ham, 15½ ounces of fats (in any proportions of butter, margarine and cooking fats), 4 ounces each of cheese and tea, 30 ounces of sugar, 8 ounces of jam and 2 ounces of syrup. It is not suggested for a moment that the peculiar dangers, the hardships and the hard work faced by these men do not entitle them to the maximum amount of food that can be provided for them. But 7½ lb. of meat, 15½ ounces of fats and 30 ounces of sugar are startling statistics these days; and it is worth pointing out that the rations for the armed forces on home service are nothing like so much even if they get—which is not always the case—the full amount of their nominal rations; and the discrepancy is much wider in the case of coal miners, whose work is also hard and dangerous. The discrepancy should not, of course, be narrowed by reducing the weekly seamen's rations, but by the prompt extension of supplementary rationing for other special categories, whether by canteen feeding or by increased allowances on the ration card.

Men and Women

This week end women aged 28 register for national service; in the next year it is expected that, by stages, all up to 40 will register. Meanwhile, a drive to recruit those between 20 and 25, who have already registered, is once more announced. Unless they can be shown to be key workers, that is, indispensable and irreplaceable in their present employment, they must choose between the auxiliary Services, nursing or work in war industry. Actually, this story is many months old; it was said to be the purpose of registration right from the start. In fact, it has failed because, on the side of the Ministry of Labour and National Service, the call has not been peremptory enough; and because, on the side of the girls, employers and parents have refused to let them go. Until recently, full-time paid work of any kind was, in many districts, sufficient exemption. The fact that 90 per cent of the spinsters and widows between 20 and 25 are doing paid work, and 97 per cent of those married between those ages doing housework, is still falsely quoted to show that there is no reserve. In every nook and cranny of the community completely idle young women still lurk, sometimes without having even registered on their appointed day; the appeal of some months ago for the release of domestic servants was barely a nine days' wonder. The plan for mobilising women by registration, interview and selection is sound enough; it always was. It is just that its operation has been, until very recently, coy and feeble to the point of frustration. Now the big drum is being beaten again—this time it seems with some justification. What promises to be a comb-out, industry by industry, has started with the retail trades, for which over 500 local committees have been set up to advise on individual reservations and releases—though the project for slimming retail distribution by concentration, on which a committee has just reported to the Government, still hangs fire. Other employers and advisory committees in other industries are beginning work to count the women—and the men—who could be released from non-war jobs. Panels in such occupations as newspaper and insurance employment have been advising the authorities for some time. It is plain that the principle of reservation by "occupation", a principle which admittedly provided a reserve of skilled or experienced labour but did not ensure that it was used for the war effort, is at last, after a year or more of agitation for the change, being superseded by the principle of reserving people who are actually doing vital work. It is common sense to consult the various industries on the release of their labour. But it will be fatal if it is again left—and there is some evidence that it is still being left—either to individual employers or to representative committees to put a lax and partial interpretation on "vital" work.

British Diplomacy and Mexico

The Government's announcement that diplomatic relations with Mexico are to be resumed puts an end to one of the most curious anomalies in Britain's relations with the outside world. Since the beginning of the Presidency of Señor Camacho, the Mexican Government has practised

a consistently strong policy against Axis intrigue, has been in the forefront of the Latin American Republics in supporting President Roosevelt's plans for hemispheric defence, and has allowed it to be known on a number of occasions that the resumption of diplomatic relations would be welcomed. The British Government, whose patience with such open friends of Germany as Italy or Japan, is exhausted only when one or other of them actually goes to war against Britain, showed a curious determination to remain on hostile terms with a Power so patently anxious for better relations. It is to be hoped, now that Britain has taken the correct and obvious step of renewing relations, that the underlying cause of the friction and delay—the still unrecognised right of the expropriated British oil companies to fair compensation—will also be dealt with successfully.

Views on News

On Wednesday, Members of the Commons opposed the sale of half the shares of Reuters, Ltd., to the Newspaper Proprietors' Association. Speakers pleaded for an independent trust to control the famous news agency. Actually, Reuters is not "independent" now. A controlling interest is held by the Press Association, which represents provincial newspapers as the NPA does London newspapers; and the NPA already owns a quarter interest, on account of its provincial affiliations, in the Press Association's half share. The membership of the Press Association is admittedly more scattered and independent than membership of the NPA. But the Minister of Information was perfectly right to oppose any alternative arrangement that would make Reuters a semi-public body; the BBC is not really the happiest precedent. Much of the fear of what the "Press barons" may do with Reuters is probably due to the relentless way in which the newspaper industry, in all its branches, tends to pursue its vested interests—*vis-à-vis* the BBC, for instance—and those of their advertisers; and it might be a great gain if Reuters' news gathering could be insulated from all interests or partisanship. But there is no evidence that the NPA intend to cook the news. In normal times, they will be working in competition with the able agencies of the United States; and the greatest gain of all would be if Reuters could be staffed and organised to compete in efficiency again with its best American rivals—as it has not done for more than a decade.

Shorter Notes

There seem to be no limits to the ways and means of profiteering in food. It is apparently an offence, under the Waste of Food Order, to feed cats and dogs on meat fit for human consumption; and the supplies of meat available for animals are consequently scarce. Prices accordingly rose, and the Ministry of Food fixed them at a maximum of 8d. per pound for horseflesh. Now, purveyors are selling the same meat at 1s. 3d. per pound, free of coupon, and certified as fit for human consumption. The Ministry of Food is taking steps to prevent this.

Panama has given a lead to its powerful American neighbour by declaring that all ships registered in Panama—of these there are 270, of which 82 belong to United States interests—shall be armed. Behind this decision lies an interesting but somewhat obscure Palace revolution. President Arias, who was reported to have Axis sympathies, had earlier declared that no Panamanian ship should carry armaments. On October 9th, a movement backed by the democratic elements in Panama and led by the Minister of Government and Justice, Señor La Guardia, drove President Arias from office and established instead a provisional regime of which Señor La Guardia is the President. The sequel to this move has been the decision to arm Panamanian ships. It can therefore be surmised from the new regime is more compatible with United States interests than the presidential dictatorship of Dr Arias.

The number of persons already receiving pensions who have benefited from the provisions of the Determination of Needs Act was 216,000 up to August last. The number of new supplementary pensioners as a result of the Act is so far only about 100,000, although the Assistance Board counted on 250,000, and steps are being taken to make pensioners aware of their potential rights.

THE WORLD OVERSEAS

Nazi Activity in Argentina

(From Our Buenos Aires Correspondent)

September 23rd

ALMOST three months ago, the Minister of the Interior, speaking in the Chamber of Deputies, said: "I can conscientiously tell the Chamber that the penetration of foreign ideologies is an unquestionable fact, an important fact, a fact of national significance, because they have penetrated into all parts and because, unfortunately, they are zealously cultivated. It is not known for certain whether the only aim is the credit or discredit of the belligerent countries, or whether a situation is being prepared for the carrying out of other plans. The Ministry has abundant information from many sources, ranging from confessions to anonymous communications, from police proofs to the denunciations of informers, all of which leads to the conviction that there are forces working in the Republic to form an atmosphere propitious to possible future consequences of the conflict which is shaking the world."

This pregnant statement was welcomed by the responsible press, less as a timely warning (much less a clarion call) than as a sign that public opinion had at last been accorded Cabinet recognition. In effect, the leading Argentine newspapers had for many months been waging a campaign against totalitarian influences in the country. They were spurred on by a constant crop of incidents—in many of which interned seamen of the *Graf Spee* were involved—by the extravagances of a self-styled "Nationalist" and openly pro-German newspaper and the movements it sponsored (classified by the outspoken evening dailies as "Nazi-onalistas"), and by the steps taken in other Latin American Republics—notably Bolivia, Peru and Uruguay—to suppress German-inspired activities. Commenting on severe anti-Nazi measures taken by the Bolivian Government, the authoritative *La Prensa* had said: "We welcome the solution of the Bolivian conflict and suggest to our Government the need to reflect on the attitude adopted by yet another country in our continent. It must be understood that sibylline phrases and enigmatic attitudes are not for moments like the present."

Outspoken statements from the public platform were not wanting as a further sign of public opinion; they proclaimed the danger to Argentina's democratic constitution which was represented by germanophile activities and by the dissemination of totalitarian ideas among the population, including the armed forces. Many such statements were made by prominent politicians, some under the auspices of "Accion Argentina," which was formed in May, 1940, with the declared aims of defending the country's democratic institutions and giving all possible moral support to Great Britain and the United States. On the principle that democracy begins at home, this movement is a militant opponent of totalitarian influences and claims to have 800,000 adherents. Whether the figure is accurate or not, "Accion Argentina" certainly represents a very comprehensive and influential cross-section, socially and politically, of Argentine opinion.

Against this background the Minister of the Interior, Dr. Culaciati, admitted "the penetration of foreign ideologies" just after the Commission appointed by the Chamber of Deputies "to investigate anti-Argentine activities" had begun its work, with the overwhelming support of public opinion behind it. Invoking judicial co-operation to ensure the examination of material witnesses and evidence, its investigation has been nothing if not thorough; this is revealed in its exhaustive and carefully documented report, of which three parts have been published, a fourth being promised shortly. Its labours have been punctuated by such sensational news items as the confiscation of "diplomatic mail" containing a powerful wireless transmitting set consigned by the German Embassy in Buenos Aires to

the German Legation in Lima and returned by the Peruvian authorities; the apparatus contained, besides propaganda matter, a partly undecipherable code message. A further sensation was caused by the flight of Gottfried Sandstede, who, after claiming diplomatic immunity, hurriedly left the country by the German-operated "Condor" air line when called upon to testify before the Commission.

German Embassy Intrigues

The first part of the report makes clear the wide ramifications of the *Auslanddeutsch* movement in Argentina, working as part of the National Socialist Party in the Reich, although under the guise of German charitable institutions. The foreword to this part states that it offers proof of "the active existence of the German National-Socialist Party in the country, the organisation of cells dependent on the same, aiming at political domination and the participation of the German diplomatic corps, through the Ambassador and other Embassy officials, in all the party's activities." The second part deals with the funds provided by the German Embassy for Nazi propaganda, the foreword stating that the information presented "fully confirms the impression that the Embassy is the principal factor in the campaign against the country's institutions." The third part examines the activities of the "Transocean," DNB and other German news agencies in the country, as well as the financial resources of the pro-German "Nationalist" newspaper, *El Pampero*; it comes to the conclusion that these agencies are "organisations existing exclusively to serve National-Socialist propaganda, controlled by the German Government either directly or through its diplomatic representatives in the Argentine Republic." The fourth part, not yet published, is reported to pronounce on the activities of German schools in Argentina.

The mass of evidence accumulated in these reports has inevitably focused public attention on the German Ambassador, Herr von Thermann. The interest has been shared by the Chamber of Deputies, where last week the Commission's motion that he had exceeded his functions, and recommending the dissolution of the German Benefit and Cultural Societies and the withdrawal of legal status from the German Chamber of Commerce, was carried by the almost unanimous vote of 78 to 1. The popular cry that the Ambassador should be handed his passports has thus been virtually endorsed by the Lower Chamber, and the executive's expected reaction to its overwhelming vote of censure is one of the two main topics of press comment. The other is the German press outburst against the procedure of the Investigating Commission. This outburst was classified by *La Prensa* as "an offensive of inexactitudes, insults and threats," and was regarded unanimously by the responsible press as inspired by the German Government.

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The Chairman of the Commission, Deputy Damonte Taborda, has just stated in a press interview that the Commission will ask for the arraignment of the German Ambassador and members of his staff before the Argentine Supreme Court in connection with the findings on their manipulation of certain funds.

The Commission has prepared for presentation to Congress a project whereby the local authorities of foreign concerns carrying on business here would be allowed—or if necessary compelled—to obtain emergency legal autonomy in Argentina if their head offices are in territories occupied by a Government other than their own. The reason for this proposal lies in the Commission's statement that the assets of Belgian, French and Dutch concerns operating here—where, according to the Commission's figures, their investments total 1,500 million pesos—may be logically supposed to be controlled by the Reich, which under their present constitution would be able to manipulate their local capital to the detriment of Argentina's economy.

Anti-Nazi Measures Elsewhere

With the unfolding of the Investigating Commission's case, which quotes facts and figures regarding the German Embassy's international traffic in propaganda material, the development of anti-Nazi moves in other Latin American States has been prominently reported in the local press. In Chile, the judicial authorities are investigating Nazi activities, and in Uruguay strict measures have been taken to suppress totalitarian propaganda. Peru has banned the introduction of propaganda from belligerent nations, and Mexican resentment over what is interpreted as interference by a German diplomat in internal affairs has drawn approval from the Buenos Aires press. In local press comment, there is a lively awareness of the effect of these widespread activities on continental solidarity. Their disruptive influence on relations between the 21 republics, which at last year's Havana Conference pledged themselves to spare no effort "to prevent any divergence which might impair their solidarity," is the keynote of simultaneous leading articles which have just appeared in two of Argentina's leading journals, *La Nación* and *La Prensa*, under the titles: "Plans for American Discord" and "Campaign Against American Solidarity." Their theme is a recent conference in La Paz called by the Bolivian Government to denounce to the representatives of Argentina, Brazil, Chile, Paraguay and Peru a seemingly inspired campaign, begun a few weeks ago in certain reactionary and pro-German organs and calculated to arouse mutual distrust between these neighbouring republics.

Reaction to the impingement of Nazi doctrine on Argentina's body politic has been slow in forming; that it is none the less positive is obvious from the country's reception of the Investigating Commission's findings. In discussing this *La Nación* states: "The entire country has awakened to the reality of its situation, not by means of propaganda speeches, but from the conviction arising from overwhelming evidence." In view of the allegations in the German press about the partiality of the Commission's report, it must be added that the evidence in its essential points is the result of proceedings by the competent judicial authority—in this case Judge Ramón F. Vasquez, whose continuance of these proceedings is awaited by the country.

Harvests in Western and Northern Europe

[BY A CORRESPONDENT]

October 13th

GERMAN spokesmen have repeatedly stated that this year's harvest in the Nazi-dominated countries of western and northern Europe would be quite satisfactory, and in any case above the low level of 1940. Accurate figures will not be available for some weeks yet, if at all; but what has become known so far of the actual prospects is sufficient to disprove the anticipations of the Nazis. The preliminary reports were apparently mainly issued for propaganda purposes, though it may be admitted that the harvest results

would have been somewhat better without the spell of bad weather in August.

The latest Ministerial statement about the grain harvest in Germany itself was that it would be "medium," or "about equal to last year's"; and this announcement was only made when 96 per cent of Germany's rye and 85 per cent of winter wheat had actually been brought in. The shortage of cereals in Germany has largely been made good so far by doubling the human consumption of potatoes and also by greatly increasing their use as animal fodder. However, though last year a record crop was yielded, potatoes became scarce in July and August, owing in part to the lateness of this year's crop. According to a recent wireless report, the present crop will be good, but will not reach that of last year.

According to the *Breslauer Neueste Nachrichten*, Silesian sugar beets are three weeks behind, because of cold August and September weather, and laboratory research shows their sugar percentages to be "very variable." A report from East Prussia says that meadow cultivation has been neglected during the summer, owing to the shortage of suitable labour. In the same province, a new insect pest is damaging the cabbages. The fruit crop seems also to be below expectations, with the partial exception of the apple crop, and the Rhine vintage has been considerably damaged by hay worm and other disease. The poor grape harvest in France and Algeria has already resulted in French wine rationing.

The French grain harvest is officially estimated at about 32 million quintals, or roughly equal to last year's; though the total acreage under cultivation has been increased by almost 30 per cent, the harvest will still be nearly 40 per cent below normal. Contrary to last year's experience, there is no carry forward from the previous harvest. Special efforts have been made to raise sugar beet cultivation, with the result that the yield will now probably be 40 per cent below normal, against 70 per cent below normal last year. Some reports about the vegetable situation are fairly optimistic, although they are always in general terms; and it is very doubtful if satisfactory results can be expected in view of the apparent shortage of seeds, fertilisers, and labour, which must be especially disturbing in this branch of agriculture.

The Belgian grain harvest is expected to be satisfactory, and even to exceed the record harvests of the past. It must not be forgotten, however, that grain cultivation in Belgium is only a comparatively small affair. The potato and vegetable crops seem to have suffered from bad weather, disease, lack of seed and other unfavourable circumstances. Dutch market gardening has also been affected by unfavourable weather, according to various provincial reports; and the Dutch flax yield has been very disappointing. In Scandinavia, frank statements about the unfavourable position have been issued not only in "independent" Sweden, but also in Denmark and Finland. According to the September forecast of the Copenhagen Statistical Bureau, fodder grain, rye and wheat are 30 per cent, 25 per cent, and 34 per cent, respectively, below average on the Danish mainland, and 15 per cent, 11 per cent, and 24 per cent below normal on the Danish islands. Potatoes are also very disappointing, while lucerne and grazing are slightly under normal. The fruit harvest, which earlier in the summer was declared in German reports to yield a record crop, seems to be just about normal according to the latest available forecasts.

It has been authoritatively stated that the harvest in Finland is also below expectations; all crops have been unfavourably affected by bad summer weather and early frosts. The grain crop will at best be about 2.8 million tons, against 4.1 million tons in 1938, and in the territories reconquered from Russia, the "scorched earth" policy has admittedly reduced the yield to a fraction of what it was in former times. The Norwegian position seems to be somewhat better, but there is a serious shortage of labour, and unfavourable August weather has done some additional damage to the grain and hay crop. Root crops seem to be below normal.

The harvest prospects in the southern and eastern parts of the Continent are hardly better than in northern and western Europe; and the Ukraine may be a liability rather than an asset for the Nazis' food position during the next twelve months. It would certainly be rash to conclude that they will not be able to feed their soldiers and industrial workers adequately during the coming winter; but they will manage to do so only at the cost of a further deterioration in the diet of the suppressed peoples, and of their own non-working population. The new measures of food rationing recently introduced in various European countries are probably an indication of this state of affairs.

Repression and Resistance in Holland

[BY A DUTCH CORRESPONDENT]

October 1st

DURING the last six months the broad outlines of German policy in Holland have remained substantially the same. The Germans are unwilling to hand over all nominal authority to the Dutch National-Socialist movement of Ir. Mussert, but they are assigning key posts in Dutch administrative and economic life to members of this quisling group at an ever-increasing rate.

The country is controlled by the office of Seyss-Inquart, but the rate at which German decrees are carried out is largely determined by the Dutch civil service. Hence the necessity of promoting Dutch Nazis to provincial commissioners, burgomasters, etc. Four departments of state are now headed by members of the *Nationaal-Socialistische Beweging*. Five of the eleven provinces have NSB commissioners. Many important towns, including Amsterdam, have NSB burgomasters. The *Hooge Raad*, the country's highest Court of Appeal, has been nazified; so have various other Courts. The specially appointed "Economic Judges," who have to settle the thousands of "economic" crimes, are mostly members of the NSB. So are the "Political Judges" and the members of the "Political Court of Appeal," who deal with all political crimes, save those falling within the jurisdiction of German courts. The Nazi grip on the country's administrative life has been strengthened by the introduction of the Fuchrer principle in towns and provinces. All provincial and municipal representative bodies have been dissolved. At the same time, the police is being thoroughly and methodically Nazified. Broadcasting is under Nazi control. The Nazi grip on the press is tightening. Members of the NSB are appointed editors of papers which up to now had retained some measure of independence, like the well-known Liberal Amsterdam daily, *Algemeen Handelsblad*. The Universities of Delft and Leyden have been put under Nazi control, and of the same fate threatens all other universities. The Nazi secretary-general for arts and propaganda is busy setting up an elaborate system of guilds, which is an imitation of Goebbels' *Reichskammern*, and various other Nazi institutions have been introduced, such as compulsory labour service and Winter Help.

This process of gradual nazification is supplemented by the elimination of all "undesirable" elements. The only permitted political organisations are Ir. Mussert's NSB (which now boasts 100,000 members, that is, about 1 per cent of the population), the Catholic Fascist Movement, *Nationaal Front*, and the small Dutch National-Socialist Labour Movement, which supports the complete inclusion of Holland within the Reich. All old political parties have been dissolved. The *Nederlandsche Unie* is virtually unable to carry out any activities. All its emblems are forbidden; so are its paper, its social organisation, its propaganda. It still has the amazing number of 800,000 members, but its conferences have been prohibited and its formal dissolution seems only a matter of time.

Various other organisations have already been dissolved. The Salvation Army and the Boy Scouts were considered "active instruments of British propaganda." Ir. Mussert has ordered an investigation into the activities of the Oxford Group, described as "Freemasonry disguised as religion." At the same time, the number of wanton arrests is growing daily.

The Jews are, of course, in an exceptionally difficult position. Nearly twenty thousand Jewish businesses are being aryanised. At the beginning of September, the Nuremberg Laws were formally introduced, and the Gestapo and concentration camp threaten every Jewish family. Hundreds of young Jews have been sent to concentration camps and mines, where many have already died. The Jews are, however, by no means outcasts in the eyes of the Dutch people. When, some time ago, in one of the German concentration camps, the Dutch Jews were ordered to make one step forward, the order was carried out by all Dutch prisoners. In many towns, Gentile doctors pass on to their Jewish colleagues the fees received from the former patients of the latter.

The German invasion of Russia provided the German occupiers with an opportunity for an endless stream of anti-Communist propaganda. The Dutch were far from convinced. The invasion actually gave rise to a wave of optimism. Russia would be the death-trap of the German

armies. Nobody paid any interest to the promises of Ir. Mussert that Dutch farmers would be settled in the Ukraine. Some 9,000 members of the NSB are serving with the German armed forces; but thousands of other members of the NSB were very reluctant to join "the glorious battle against Communism." Therefore all members of this movement were formally ordered to join the Dutch SA troops, which means that they will be despatched to the Russian front in due course.

Positively, German propaganda has been a complete failure. Negatively, Goebbels has at least succeeded in spoiling the BBC "V" campaign by his own avalanche of "V" propaganda. The Dutch press has lost its readers, the Dutch broadcast its listeners. To the Dutch, the English broadcasts are a tonic. Passive and active resistance is spreading. The Dutch workers go very slow. At the beginning of September, five Dutch patriots were shot because they had helped in the escape of a British bomber's crew.

There are, of course, a number of secret organisations in Holland, though their activities are much hampered by the Dutch lack of experience in such matters. Many of these organisations seem to rely principally on the unbounded enthusiasm of the Dutch youth. On the whole, there appears to be a slight antagonism between this youth and the other Dutchmen in the sense that the youth is more radical in its ideas. The younger people blame the older for the insufficient state of preparedness of the country. They blame them for not having solved the problem of unemployment. They have only little interest in parliamentary democracy as the Dutch knew it, which, according to them, was too much influenced by party politics. Some of them want a Royal dictatorship. Others want at any rate a strong Government. Most of these ideas are rather confused, and it remains to be seen whether these trends will be pursued after the end of the German occupation. In the field of foreign policy, no clear ideas are to be distinguished, and it is on the whole most difficult to guess the real mood of the country in matters like these, now that free expression of opinion is banned.

Shorter Notices

Canada: Her War Effort. Post-War Possibilities. Published with the *Financial News*. By the Financial News, Ltd., 20, Bishopsgate, E.C.2.

The *Financial News* has paid tribute to Canada's contribution to the war effort in the most practical way by publishing an interesting and informative supplement reviewing that contribution in thirty-five articles. Some are general; others cover special subjects, as, for example, the Empire Training Scheme; the supply of canned fish to Great Britain; agriculture; mining; the Navy; and the social aspects of Canada's development; while others again deal with the resources of the various provinces and districts. Two criticisms suggest themselves. A rough outline map enabling the reader to locate the respective provinces and principal cities would have been a help to many who are not familiar with Canadian geography. And some mention of the Province of Quebec seems called for, since French Canadians, a large section of Canada's population, are by no means backward in their contribution to the Allied cause. Still, the supplement as it stands contains a wealth of information not readily available to the general reader. Its emphasis on planning, not only for war, but also for peacetime needs, renders it of more than passing interest.

Books Received

Soviet Russia. By E. Strauss. (London) John Lane, 342 pp. 12s. 6d. net.

Great Britain Under Protection. By F. Benham. (London) Macmillan. 271 pp. 10s. 6d. net.

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German Europe

Industry in 1940-41.—Most of the company reports for the year 1940-41 were published later than in the previous year, because of the delay in the announcement of the dividend stop. Total output was maintained at the level of 1939-40. During the year, the concentration of industry continued. The total number of undertakings, companies and private firms decreased from 384,000 at the end of 1938 to 342,000 at the end of 1940. At the same time, state-owned concerns expanded rapidly, and may now have a share of roughly one-fifth of the total capital of joint-stock and limited liability companies; in March, 1939, state-owned companies comprised 15 per cent of the total joint-stock capital. A number of private companies were absorbed by the *Reichswerke AG Hermann Goering*; but the leading concerns in heavy industry were compensated by the annexation of plants in the annexed Polish and French territories. Industrial collaboration with occupied countries is reflected in reports about new companies jointly established by German and foreign concerns, especially in the manufacture of artificial textile fibres, chemicals and non-ferrous metals.

The leading coal-mining concerns report, without exception, that coal output could be maintained; the output of coke and bye-products has increased. There has been a particularly determined effort to extend mechanisation. A number of leading concerns in the Ruhr area have installed a new coal-cutting machine—the “Iron Henry”—which combines cutting, drilling and transporting operations, and is claimed to have increased output per man-shift by 32 per cent. Gross profits in the coal-mining industry were generally above last year's profits, because of a general advance in export prices. The tremendous importance of coal bye-products for Germany's war economy led to a new concentration of the coal industry by the formation of the *AG Kohlenwertstoffverbaende* (Coal Bye-Products Union). This company amalgamated seven leading companies producing benzole, synthetic petrol, tar, ammonia, sulphuric acids and resins. Similar to the *Reichsvereinigung Kohle*, which centralised the entire coal-mining industry itself, the new company will co-ordinate the activities of all the substitute industries based on coal, and is a defensive move against the chemical industry, which has tried to monopolise the substitute industries. A representative of the *Reichswerke AG H. Goering* is chairman of the board of directors.

The leading iron and steel concerns maintained their output, and were still engaged on expanding capacity. Some reports mention difficulties in repairing plant and equipment because of lack of material and workers. The iron and steel plants in Luxemburg, Lorraine and Poland were completely absorbed by German concerns. The tendency for costs of production to rise is still apparent. A spectacular increase in output is reported in electricity generation, amounting on the average to roughly 10 per cent over 1939-40. Substitute industries are very heavy consumers of electric power.

The chemical industry is completely dominated by the *I.G. Farben* concern. Output of all synthetic products, especially petrol, light metals, cellwood, rubber and plastics, increased considerably. New capacity was still under construction, and the capital of the concern has again been increased to cover further expansion. The *I.G. Farben* and the *Etablissement Kuhlman*, the leading French chemical concern, have jointly formed a new company for the purpose of Franco-German chemical collaboration. The chemical industry, however, has met with difficulties in the manufacture of phosphate fertiliser; and a new phosphate cartel has been formed which combines seven leading phosphate producers.

The engineering and machine-building industry has been completely absorbed by war work. The leading companies report increased activity and complain about the shortage of skilled workers. Dr Lange, the special commissar for the industry, has tightened control over the machine tool industry by prohibiting the manufacture of all machine tools used in civilian industries, and manufacturers frequently mention that they have been unable to replace equipment.

A number of new companies have been formed for the manufacture of aircraft engines. The leading motor-car factories report the suspension of the manufacture of private cars. Output has been maintained and new capacity is under construction. The People's Car factories, which manufacture military cars and tanks, doubled their capital. Most companies have introduced new methods of

rationalisation, and the use of light metal alloys and plastics as substitutes for non-ferrous metals has increased.

The civilian industries—that is textiles, boot and shoe, leather and household goods—report a continued decline in output. After the collapse of France, a number of textile mills returned for a short period to normal working hours, because of the supply of raw materials requisitioned in occupied countries. Jute mills changed to the manufacture of paper bags and paper string. Linen mills were relatively well supplied with raw materials from production in occupied countries and from increased production of flax in Germany. The leading shoe factories were not even able to supply the rationed demand; and substitutes for leather were increasingly used.

Artificial Textile Fibre Expansion.—After protracted negotiations, the German cellwood concern *Phrix* succeeded in forming, jointly with the Norwegian *AS Borregard*, the *Norsk Cellulfabrik*. It is hoped that the output of the new factories will supply a substantial part of Norway's total demand of textile fibre. In Belgium, the *Société Belge de Fibrane*, comprising all manufacturers of artificial textile fibre, will co-operate with the German cellwood concerns. German companies will supply machinery and experts. Germany's intentions have been made clearer recently by forming the *Phrix-Verfahrensverwertungsgemeinschaft AG Hamburg* (company for the utilisation of *Phrix* patents). The new company is a subsidiary of *Phrix*, and its business object is the acquisition of companies in Germany and in foreign countries which manufacture artificial textile fibres. The *Continental Oil AG* for monopolising the European oil industry seems to have been the model.

Agricultural Marketing.—The agricultural marketing system has hardly been changed since the beginning of the war. The compulsory delivery of cereals, milk, eggs, etc., has been in force since 1934, and all agricultural prices have been strictly controlled. Compulsory delivery has now been extended to all root crops which are used for feeding animals, which reflects increasing difficulties in the supply of feeding stuffs. A second important change is a new schedule of premiums for the delivery of wheat and rye. The original premiums for deliveries between August and November have been substantially increased in order to collect the bulk of the harvest during the first months of the season. But it would be wrong to assume that this change was necessary because of a possible shortage of cereals. It rather reflects an anxiety to get as quickly as possible accurate information of the supplies of cereals available. A third change is perhaps more indicative of the supply situation in bread grain. The milling of flour has been altered in such a way that roughly 5 per cent of the grain can be saved. Since the beginning of the war there has been an interesting shift from the consumption of wheat to rye. The percentage of rye and wheat milled during March to August has been as follows:

	1939.	1940.	1941.
Rye	42	50	61
Wheat	43	47	37

This change is the result of the bad harvest in 1940, and of the impossibility of importing wheat from overseas. It means that the population in Southern Germany, where the standard loaf is normally made from wheat, must eat more rye, and all over Germany it means considerably less cake.

Roumanian Collaboration.—The economic penetration of Roumania proceeds at considerable speed. During the first six months of 1941, 52 new companies were founded, with a total capital amounting to Lei 187 millions. German capital interests were established in 19 of the companies, comprising a capital amounting to Lei 99 millions, or 53 per cent of the total. The German-Roumanian company *Solagra* was empowered to buy up the entire harvest of sunflower seeds. A small part of the harvest will be left in Roumania. The bulk will be shipped to Germany. Official industrial committees of the German and Roumanian Governments met for the first time at the end of July in Bucharest. The textile, paper, and earthenware industries were represented, and industrial collaboration was discussed.

THE BUSINESS WORLD

Earnings and Incentive

MUCH debate has recently been heard on the removal of impediments to full war production. A significant part of the discussion has ranged round the question whether industry is getting a sufficient return to spur it to a 100 per cent effort. One school, in particular, argues that expansion of output is impeded because it is not worth while, and it demands accordingly that EPT should be eased; and that, if need be, increased production must be bought on inflationary terms. It is not the purpose of this article to pursue the controversy, but it can at least provide some factual pointers for the discussion, as revealed by our latest quarterly compilation of industrial profits.

The figures leave no doubt that, in terms of distributable profits and distributed dividends, industry is being kept on a very short rein. This is due to a combination of factors—100 per cent EPT, the sharing of net profits between the Exchequer and shareholders, and—for a handful of companies whose unusual cases permit increased net profits—to self-imposed dividend limitation at the Chancellor's behest. The result of these factors has been apparent for some time in our quarterly figures, but never more clearly than in the latest returns. The total profits of 498 companies which reported last quarter have shown a slight increase over those of the preceding financial year, from £87,480,000 to £90,730,000—and, incidentally, even this increase is largely accounted for by oil and rubber companies. British industry, working at high pressure, got little extra in total profits, when EPT had been met. Whatever may be said about the expediency or equity of 100 per cent EPT, its effect is plain enough. As for net profits (as the accountant measures them), the latest reports show a drop of 17½ per cent, from £42,334,000 to £34,944,000. These results, and their composition, are shown in Table I below:

TABLE I.—PROFITS OF THIRD QUARTER COMPANIES—1941

498 Companies	Previous Financial Year	Latest Financial Year	Adjusted Net Figures to Gross (i.e., before taxation)
Total Profits*	£87,479,957	£90,729,082	£4,554,608
Depreciation	9,219,130	9,219,130	—
Debiture Interest	4,212,846	4,212,846	—
Other Charges†	42,333,880	34,944,083	51,154,642
Net Profits	42,333,880	34,944,083	13,122,354
Preference Dividends	—	21,556,301	33,238,770
Ordinary Dividends	—	4,793,518	4,793,518
Added to Free Reserves	—	—	—

* After depreciation where not separately stated. † Including taxation.

How do these figures fit into the longer-term trend? The first answer, subject to minor statistical deficiencies, is provided by *The Economist* profits index. This index, based on the year ended June, 1936, showed a 30 per cent increase in profits over the standard during 1938. Since that time it has fallen almost without interruption, as the following table shows:

TABLE II.—*The Economist* PROFITS INDEX

July 1935—June 1936 = 100

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1938	128.7	131.7	131.6	130.3
1939	127.1	122.9	121.8	119.6
1940	119.6	120.5	115.4	114.2
1941	112.3	105.1	101.9	...

For method of calculation, and earlier figures, see *The Economist*, March 1st, 1941, and January 14th, 1939.

The fall during 1941 is particularly noticeable. In the twelve months ended with the third quarter of this year, distributable net profits were running scarcely two points higher than those of a moderate recovery year. Profits are being made, but they are being so effectively taxed that the shareholder has no part in them.

The precise effect of standard income tax on the enterprise of companies has always been debated, but most respectable opinion now holds that reasonable levels of income tax do not impair the desire of companies and their managers to earn greater profits. For this reason, the most convenient way, for the economist's purpose, in which profits should be expressed is in the form of gross sums, before charging taxation. Accordingly, we have for some time past gone to the considerable labour of adjusting the profits as reported by companies to a “before tax” basis. The figures (shown in the right-hand column of Table I) are of some interest in themselves when compared with the reported figures. But they also form an indispensable basis for a proper appraisal of dividend policy. The following table, showing the distribution of profits and gross rates of dividend, is accordingly calculated from the adjusted figures:

TABLE III.—DISTRIBUTION OF PROFITS AND RETURN ON CAPITAL

	Proportion of Adjusted Net Profits			Rates of Payment (Gross) (Based on adjusted Net Profits)			
	Prof. Div.	Ord. Div.	To Free Reserves	Deb.	Prof.	Earned on Ord.	Paid on Ord.
1940	%	%	%	%	%	%	%
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
1941	%	%	%	%	%	%	%
1st Quarter	17.7	73.1	9.2	4.5	6.1	16.3	14.5
2nd Quarter	23.4	65.9	10.7	4.6	6.8	10.6	9.0
3rd Quarter	25.7	65.0	9.3	4.5	6.9	12.1	10.6

There is a remarkable steadiness in the proportions of profits distributed in preference and ordinary dividends and set aside to free reserves during the past year or more. There are, naturally, some differences, for the composition

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of the sample of companies varies with each quarter—the first is weighted by a few very large concerns, catering for the general public, including BATS, "Imps., Courtaulds and, largest of all, Woolworths. The second is a heavy industry quarter, and, in the third, plantation companies' results are rather prominent. But the general "set" of distribution policy remains fairly constant. It is usual for ordinary shareholders to receive two-thirds of the total profits earned for dividends, save in the first quarter, when the proportion is higher, and the proportion of net profits set aside to free reserves fluctuates only between 9.2 and 15 per cent.

In the second part of the table, the particular weighting of first quarter companies somewhat disturbs the steadiness, producing a sharp contrast with the other quarters. Thus, the percentage earnings rate on ordinary capital has varied from a maximum of 16.3 in the first quarter of 1941 to a minimum of 10.6 in the second, and the rate has averaged about 13 per cent. Excluding first quarters, the earned rate ranges from 12.3 per cent to 10.6 per cent in the second quarters of 1940 and 1941 respectively, the average being 12 per cent, while the payments have varied 0.8 points either side of an average of 9.8 per cent. These results show very clearly, first, that equity earnings are not increasing, even before any deduction is made for standard income tax, and, secondly, that there is no tendency on

the part of company boards generally to augment dividends to offset, either in whole or part, the effect of income tax at 10s. in the £.

These conclusions will be satisfactory, at least to those who hold purist views on war finance. Company profits might, in war conditions, release a source of increased consuming power which would have severe inflationary effects. This point is generally accepted even by those who plead for a modified EPT, for even the latter intend that the residue of profits freed from EPT should merely be kept in the companies' coffers and not distributed and spent. The direct contemporary interest of shareholders in such profits would therefore be scarcely more real than their interest in the 20 per cent EPT rebate which is to be made available after the war.

Meanwhile, profits are under control. What this means for shareholders in different industries becomes clearer from a study of the table on page 522. Of the twenty-three industrial groups there listed, thirteen showed improved total profits in their reports last quarter. But only two groups of the twenty-three—rubber and shipping—showed an appreciable increase in net earnings, and the great majority revealed a significant fall. These, then, are the latest facts in the controversy, "Earnings and Incentive." They deserve serious consideration by both sides in the argument.

British Insurance in America

THE international character of British insurance has proved a source of strength to this country in two successive wars. This strength derives from the free investments of British offices in foreign securities, which can be mobilised in case of need, and from branch offices and other organizations established abroad. In the conflict of 1914-18, the first of these factors had the greater significance, for it appears that dollar securities placed by the companies at the disposal of the Government were at one time instrumental in saving a difficult situation; assistance accruing from overseas connections, on the other hand, was confined to the utilisation of current underwriting and investment earnings.

At the outbreak of the present war, the Treasury once

again looked to insurance in its quest for foreign exchange, and free holdings of foreign securities were speedily recruited in the national interest; later it became manifest that the nation could not, as in the last war, afford to rest content with the current earnings from establishments abroad—that the capital value of these establishments would have to play a part. Especially was this so with the extensive interests of the companies in the United States, backed by substantial funds forming security for American policyholders. Fortunately, the drastic expedient of forced sale has been avoided; the Chancellor of the Exchequer was able to announce, on July 22nd last, that the Reconstruction Finance Corporation had agreed to grant a loan of \$425 millions, on security consisting of insurance

interests and certain other assets. A flourishing export business, built up with care and skill over a long period, has thus escaped the unhappy fate of the Viscose Corporation.

It is the purpose of this article, first, to describe briefly the organisation of British insurance in the United States; secondly, to examine the extent of its participation in American business; and, thirdly, to show the proportion of the total premium income of the companies concerned derived from America, as well as the size of their earnings, as revealed by the remittances of their branches and the dividends declared by their subsidiaries.

While there are records of British agency appointments in the United States going back nearly 150 years, the honour of claiming the longest period of continuous operation rests with the Liverpool and London and Globe, which began in 1848 and now, in combination with the Royal, forms the largest British group in America. Succeeding years saw the entry into the American field of many other offices, which gradually acquired a reputation for stability and fair dealing—qualities which were strained to the utmost by the conflagrations which ravaged the large cities from time to time. In the culminating disaster, the San Francisco earthquake of 1906, the eighteen British fire offices were called upon to meet gross claims estimated at £15 millions—a very large sum in relation to the premiums of those days—but there was no default. Goodwill thus created proved a solid foundation on which to build; in the ensuing expansion the "casualty" companies—the name given to companies transacting the miscellaneous classes known in this country as accident insurance—also participated and eventually approached in importance their fire confrères; on the other hand, British life offices, perhaps rather remarkably, made no attempt to share in the growth of American life insurance. Both fire and casualty companies enhanced their reputations by emerging in excellent condition from the severe test of underwriting and investment ability to which insurance offices were subject during the depression of 1929-32.

The forms of organisation through which British insurance companies operate in the United States differ in certain marked respects from those familiar to this country. One feature is that business is transacted chiefly through so-called "general agencies" instead of regional branch offices. The reason for this is that in the early days the local agents, which were separated by vast distances from their head offices—or, in American terminology, home offices—and were thus but seldom visited, naturally became invested with wide powers both in the acceptance of risks and the settlement of losses. This status they have retained, and general agencies, many of which are large institutions of long standing, both directly and through their nationwide associations, exert a wide influence in the business. A second characteristic is that each "parent" office operates, not only in its own name, but also through a fleet of "daughter" companies, some of which are branch offices of affiliated British companies and others subsidiary United States companies. Thus the Royal-Liverpool fleet comprises no less than fourteen entities, four British and ten American. This second feature largely arises from the first, since it furnishes a means of tapping additional sources of premium in an area, without disturbance of existing general agency connections. But an important contributory reason is the rule that fire and casualty insurance may not be transacted in America by one and the same company; hence an office already entered for fire and wishing to extend its activities to casualty had to purchase or form an associate for the purpose, and vice versa.

How do these British interests fit into the picture of American insurance as a whole? In 1939, domestic and foreign stock companies transacted some \$800 millions in fire and marine premiums and \$820 millions in casualty premiums; the share of the British offices and their subsidiaries was 16 per cent for fire and marine and 13 per cent for casualty. Relations with the American companies are on the whole very harmonious. The most powerful competition comes from the local mutual offices, which have made considerable progress in recent years, especially in casualty insurance; nevertheless, the stock companies in the aggregate remain responsible for about four-fifths of the fire and three-quarters of the casualty business. Lloyd's have considerable interests in the United States, but these are chiefly in the provision of special covers.

So important a stake in the American market necessarily influences very substantially the dimensions of the premiums which the British offices bring into their world-

wide accounts. The extent of this influence is revealed in the accompanying table, showing that of world-wide fire, casualty and marine premiums aggregating £126 millions, the twenty-three offices writing American business derive no less than £55 millions, or 44 per cent, from the United States. The actual proportion is probably about 3 per cent higher, because, as the table shows, some offices incorporate their United States business at rates of exchange above the current figure. Against this, there may be re-insurances of United States business outside that country which would reduce the ratio in one or two cases—the Pearl is an example of this—but with a majority of the offices this factor is not significant.

In the general development of their overseas connections, the British offices have always taken the view that they should not be compelled to tie up their assets abroad, because funds should be available at a central point for remittance to any area where they may be required. For many years, however, it has been a feature of the very close supervision and control exercised by the various American states that foreign companies must maintain locally funds sufficient to cover all outstanding liabilities and leave a margin of surplus comparable with that required of domestic offices; and in view of the very largely, but not entirely, self-supporting nature of so vast a sphere of operations, and its importance to British insurers, the requirement has had to be recognised. This now appears as a not unmitigated evil, since it is these so-called surplus funds which in effect form the security for the recent RFC loan. The collateral for the loan, valued at \$500 millions, includes American subsidiaries of British insurance companies assessed at \$180 millions for this purpose; the earnings of branch offices which, as the table shows, have substantial assets over and above the reserve required to be set against their liabilities on policies in the United States, have also been pledged. The service of the RFC loan costs \$20,250,000 per annum, \$12,750,000 for interest at the rate of 3 per cent and \$7,500,000 for sinking fund provision. The annual earnings of British insurance in the United States alone almost cover the service of the loan; as the statistical analysis shows, the remittances of branches and the dividends of subsidiaries of British insurance companies in the United States have averaged nearly \$20 millions per annum during the past five years.

In sum, the insurance connection between British offices and the United States has brought economic advantages to both nations. So close a relationship has also borne fruit in the realm of ideas. The comprehensive policies giving cover against a wide range of risks in a single document, for example, were introduced here, and have since been largely adopted in the United States—though the process is hampered by the cumbersome and perhaps unnecessary separation of functions between fire and casualty companies. British insurance, in turn, has learned much from American business methods, a recent development of which is the "insurance survey," by which the agent is enabled to furnish the prospective policyholder with a clear and concise statement of all his insurance needs. Undoubtedly, the American offices have devoted far more thought than British insurers to the subject of public relations, chiefly in explaining to the public the services they provide and their work in preventing fires and accidents. Since there exists much ignorance and misunderstanding in this country concerning the services provided by the insurance industry and its rôle as an important export trade, British offices, whose advertising is often rather pedestrian, might well consider whether they could adopt some of the American ideas to their own and the public's advantage.

ANALYSIS OF ACTIVITY OF BRITISH INSURANCE COMPANIES IN AMERICA

Company	Fire, Accident and Marine Premiums of British Offices in America in relation to World-wide Premiums in 1940					Surplus at December 31st, 1940, of Assets over Liabilities of U.S. Branches and Subsidiaries of British Companies				Average Remittances and Dividends for Five Years 1936-1940			
	United States Fire, Accident and Marine Premiums					Branches		Subsidiaries		Remittances from Branches		Dividends Declared by Subsidiaries	
	World-wide Fire, Accident and Marine Premiums (as published)	As Reported in the U.S.A.	Rate of Exchange (a)	Sterling Equivalent	Proportion of World-wide Premiums	Fire and Marine	Casualty	Fire and Marine	Casualty	Fire and Marine	Casualty	Fire and Marine	Casualty
	(£000)	(\$000)	(\$ per £)	(£000)	%	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Royal-Liverpool & London & Globe	22,889	71,411	4.86	14,694	64.2	24,667	37,189	38,875	2,409	1,785	2,000	...	...
Commercial Union	14,426	28,164	4.03	5,996	41.6	11,703	6,209	10,136	4,147	913	515	477	80
North British & Mercantile	5,725	15,835	4.86	3,258	56.9	9,452	...	26,036	...	642	...	800	...
Phoenix	7,917	17,732	5.00	3,546	44.8	5,520	...	8,061	4,119	456	700	440	133
General Accident	8,697	20,645	4.86	4,248	48.6	...	...	18,817	2,973	...	1,043	20	...
Employers' Liability	6,584	24,739	5.00	4,948	75.1	...	...	16,122	...	...	1,411	...	...
London & Lancashire	7,232	13,538	4.03	3,359	46.5	12,374	...	6,740	2,102	984	...	295	...
Pearl	1,653	9,051	4.03	2,246(d)	...	11,065	...	4,490	...	614	...	...	...
Sun	5,083	7,930	5.00(b)	1,623	31.9	2,926	...	1,218	3,212	448	...	...	60
Scottish Union	2,095	3,772	4.03	936	44.7	5,573	...	5,024	...	666	...	20	...
Royal Exchange	7,853	8,215	4.03	2,038	26.0	1,958	1,515	1,975	...	191	48	...	...
London	4,799	5,729	4.03	1,422	29.6	5,294	...	2,365	...	403	...	50	...
Yorkshire	3,020	4,102	5.00	820	27.2	3,004	...	1,791	1,885	86	...	...	...
Norwich Union	4,915	5,309	4.80(b)	1,126	22.9	5,154	...	1,813	1,366	449	...	85	...
Atlas	4,055	4,045	4.86(b)	858	21.2	2,559	...	2,124	...	218	...	25	...
Eagle Star	2,764	3,752	4.03	772	27.9	2,578	...	3,290	...	...	...	...	...
Prudential	3,390	2,659	4.03	660	19.5	...	...	2,654	...	...	...	209	...
Caledonian	3,197(c)	3,438	4.03	853	26.7	...	...	1,502	...	...	...	40	...
Century	1,499	2,138	4.03	530	35.4	2,296	...	...	...	...	...	...	...
Sea	923	2,165	4.03	537	58.2	1,798	...	...	...	...	...	...	...
Alliance	1,275	2,265	4.03	562	44.1	2,849	...	...	...	...	...	...	...
Guardian	4,332	1,599	4.03	397	9.2	1,810	...	...	...	...	...	...	...
TOTALS	126,270	254,586	...	55,517	44.0	116,453	49,191	116,091	55,706	7,996	3,717	4,246	2,273

(a) Rate of exchange used has been assumed at \$4.03 unless otherwise stated.

(c) £2,344,000 has been increased to £3,197,000 by inclusion of the American subsidiary, which is treated in the accounts as an investment.

(b) Rate for fire and accident business only, marine premiums being converted at \$4.03.

(d) Subject to deductions for



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Finance and Banking

Warship Weeks and Money

The position in the short loan market has suddenly moved towards stringency this week. The banks have become diffident buyers of bills, and the market, which obtained a 35 per cent allotment at last week's tender for Treasury bills, has experienced some difficulty in financing the additional volume of paper which it has thus been called upon to carry in its portfolios. At no time, however, has the position been really stringent, and no special support has had to be given to discount market houses. The reasons for this change of atmosphere in the money market are, in the first place, the incidence of the clearing banks' monthly making up and, secondly, the heavy flow of funds to Government accounts owing, in the main, to the launching of the Warships Weeks campaign. In addition to the considerable drain on bank cash caused by the recent heavy public subscriptions to Government loans, the banks themselves have this week been called upon to pay the Treasury £10 millions more by way of Treasury deposits than they were due to receive by maturities. The effect of these movements may be seen in the fall of £11,413,000 in bankers' deposits and the rise to £21,304,000 in public deposits. The latest total of bank cash should not be indicative of stringency in the short loan market, but the incidence of the banks' making-up explains why the fall in this item should have been so keenly felt during the week. The circulation continues on its steady rise, a further net amount of £2,465,000 of notes leaving the banking department over the week to last Wednesday.

Consumer Credit Restrictions in America

The full text of the regulations on consumer credit in the United States has now reached this country. They are prefaced by a statement by the Chairman of the Federal Reserve Board, in which Mr Eccles urges the need for placing restraints on the general extension of credit, including instalment buying, and points to the rapid increase in the latter form of credit over the past months. The volume of consumer instalment debt in the United States has risen to an all time peak of about \$6,000,000,000, or almost twice the low point touched at the end of 1938. During the past year, the amount of credit outstanding on motor car sales, which now represents about half the total instalment credit, increased by over 40 per cent. Short of specific restrictions on instalment buying, the credit thus advanced is bound to expand with the increase in the national income of the United States. The new regulation machinery involves in the first place the registration with the Federal Reserve Banks of their district of all persons or agencies engaged in the extension of instalment credit. A general licence has been granted to all such agencies, allowing them to continue their operations until the end of this year, but the formalities of registration will have to be completed before new individual licences are issued. The administration of the regulations will be in the hands of the Federal Reserve system and will, as far as possible, be decentralised through the twelve Reserve Banks and their twenty-four branches. The list of articles covered by the regulations is issued in a supplement. Used articles as well as new ones are covered in all cases except household furniture.

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In order to cover the whole field of consumer credit and to prevent evasion of the regulations, restrictions as to maturity are placed on cash loans repayable in instalments whether or not secured on articles listed, provided the loan in question does not exceed \$1,000. The cash payments on listed articles range from 33½ per cent in the case of motor cars to 10 per cent for household furniture. In every case, the maximum currency of the loan is put at eighteen months. The regulations are subject to change from time to time, as experience with its administration develops, and as economic conditions require further curtailment of civilian consumption. The recent momentum of the expansion in instalment purchase credit shows that the restrictions come none too soon. They are being put into operation progressively between September 1 and December 31, 1941. In view of their comparative mildness, one may doubt whether their effect on the instalment credit stimulus to civilian consumption will be all that is required.

Belgian Gold Dispute

Negotiations between the Vichy Government and a Belgian representative nominated by the German occupation authorities continue for the return to Brussels of the gold deposited by the National Bank of Belgium with the Bank of France prior to the German invasion of the Low Countries. The delegate from occupied Belgium has been pressing—himself under German pressure—for the return of this gold, and, in principle, agreement for the repatriation has been reached. Once the gold is in Brussels, it will obviously be wholly under German control, and if a pretext for its sequestration is thought worth manufacturing, that can be readily done by appropriately adjusting the occupation costs and the method of discharging them. Meanwhile, the Belgian Government's counter-measures are proceeding satisfactorily. That Government instituted proceedings in New York against the Bank of France, seeking to attach as much of the latter's gold held in the United States as would be required as an offset against the National Bank's gold which was being handed over to the German authorities. The Bank of France's defence in this action was to challenge the competence of the United States Courts. Two months ago, the New York Court rejected this view and a provisional "stop" was placed on the gold in question—this metal is, of course, already affected by the general freezing order on the assets of all Continental countries. The Bank of France appealed against this finding to the Court of Appeal, but, here again, it met with a firm rebuff, the finding of the first Court being confirmed last week.

Investment of Blocked Sterling Balances

It was announced this week that the new issue of 2½ per cent National War Bonds, maturing 1949-51, had been added to the approved list of securities in which balances on blocked sterling accounts may be invested without prior reference to the Bank of England. The move is of a routine character and makes available to the non-resident holders of such balances the most important of the Government issues now on tap. The rôle hitherto played in the mechanism of sterling exchange control by these "blocked accounts" has been extremely modest. They have, in the main, served as the receptacles for legacies to non-residents and the total turnover passing through them has proved small—so small, in fact, as to call into question the decision that led to the creation of this so-called "blocked" sterling to serve a purpose so unimportant.

Malaya's Dollar Receipts

When calculations are made of the extent to which British Government expenditure has been financed by the dollar earnings of the Dominions and Colonies and by the expansion of these countries' sterling assets, Malaya has usually provided the main gap in the available statistical data. To a partial but, even so, welcome extent, this has been filled by the Governor of the Malay States in a speech he made last week to the Budget meeting of the Straits Settlements Legislative Council. Sir Shenton Thomas

then stated that in the first year of the war the net sales of American dollars by the Malayan foreign exchange control to the Bank of England were \$97,000,000. In the subsequent eleven months to July 31st last, these sales amounted to a further \$135,000,000. Even these impressive figures do not represent the full extent of Malaya's contribution to the Empire's centralised dollar holding, for to a considerable extent exports of tin and rubber from Malaya to the United States are financed through London by payments from American registered accounts. Such accounts

Investment

The Railway Debate

So far as the railway stockholder is concerned, the railway debate has done little more than confirm some points which were left in doubt by the White Paper. There are no further details about war damage payments, that matter being left to be covered by the Bill dealing with all public utilities. It is, however, established that the percentage contribution is 50 per cent, which is to be found out of the railway's own resources. According to the latest view, directors are likely to take it mainly from capital resources rather than from the annual rent charge. A comment of Col. Llewellyn also served to confirm the opinion that, despite the lag in the raising of charges, net revenue would have increased considerably this year under the old agreement. This makes it even more evident that the new one is a hard bargain for the stockholder, having regard to a original agreement. It is also, of course, the fact that a considerable section of stockholders do less well than they would have done had the companies made their present gross revenue, and claimed a capital standard under EPT. But this argument begs the question as to what charges they would have been entitled to levy. Two further points emerge from the debate, which concern the general public as well as the equity holder. The first is that Col. Llewellyn reiterated the warning that the subsidisation of railway charges will not be without limit, and it appears that very sharp rises in either wages, or other costs, might be followed by a similar rise in charges. This offers only a partial escape to the taxpayer, as such, for the Government's use of the lines must be very substantial. The second appears to dispose of the doubts expressed in some quarters as to the intention of the final paragraph of the White Paper by defining the period of control as ending when "the statutory machinery for the fixation of charges can again become effective." This is vague enough, but it does not suggest a present intention to make revolutionary changes.

Rubber Shares and War Demand

The outlook for rubber shares is largely dominated by the possibility of an extension of active warfare to the Pacific, but, against that background, developments are in the main favourable to the shareholder. Mr Eric Miller, in his remarks circulated to shareholders of Harrisons and Crossfield, gives 1941 output as likely to exceed 1,600,000 tons, with a consumption of 1,200,000 tons, the remainder representing accumulation of a strategic stock by the U.S.A., estimated to be completed by the end of the year. For 1942, the production figure can almost certainly be exceeded, given a continuance of peace in the Far East, but Mr. Miller is not prepared to forecast demand for that period. If the amateur may venture to make a guess where the expert is unwilling to risk an opinion, it would seem not improbable that demand will also increase, provided that any substantial part of Russian industry can be maintained in production. Despite the drastic curtailment of civilian consumption, this country is using in manufacture substantially more rubber than in the pre-war period. There seems to be no reason why a similar position should not arise in the U.S.A., especially as it will be more difficult, in that country of larger open spaces, to dispense to the same extent with the use of the private car. No doubt the progressive closing of European markets to plantation rubber will prove an offset of some importance, but, against this, there is the growth of war industries throughout the Empire. It cannot, of course, be assumed that the course of development regarding the demand for rubber will be parallel in each country, but it appears that new uses are being found, and the outlook in this respect is considered

are replenished by sales of dollars direct by the American banks concerned to the Bank of England; but though they by-pass the Malayan exchange control they are as truly a Malayan contribution to the dollar earnings of the Empire as if the dollars had been paid to Malaya and transferred thence to London. As Malaya's balance of payments with the United Kingdom must be appreciably in credit, even without allowing for these substantial dollar payments, it follows that the colony's accumulation of sterling assets must be reaching impressive proportions.

encouraging. It is to research that this and other industries must look for expansion, and perhaps even for maintenance of demand, once the post-war period of reconstruction and re-stocking is at an end. The shareholders' interest in immediate prospects of demand—as distinct from the possibility of an interruption of supply—is, however, largely platonic, for most companies are already making a considerable contribution to EPT. Indeed, Mr Miller returns to the attack on this tax, with the assertion that it is almost impossible to make reserves against the special problems of re-adaptation to peacetime conditions. He accordingly asks for a shorter economic life of wasting assets as the basis for determining depreciation allowances for taxation purposes. It is evident that, in this matter, the practice of the revenue authorities falls far short of perfection; but it is also very doubtful whether permission to retain "liquid" assets now will help greatly to ensure supplies of materials when the conflict is ended. The more distant outlook for rubber shares would seem to depend largely on more efficient working of the restriction agreement to help stimulate demand.

Dealing in War Bonds

Recent weeks have brought a renewal of the outcry by the investing public against the method of dealing in the two issues of 2½ per cent National War Bonds no longer on tap, those of 1945-47 and 1946-48. In common with other money market stocks, these are quoted at a net price, to which has to be added the gross interest accrued to the date of purchase. The usual and less scientific practice is for the quoted price to include accrued interest, or dividend, but the net amount only. The complaint usually takes either or both of two forms, that, while gross interest has to be paid, only the net sum, after deduction of tax, is received, thus raising the price, and that the method of quoting is misleading. More publicity might be given to this latter point. It is theoretically possible to give a quotation, including the gross interest, but it would have to be recalculated daily correct to one ten-thousandth part of a penny. Presumably, the major difficulty arises from the addition of gross interest, which, by making the bonds unduly dear when full of interest, tends to concentrate buying by the public when the bonds are "clean" and selling when full of dividend, as well as raising the general level of the price. It should be pointed out that this, if a deterrent to the ordinary man as buyer, is to his advantage as seller. Unfortunately, this high price, and the fluctuation introduced by adding gross interest, arise, not from the method of quotation, but from the difference with regard to tax payment between money houses and the rest of the community. Also the unusual method of quotation is due to the fact that the money house relies for its profit on dealing on a fraction of a penny in the price, a fact which means a very "fine" quotation to all who deal in these stocks. The public pay tax on the interest received, the money house on its profits. In consequence, once any stock, of sufficiently short date and high status to interest the money houses, stands above par, they can always outbid competitors outside that category, since they pay tax only on the dividend less the loss on redemption. It would seem, therefore, that, in so far as the business of the money houses predominates, little can be done to remove the disability of the ordinary investor as a buyer. Presumably, if the time should come when the bulk of the business in these bonds came from the investing public the position would be reversed. In view of the campaign to popularise National War Bonds, any assistance which ingenuity can devise will be welcome, but it is difficult to see how any substantial improvement is possible.

Electrical Equipment Merger

Two years of war brought remarkably few company mergers, but the third has opened well. The recent offer by United Molasses to Tankers is followed by a scheme for the acquisition by Crompton Parkinson of two smaller concerns, the Young Accumulator Co., and its affiliate, Associated Electric Vehicle Manufacturers. The products of these concerns are sufficiently indicated by their titles, and their output should be complementary to that of Cromptons, who have attained their present position, in part, by similar acquisitions. After paying no ordinary dividend for several years, the Young company earned an average of 6.5, and paid dividends averaging 4.1 per cent, over the four years ended March 31, 1940. For the ensuing year no dividend is being paid, virtually all distributable profit being absorbed by taxation. In the circumstances, an offer, equivalent to 2s. 3d. per share for the 2s. ordinary, seems distinctly attractive. The payment is to be effected as to 11d. in cash, and as to the remainder by the allotment of one-fifteenth of a 5s. "A" ordinary share in Crompton Parkinson. The cash payment on these has been equivalent to 20 per cent on the present capital for the past three years. This gives a return of 3½ per cent on the Young shares, ignoring the cash payment, which, invested in Crompton "A" at 20s., would yield almost a further 2½ per cent, on the assumption that the 20 per cent dividend is maintained. On this basis, the offer is a generous one, and the price which it is proposed to pay, some £217,000 for the entire capital, exceeds the net balance-sheet value of tangible assets by some 25 per cent. The offer is conditional upon acceptance by holders of Associated Electric Vehicle, and by those of 90 per cent—or such less proportion as Cromptons agree to accept—of Young Accumulator shares. The directors of the latter company have accepted in respect of their own holdings in both concerns, and advise acceptance by the public. The offer to AEVM is 5s. for each share of £1. This has been accepted by directors of both the Young and AEVM companies in respect of their own holdings, and the latter anticipate that it will prove welcome. The fusion should give the companies to be taken over the advantage of adequate finance, and, if past experience is any guide, should bring further profits to the Crompton Parkinson group.

Company Notes

Bristol Aeroplane

The Bristol Aeroplane accounts for 1940 provide no comparable gross income figure, since profits after depreciation in 1939 at £989,992 do not necessarily represent higher earnings than profits after depreciation and EPT at £766,537 last year. EPT was paid at 60 per cent for three months of the year in question and at 100 per cent for the remainder of the period. Income tax required £355,000 against £635,000 for tax and NDC in the previous year, and there is a jump in interest charges from £30,517 to £111,343. The reduction in equity earnings from £300,475 to £278,444 is, however, moderate and the earned rate is up from 15.1 to 15.9 per cent. The company can comfortably maintain the 10 per cent ordinary payment, repeat the transfer of £100,000 to general reserve, raising that fund to a total of £670,000, and increase the carry forward from £10,727 to £14,272.

	Years to December 31,		
	1938	1939	1940
Total income after depreciation	687,817	989,992	766,537
Taxation	285,000	635,000	355,000
Interest and fees	24,830	35,017	115,843
Preference dividends	21,750	19,500	17,250
Ordinary shares:—			
<i>Earned</i>	356,237	300,475	278,444
<i>Paid</i>	244,687	199,650	174,900
<i>Earned %</i>	*21.8	15.1	15.9
<i>Paid %</i>	*15	10	10
General reserve	112,403	100,000	100,000
Carry forward	9,902	10,727	14,272

* Interim of 7½ per cent, paid on capital of £1,200,000; final paid on capital increased by 75 per cent, capital bonus to £3,300,000. Earned rate calculated on amount paid.

As the chairman, Mr W. G. Verdon Smith, points out in his statement, the growth in the balance-sheet total of stock and work in progress from £4,678,382 to £6,325,622 and in debtors from £3,138,922 to £3,886,775 reflects a corresponding expansion in production. The failure to pass on increased output in substantially higher earnings is due, in part, to the increasing weight of income tax and EPT and, in part, to the company's acceptance of lower rates on Ministry of Aircraft Production contracts. The increase in creditors and taxation from £3,637,077 to £5,504,382 is largely due to extra tax provisions. The excess of liquid assets over current liabilities is up from £1,776,721 to £1,852,226, but the company's bank loan has risen by £430,000 to £2,723,315. Subject to the effects of EPT at the full rate, shareholders should continue to receive a sound return, at least while the wartime scale of production continues. The 10s. ordinary shares, at 10s. 10½d., yield £9 8s. 11d. per cent, considerably below the average for aircraft shares calculated by the *Actuaries' Investment Index* at 10.73 per cent at the end of September last.

BAGS Setback

The results of Buenos Aires Great Southern, the first of the leading South American railways to issue accounts for 1940-41, are not a good portent for the forthcoming Argentine rail season. Since operating receipts at £10,173,440 against £10,493,421, are lower in the year ended June 30, 1941, and since operating expenses at £8,079,640, against £7,735,115, are substantially higher, it is inevitable that the surplus for fixed charges should be heavily down on that of the previous year. There is a small reduction in exchange loss from £1,086,661 to £1,005,140, but the net balance on interest charges is up from £38,548 to £136,980. Consequently, earnings for fixed charges stand at £488,634, against £1,198,221. Since debenture service requires £1,085,079 as before, the company carries forward a debit of £535,342, against a credit of £61,103. There is, of course, no transfer to general reserve, against £100,000 in 1939-40.

	Years ended June 30,		
	1939	1940	1941
Operating receipts	10,515,187	10,493,421	10,173,440
Operating expenses	7,847,405	7,735,115	8,079,640
Total profit†	2,820,072	2,888,213	2,207,903
Exchange loss (net)	1,240,868	1,086,661	1,005,140
Working agreements & interest	572,229	603,331	714,129
Earned for deb. service	1,006,975	1,198,221	488,634
Deb. service paid and accrued	1,085,079	1,085,079	1,085,079
General reserve	Dr. 50,000	100,000	...
Carry forward	47,961	61,103	Dr. 535,342
† Operating profit plus dividends received, etc.			

The moderate fall in gross receipts is due mainly to the lower tonnage of cereals transported, for which the closing of export markets resulting from the progress of the war is responsible. That the fall is not still heavier is due to increased transport of cement, potatoes, wool, and various miscellaneous items. On the costs side, the most important factor was the rising cost of fuel, which increased by 54.3 per cent, despite a cut in consumption of some 23,000 tons. Every effort was made to restrain the rise in expenses, but the working percentage of expenses to receipts rose from 73.71 to 79.42, the highest level of the past ten years. The directors state that expenditure on maintenance of rolling stock fell by £55,130, despite additional charges for renewals amounting to £49,000. The general renewals fund, however, remains at a balance-sheet total of £7,414,247. General reserve, after deducting depreciation on investments held for the reserve funds, is down from £396,147 to £384,169. Since 1940-41 was the first year in which the Argentine railways suffered from the full effect of the closing of European markets, a serious setback was inevitable, and it is clear that prosperity is out of sight until freedom to export cereals and livestock, and to import fuel, is regained. The £100 ordinary stock now stands at £8 10s., and the 6 per cent preference issue at £18.

Harrisons and Crosfield Results

Profits of Harrisons and Crosfield, in the year ended June 30, 1941, rose from £340,622 to £350,161 after all expenses including taxation. Since preference, preferred

ordinary and management share dividends remained at the level of the previous year, and deferred stock again received 25 per cent, the whole of the rise in net profits is used to raise the carry forward to £174,596. The deferred dividend is covered by earnings of 27.0 per cent, against 25.1 per cent. The company has had to meet a heavy charge for double taxation amounting to over £500,000, which explains the balance-sheet rise in creditors and taxation from £883,232 to £1,180,874. Consequently, it is clear that gross profits must have risen very substantially last year, probably on account of increased sales of rubber. The chairman, Mr. Eric H. Miller, points out in the course of his statement that smaller quantities of tea are being sold under Government contract in 1941 than in 1940, on account of the difficulty of providing shipping space. On the other hand, the Far Eastern and United States demand was stimulated in recent months, both by the freezing of trade with Japan and by a desire to anticipate the possible outbreak of hostilities in the Pacific. Balance-sheet changes are to be explained mainly by the effect of delayed shipments. Thus, stocks have piled up from £374,735 to £756,706, and debtors show a corresponding decline from £829,019 to £574,336. The total of the two items is some £100,000 higher than in the previous year. Total reserves are unchanged at £725,000. Bank overdraft is up from £114,622 to £170,948, but the total of cash items rose from 887,263 to £962,187. An interest-free loan to the Treasury of £200,000 represents a payment of taxation in advance, and is accompanied by a reduction in Government securities from £392,366 to £236,138. Current prospects will, of course, be vitally affected by the course of political events in the Far East. The demand for the company's rubber output is at present stimulated by the Russian supply programme. The £1 deferred stock, at 100s., offers a yield of £5 13s. 8d. per cent.

Wall Paper Manufacturers

The full accounts of Wall Paper Manufacturers for the year to July 31st last show total profits, after deduction of £77,000 for war damage insurance, at £377,292 against £506,969 in the previous 11-month period. The 1940-41 figure includes £26,752, representing profits of subsidiaries accumulated in previous years. The consolidated accounts show an actual decline from £514,464 in 11 months to £429,235 before War Damage. As indicated in the note on the preliminary statement in *The Economist* of October 11th, the setback is to be attributed mainly to shortage of raw materials, in particular of stocks of paper. The full accounts add little to the analysis of profits already contained in the preliminary figures; the 4 per cent dividend on deferred stock, reduced from 6 per cent, is, as was estimated, covered by earnings of only 4.1 per cent against 15.4 per cent in 11 months. The company's balance sheet underlines the draft on stocks which was necessary last year, the total being reduced from £849,938 to £512,960. The fall in the consolidated statement from £1,789,255 to £1,538,087 is less marked, and it is clear that certain of the company's subsidiaries have been more fortunate than the parent in the matter of obtaining raw material. More-over, since the directors explicitly state that, although some export business was possible, no net revenue was produced by the wall paper side of the business, trading in the company's remaining products, paint, varnish and distemper, must have expanded substantially. Liquidation of stocks is responsible for the investment of an additional £159,000 in Government loans, bringing the total of investments to £2,123,876 against £1,830,516. Cash holdings of the company are up from £59,368 to £145,674 and of the group from £107,808 to £245,549. The total of general reserve and contingencies reserve amounts to £520,000 against £420,000. While it is likely that the wide scope of the company's interests will prevent a severe setback during the war, no genuine recovery can take place until supplies of paper are again freely at the company's disposal. The £1 deferred stock at 25s. yields £3 4s. 7d. per cent.

Hawthorn Leslie Allocations

As usual, the Hawthorn Leslie accounts for the year to June 30th last fail to disclose the trend either of gross receipts or of charges against profits. The profit balance for the year, struck after deduction of depreciation, taxation and contingencies, is reduced from £162,736 to £133,471.

It is fairly clear that gross earnings last year exceeded those for 1939-40, but the inclusion of provision for contingencies among undisclosed deductions from profits makes it impossible to estimate whether receipts rose by more than the increase in tax liability. Although equity earnings, at £132,271 against £161,536, represent a rate reduced by 10.6 points to 34.2 per cent, the ordinary distribution is rather more costly. While the dividend is maintained at 10 per cent, shareholders receive a bonus of 5 per cent less tax against 2½ per cent tax free, equivalent to only 4.3 per cent less tax at 8s. 6d. The decision to pay the bonus less tax, presumably a concession to the prejudice against tax-free declarations, is welcome, since it puts both payments on the same basis. The carry forward is increased from £51,167 to £52,826, general reserve receiving £50,000 against £85,000. Hawthorn Leslie is, of course, employed on output intimately connected with the war effort, and the increase in the scope of production undertaken during the past year is indicated by the rise in the balance-sheet total of stocks and work in progress from £3,703,715 to £4,979,918. Debtors are up from £47,143 to £115,957 and creditors from £4,556,471 to £5,778,270. The small increase in cash holdings from £299,893 to £304,584 has been achieved at the expense of a reduction of almost £100,000 in holdings of Government securities to £866,761, with a market value of £957,600. The 10s. shares, at 25s. ex dividend, offer a yield of £6 per cent, indicating considerable confidence in the future stability of earnings.

Trinidad Petroleum Development

Total income of Trinidad Petroleum Development for the year to July 31st last amounted to £677,420, against £689,593, thus showing remarkable stability in the face of varying costs and a slightly lower price for the product. The total of provisions for wells development and depreciation is rather higher at £330,036, against £325,263, while transfer to tax reserve is reduced by £25,000 to £175,000. The company's liability for EPT is still unsettled, and, in the absence of a decision, Taxation Reserve is renamed Taxation and Contingencies Reserve. Standing in the balance sheet at £418,600, it is considered that this fund is adequate to meet any conceivable tax liability and to provide a margin for contingencies. After deducting £6,575 for the dividend on the newly issued preference capital, equity earnings are up from £160,677 to £161,195, providing cover of 17.2 against 16.9 per cent for the 15 per cent dividend on ordinary shares, as indicated in a note on the preliminary statement in *The Economist* of October 18th. The carry forward is raised from £74,305 to £75,500 after writing £10,000 off new issue expenses.

	Years to July 31,		
	1939	1940	1941
Total income	425,376	689,593	677,420
Wells development, etc.	153,847	213,010	209,345
Depreciation	88,807	112,253	120,691
Fees	3,269	3,653	4,614
Taxation reserve	25,000	200,000	175,000
Prof. dividend	...	...	6,575
Ordinary shares:—			
<i>Earned</i>	154,453	160,677	161,195
<i>Paid</i>	150,000	150,000	150,000
<i>Earned %</i>	15.7	16.8	17.2
<i>Paid %</i>	15	15	15

Carry forward..... 63,628 74,305 £75,500
† After £10,000 written off new issue expenses of preference capital issued Dec., 1940.

The balance sheet shows a rise in cash from £211,527 to £446,898, due presumably to prompt payment for deliveries. Debtors are actually reduced from £44,313 to £40,718 and creditors are nearly £40,000 lower at £69,841. Stocks of crude oil stand at the low level of £28,145 against £30,258. The directors state that the drilling programme has been carried on during the past year, the balance sheet total for oil wells and development having risen from £771,031 to £806,047. The outbreak of war has stimulated the development of Trinidad Petroleum, but, at the date of the accounts, the new capital was not fully invested. There seems no reason to suppose that the weight of EPT will prove an intolerable burden for shareholders. The £1 ordinary shares, at 57s. 6d. ex dividend, yield £5 4s. 4d. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

DESPITE the threat to Moscow and uncertainty in the Far East before the week-end, there was no pressure to sell and the undertone in most sections of the market was firm. Week-end developments made for a cheerful opening and prices in most sections improved slightly. Later, prices continued to advance in a market rather short of stock, but throughout, the volume of business showed no tendency to expand.

★

General uncertainty before the week-end led to some widening of quotations in the *gilt-edged* market, but in the absence of selling pressure, prices remained mainly unchanged. On Monday, some demand for irredeemable issues found the market short of stock and 2½ per cent Consols and Local Loans each gained ½, while 3½ per cent Conversion and War Loan rose ½. Continued support the following day occasioned a further advance, and the same issues all rose ½. Later, interest widened slightly and small gains were numerous. Apart from the sharp fluctuations in Japanese bonds, the *foreign bond* market was quiet but steady. Before the week-end, Japanese issues slumped on the Far Eastern developments, losses of 2 points being suffered by the 5 per cent loan of 1907, 5½ per cent of 1930 and the 6 per cent of 1924, while the 5 per cent S. Manchurian loan fell the same amount. On Monday, however, most issues rallied. Six per cent bonds, 1924, jumped 4, and 5½ per cent loan, 1907, 2½ points, while most other issues recovered 2 points. Later, prices were mainly unchanged. South American issues were generally steady, although the 7 per cent San Paulo Loan lost 2 points before the week-end, while, on Monday, 5 and 6 per cent Mexican bonds both improved ½. News of the resumption of diplomatic relations with Mexico stimulated further rises in midweek.

★

The *home rail* market reflected the general uncertainty before the week-end with small losses among junior issues, GW ordinary and Southern preferred losing ½ point, LMS ordinary ½, and Southern deferred ½. Apart from a loss of 1 point for 4 per cent Berwick 1st pref. and LMS 1923 pref., the senior issues were mainly steady. Buying in the early part of the current week led to numerous gains, among which, on Monday, GW ordinary rose 1, LMS ordinary and Southern deferred ½ and Southern preferred ½, and the following day, in a market short of stock, GW ordinary and Southern preferred gained 1 point, while Southern deferred rose ½ and LMS ordinary ½. Junior issues turned easier in midweek, GW ordinary losing ½, but senior issues continued firm throughout. The *foreign rail* market was quiet, with South American issues generally steady, although BAGS ordinary fell back ½ on Tuesday on publication of the report. Elsewhere, Canadian Pacific ordinary jumped ½ on Monday and ¾ the following day, but later reacted.

★

The *industrial* market was depressed before the week-end, but an improved tone developed in the current week. Pre-week-end losses for brewery shares included 1s. 6d. for Watney deferred and 1s. 3d. for Ind Coope. At the reopening, most issues were firmer with gains of 6d., and the next day Guinness led the market with a rise of 1s. De Havilland was prominent in the aircraft group on Monday with a rise of 1s., and the next day gained a further 6d. when Rolls-

Royce improved ½. Heavy industrial issues were generally lower before the week-end, and later prices were barely steady. After being offered on the previous Friday, shipping issues attracted mild support this week, Cunard gaining 9d. and P & O deferred 6d. on Tuesday. Textile issues suffered numerous small losses on Monday, although Courtaulds gained 3d. against the trend. Later prices remained generally unchanged. In the tobacco group, BAT and Imps reversed pre-week-end losses on Monday, and Imps improved a further ½ on Tuesday. In the miscellaneous group, Lever and Unilever, Dunlop and ICI were firm, while elsewhere Cable & Wireless ordinary gained ½ on Tuesday. Trading in midweek was steady and leading issues, among which Courtaulds rose 9d., were mainly firm.

★

Before the week-end, Sub Nigel declined ½ and Crown Mines ½, but the *kaffir* market opened cheerfully on Monday. Despite a rather small turnover, Blyvoors gained 9d. and West Wits ½, and the following day 1s. 3d. and ½, respectively, and Western Holdings, 1s. 6d. War news restricted business in the *rubber* market, but, in the absence of selling, prices were largely unchanged. United Sua Betong lost ½ and Rubber Trust, 3d., on Tuesday. The *oil* market closed dull before the week-end, Burmah losing ½, Ultramar, ½, Anglo-Iranian, ½, and Shell, ½. An appreciable recovery took place this week, Mexican Eagles rising 1s. on Monday, Anglo-Iranian ½ and Shell ½, while the next day Burmah gained ½ and Shell ½. Both the *kaffir* and *oil* markets continued firm in midweek.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices
			30 Ord. shares* 20 Fixed Int.†
Oct. 16	2,796	...	77.8 131.2
" 17	2,856	1,804	77.3 131.1
" 20	3,263	1,259	77.5 131.3
" 21	2,891	962	77.7 131.4
" 22	2,767	1,418	77.9 131.4

* July 1, 1935-100. † 1928-100. 30 Ordinary shares, 1941 highest, 79.7 (Sept. 12); lowest, 66.8 (Apr. 24). 20 Fixed Int., 1941; highest 131.21 (Oct. 4); lowest, 126.1 (Jan. 2).

† Includes previous day's business.

New York

CAUTION regarding both international and internal developments continues to dominate trading on Wall Street. Price movements before the week-end were narrow, but some resistance to current uncertainties led to numerous small gains in industrial, aircraft and steel issues, among others, at the close. In the early part of the current week, better news from Russia supported a quiet market, while equities were bought on inflation talk. While price movements were generally narrow, light support led to minor gains in steel, rail and motor issues. The sinkings of U.S. ships increased uncertainty in midweek and business remained quiet, with narrow movements.

The *Iron Age* estimates steel mill activity at 96 per cent of capacity, against 98 per cent in the previous week.

New York Prices

Total share dealings: Oct. 16, 840,000; Oct. 17, 670,000; Oct. 18, 300,000*; Oct. 20, 620,000; Oct. 21, 580,000; Oct. 22, 490,000.

* Two-hour session.

STANDARD STATISTICS INDICES

(1935-36 = 100)

WEEKLY AVERAGES

	1941	Oct. 1, 1941	Oct. 8, 1941	Oct. 15, 1941
	Low	High	Low	High
347 Industrials	80.6	85.9	85.9	82.5
32 Rails	70.1	71.4	71.4	71.2
40 Utilities	78.4	80.1	80.1	79.5
419 Stocks	79.6	82.6	82.6	81.4
Av. yield*	6.74%	6.41%	6.41%	6.55%

* 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCKS

Oct. 9	Oct. 10	Oct. 11	Oct. 13	Oct. 14	Oct. 15
97.8	97.7	97.7	(a)	97.1	96.4

1941 High: 105.8, January 10, Low: 90.7, April 30.

(a) Columbus Day.

	Close	Close	Close	Close
	Oct. 15, 1941	Oct. 15, 1941	Oct. 15, 1941	Oct. 15, 1941
1. Railroads	14.21	14.21	14.21	14.21
Balt. & Ohio	4	3	Chrysler	55.5
Ill. Cent.	24.3	24.3	Eastman Kod.	135.1
N.Y. Cent.	11.1	11.1	Gen. Elec.	30
Norfolk Pac.	6.1	6.1	Gen. Motors	39.3
Pennsylvania	22.1	22.1	Inland Steel	71
Southern	16.3	17	Int. Harv.	49.1
2. Utilities, etc.	152.1	152.1	Int. Nickel	27.1
Amer. Tel.	152.1	152.1	Liggett Myers	86.1
Amer. Wks.	37	38	Nat. Dairy	15.1
Pub. Light	35.1	35.1	Nat. Distillers	23.1
Pub. Serv. N.J.	19.1	17.1	Nat. Steel	50.1
St. Cal. Ed.	23.1	23.1	Proct. Gamble	57.1
United Gas	6.1	6.1	Seas. Roebuck	68.1
3. Commercial and Industrial	13.1	13.1	Shell Union	13.1
Amer. Metal	20.1	19.1	Std. Oil N.J.	41.1
Am. Roll. M.	12.1	12.1	20th Cen. Fox	8.1
Am. Smelting	39.1	39	U.S. Steel	52.1
Anacosta	25.1	25.1	West. Hosi.	81
Briggs	19	18.1	Woolworth	30.1
Celanese of A.	22.1	23.1	Yugstn. Sheet	33.1

* Ex dividend.

Capital Issues

Week ending	Nominal	Con-	New
October 25, 1941	Capital	versions	Money
By Permission to Deal	334,704	£	984,034
Particulars of Government Issues appear on page 518.			
Year†	Incl. Excl. Conversions		
1941	1,253,116,278	1,199,508,996	
1940	1,210,997,199	858,042,060	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1941	1,195,233,561	4,205,435	70,000
1940	857,057,394	984,672	Nd

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Prof.	Ord.
1941	1,192,520,212	477,460	6,511,324
1940	842,361,751	1,513,755	14,166,509

† Includes Government Issues to Oct. 14th only. Above figures include all new capital in which permission to deal has been granted.

PRIVATE PLACING

Davis and Timmins.—20,000 ss. Ordinary shares have been placed privately. It is understood the shares will be available in the market at about 20s. 6d. each, free of stamp.

Shorter Comments

Mount Morgan, Limited.—Total revenue, year to July 1, 1941, £819,168 (£989,815). Net profit £45,857 (£219,704). Capital redemption reserve £25,000 (£25,000). Fwd., £147,519 (£144,422). Ordinary dividend nil (20).

North Broken Hill.—Total profits year ended June 30, £833,624 (£618,417). tax and royalty £266,000 (£146,000), depreciation £75,000 (same), net profit £492,624 (£397,417).

(Continued on page 522)

Industry and Trade

40 Per Cent More

Last Sunday Mr Bevin called for a 30 to 40 per cent increase in the output of war equipment this winter to give effective aid to Russia and to keep the fighting forces properly equipped. This target cannot be reached simply by the recruitment of additional labour because the millions that would be required are not available. By combing out workers from the least essential occupations and by drafting more women into the factories, only a comparatively small, but none the less vital, overall increase in output can be hoped for. In the main, therefore, Mr Bevin will have to rely on an increase in output per worker to achieve his purpose. Longer hours will not do the trick. Indeed, the main hope would seem to lie in increased efficiency. This can be achieved by securing greater balance in output, by a fuller utilisation in productive facilities. Here the initiative lies largely with the supply Departments which could do a good deal in improving the flow of orders and materials to the factories. But there is much that can be done by industry itself, both collectively by the pooling of knowledge and resources, and in individual factories by the production engineers on the spot. As is pointed out in a recent bulletin of the Institution of Production Engineers, any production engineer who is engaged on war work and is satisfied with an output that does not grow from month to month is unworthy of his job.

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Industrial Accidents in 1940

The report of H.M. Chief Inspector of Factories for 1939 gave an alarming account of the increase in industrial accidents during the first four months of the war. His report for 1940 shows no improvement in this state of affairs. Fatal accidents were 1,372, 24 per cent more than in 1939, and there were 230,607 non-fatal accidents, an increase of 20 per cent. The distressing feature is that, in the opinion of the inspectorate, these could largely have been prevented. Though the inspectors attribute the higher accident rate mainly to the increase in numbers employed in the war effort, they report a certain relaxation of care, attributable in part, apparently, to the incredibly stupid idea that, because the fighting forces have to take every kind of risk, there is no need to fuss unduly over the safety of workers. The chief increases are shown in those industries and on those machines that are concerned in the war effort, but that this is not unavoidable is illustrated by the accident figures of one very large shipyard. Here a keen and efficient safety officer has reduced the accident rate from 0.94 per cent of the men employed to 0.66 per cent, between 1937 and 1940. The increase in accidents on machines largely manned by new entrants to the war industries suggests that these recruits are not receiving enough training. It is noticeable that workers transferred from other trades become prone to accidents when handling articles to which they are not accustomed, and even skilled men, using the tools with which they are familiar on new kinds of work, suffer more accidents. It appears that air raids, apart from their direct effect, do not increase the liability of workers to accident through any after-effects on their nerves. One particularly disappointing feature of the report is the failure to maintain the decreases of the past three years in the number of accidents to young persons. Accidents to boys and girls have increased 18 and 11 per cent, respectively, and this is attributed to the facts that they are employed in larger numbers on the accident-producing machines and that training and supervision have deteriorated. This deterioration is easily understandable; but no effort should be spared to check it, in the interest both of the individual worker and of the war effort.

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Necessitous Collieries

By the new Orders amending the provisions of the Central and District Coal Mines Schemes, fundamental changes are made in the form and extent of the financial assistance given to colliery undertakings under the Coal

Mines (War Levy) Scheme. Their chief purpose is to provide additional financial assistance to necessitous undertakings. When the scheme was adopted last December it was feared, on the one hand, that compensation might be payable to undertakings which were earning substantial profits in spite of their loss of trade; and, on the other hand, that the assistance to be given might prove inadequate to prevent the discontinuance of production at pits where the working costs were normally much above the average for the industry as a whole. In the light of actual experience, and of the persistent shortage in the supply of coal, the industry has been considering means for bringing the scheme into line with present conditions. As a result of amendments which have now been authorised by the Mines Department, the profitable undertakings will no longer receive compensation if its effect would be to raise their credit balance above a specified level, while the more necessitous undertakings will obtain assistance in excess of that accruing to them under the compensation rate of 2s. 6d. per ton on loss of output. In the words of the Order amending the Central Scheme, the purpose of the levy is to be extended to the maintenance of the production of necessitous undertakings "at such tonnage as, in the opinion of the Council in view of the present emergency, should be produced." In the exercise of this function the Council is authorised to give such financial support as it "may deem equitable" in each case, provided that "any such amount shall not exceed the sum which, in the opinion of the Council, is necessary for the purpose," and subject to the condition that "such production will be maintained as efficiently and economically as practicable." In its amended form, the levy holds out prospects of financial assistance to undertakings which have either not benefited at all, or benefited inadequately, from the original scheme. It would be idle, however, to ignore the administrative difficulties of an arrangement which imposes such exacting responsibilities on the executive authorities; but some at least of these difficulties have been foreseen, and in the procedure which has been devised for the consideration of the new claims there are both local and central checks on possible abuses. If the changes lead to the reopening of closed working places or mines, and thus facilitate an appreciable increase in the national output of coal, they will have justified their immediate purpose; but the claims for assistance which undertakings have already been encouraged to make will involve more searching actuarial and engineering investigations than were found necessary for the administration of the original scheme—and will probably need revision in the light of experience.

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Utility Clothing

The principal use which has been made so far of the new powers vested in the Government by the Goods and Services (Price Control) Act has been in connection with the utility clothing scheme. The object of the scheme is to ensure that specified proportions of all available materials are used for the manufacture of moderately priced clothing of a minimum quality. A special quota of "utility cloth," conforming to specified standards of quality, will be allowed to manufacturers for the production of such garments, and maximum prices and margins have been fixed for every stage at which the cloth changes hands. These margins have been worked out by the Central Price Regulation Committee with the assistance of trade representatives. An example is a woollen tweed for the manufacture of men's suits. The maker-up may charge cost plus 4 per cent; the

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

wholesaler may take a margin of one-sixth of his selling price; and the retailer, to whom the cost cannot exceed 38s. 6d., may take a gross profit not exceeding 25 per cent of his selling price, or 33½ per cent of his cost. This gives a maximum selling price to the consumer, including purchase tax, of 59s. 11d. The Central Price Regulation Committee rejects the criticism that this method of calculation gives the retailer a profit on the purchase tax, giving the irrelevant answer that the wholesalers and retailers, by accepting what are in fact very moderate margins, have made a valuable contribution to the scheme. However true this may be, it does not alter the fact that the basis of calculation is unscientific, and renders traders' margins liable to arbitrary and unintentional interference by the Chancellor of the Exchequer. With purchase tax of one-sixth and a margin of 33½ per cent on cost, the retailer makes a margin over his cost (excluding tax) of just under 39 per cent. If the purchase tax were doubled, this margin would increase to nearly 44½ per cent; if it were halved, the margin would be reduced almost to 36 per cent. The margin on selling price is fixed by Order, but the selling price itself is swollen or shrunk by changes in the purchase tax, though these changes constitute in themselves no reason for a change in the cost-profit ratio. It would surely have been just as easy to fix the margins in terms of the cost excluding purchase tax and then add the amount of the tax to the price so determined.

The Volume of Food Sales

Owing to frequent changes in prices, the Bank of England's indices of the average daily value of retail sales of food and perishables are no guide to the decline in the volume of turnover. But a rough measure of the trend of the volume of food sales can be obtained by adjusting the Bank of England's value figures for changes in the food component of the Ministry of Labour's index of the cost of living. The resulting indices, tabulated in the accom-

INDICES OF THE VOLUME OF FOOD SALES
(1935=100)

	1938	1939	1940	1941
January	101	103½	95	94
February	106	110	97	96
March	108	113½	105½	97½
April	116	123	105½	99½
May	109	123	109½	97
June	110½	112	99	92½
July	104½	112½	104	96½
August	102½	109½	96	93½
September	107	115½	88	...
October	108	109	92	...
November	107	101½	91	...
December	129	117	107	...
Average	108½	111½	99	...

panying table, give some indication of the order of magnitude in the decline of food sales since the outbreak of war. Thus, the volume of sales during the first eight months of the current year was 5½ per cent smaller than during the corresponding period in 1940 and 15½ per cent smaller than in January-August, 1939. Even if allowance is made for the deficiencies of the Bank of England's index as a measure of food sales and of the Ministry of Labour's index as a measure of changes in food prices, the reduction in actual consumption since the outbreak of war must have been very considerable.

More Shipping Space

As a temporary measure to get every cubic foot of shipping space out of the still dwindling merchant fleet, the Government has departed from the terms of the International Loadline Convention embodied in the Merchant Shipping (Safety and Loadline Conventions) Act, 1932. The

The fact that goods made of raw materials in short supply owing to war conditions may be advertised in this Journal should not be taken as an indication that they are necessarily available for export.

departure is limited in extent; it will not, under the Defence Regulation concerned, continue for more than a year; and it has been taken only after consultation with the interests concerned, including the seamen's and officers' organisations. The effect in terms of carrying capacity may not, however, be very considerable until next spring, since loadline certificates have had to be endorsed before ships can be deeper loaded, and next week the winter season in the North Atlantic will impose further limitations. It is seventy years since Samuel Plimsoll introduced a Bill in Parliament for a compulsory loadline, and just over fifty years since freeboard regulations for British ships were made compulsory by Act of Parliament. The freeboard tables, which determined the position of the loadline according to the type, size and structure of ships, were modified only in detail up to the time the International Convention came into operation on January 1, 1933. Now an ordinary cargo ship above a certain length (330 ft.) actually has five loadline marks—winter, summer, tropical, fresh water, and tropical fresh water—which become applicable according to the position of the ship, and, in some but not all cases, the time of year. Under the new Defence Regulation, which came into operation last August, ships may load to their tropical loadlines instead of their summer lines when the latter are applicable under the existing rules, and to their tropical fresh water instead of their tropical lines when the latter are applicable. The winter loadline is unaltered. Provisions are included to ensure safety and seaworthiness. In regard to the North Atlantic, which is the vital route to-day, the winter mark is applicable down to the 36th parallel (roughly, Gibraltar) from the beginning of November to the end of March, and to an area north of that (which includes Iceland, and just down as far as the 45th parallel) from the middle of October to the middle of April. The principal exception to the scheme is the shelter deck ships, the majority of which have already had their freeboards revised following structural modifications. The safeguards included in the new regulations, combined with the fact that the winter freeboard is not altered, should allay any fears that the safety of the crews is being jeopardised, and it is to be noted that similar regulations for American ships have also been introduced in the United States. While until next spring ships sailing from North American ports will not be able to load beyond their winter marks, some advantage may be gained by ships loading at Gulf and South American ports, if by the time the winter zone is entered sufficient stores and bunkers have been consumed to bring them up to the statutory freeboard.

War and Furs

The fur trade, which has been in a geographically unsettled state since 1931, has undergone a further shift in its centre of gravity as a result of the German invasion of Russia. Between the acquisition of power in Germany by the Nazis and the outbreak of war, the migration of Jewish fur merchants to London greatly expanded the British trade at the expense of that of Leipzig. London became the world's most important centre of the trade in raw furs, and also acquired increased importance in the dressed and dyed fur trade. The outbreak of war cut off London from its large supply bases in Canada, South America, Australia, South West Africa, Russia, India, Scandinavia, Afghanistan, and the Far East, for very little shipping space could be allocated to furs. After the fall of France, the Hudson's Bay Company's auctions were transferred from London to New York, and all the principal fur-producing countries outside Europe are now shipping their supplies direct to that centre. New York now holds a stronger position in the international fur trade than any centre has ever held before, whereas London has little trade left, beyond the shipment to the United States of raw rabbit skins of domestic origin, at the rate of 60 millions a year, and a certain export of manufactured mole furs, principally to Canada and South America. Leipzig, on the other hand, has recovered some of its trade under war conditions. About half a million silver fox skins from Scandinavia, and large quantities of Balkan squirrel, stone marten, red fox, and other furs of the less luxurious type have been diverted to Leipzig, where they, and the large quantities of Russian furs obtained before June, 1941, under the trade agreement, are dressed, dyed, made up and re-exported to pay for war imports. The Russian supplies have now been lost to Germany.

(Continued on page 517)

COMPANY MEETING

HARRISONS AND CROSFIELD, LIMITED

The thirty-third ordinary general meeting of Harrisons and Crosfield, Limited, will be held, on the 28th instant, in London.

The following are extracts from the address of the chairman, Mr H. Eric Miller, to be presented at that meeting: In the balance-sheet the loan of £200,000 to the British Government free of interest represents part of our taxation paid in advance. The company's total provision for taxation at home and abroad for the year, including the tax deducted from dividends, amounts to more than £500,000. It is gratifying to be able to make such a substantial contribution to the war effort of our own and of the Allied countries, and you will, I am sure, join with me in expressing our best thanks to the whole of the staff.

(Continued from page 516)

These lost supplies, like those of London, now go to New York, where six large international auctions are now held annually. Although supplies there are enormous, they are far from exceeding the capacity of the market, and prices were recently 30-50 per cent higher than immediately before the war. This supremacy of New York in the fur market

The net profit for the year of £350,161 shows an improvement of nearly £10,000 on last year's figure. The board recommend the payment of a final dividend of 20 per cent. on the deferred ordinary stock, making 25 per cent. for the year.

The outstanding feature of the period under review has been the building up by the United States Government of large reserve stocks of crude rubber. Since the German attack on Russia, the door has been finally closed against enemy countries getting any further supplies of rubber, a fact of real importance, though not decisive in view of their capacity to produce synthetic substitutes.

There is no doubt as to the important part rubber is playing in the war effort, and each satisfactory new application soon leads to others. Having some knowledge of the good work done in both fundamental and applied research, I am convinced that the possibilities of future expansion in new uses for rubber and its derivatives are distinctly encouraging.

is likely to be maintained throughout the war. Afterwards, London may be helped by closer relations with Russia, and by the fact that so many of the important fur-producing countries are either British or dependent on the British Empire. Dislocation has, however, been so much more complete than in 1914-18 that it would be rash to argue too much from the rapid recovery of the London fur market after the last war.

COMMODITY AND INDUSTRY NEWS

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week Ended		From Apr. 1 to	
	Oct. 4, 1941	Oct. 11, 1941	Oct. 12, 1940	Oct. 11, 1941
Argentina	85	76	5,359	626
Atlantic America	86	7	1,678	849
Danube region	...	...	678	...
S. and E. Africa	...	...	1,081†	...
Indo-China, etc.	...	...	19	...

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

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week Ended		From Aug. 1 to	
	Oct. 4, 1941	Oct. 11, 1941	Oct. 12, 1940	Oct. 11, 1941
N. America	534	402	3,571	5,008
Argentina, Uruguay	245	...	2,563	1,915
Australia	...	...	...	...
Russia	...	...	182	...
Danube and District	...	...	...	...
Other countries	...	...	...	...

* Unobtainable.
Source: The Corn Trade News.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM 1927=100

	Mar. 31, 1937*	Aug. 30, 1939	Oct. 22, 1940	Sept. 30, 1941	Oct. 14, 1941
Cereals and Meat	93.0	66.9	96.4	100.5	102.9
Other foods	70.4	61.1	82.7	99.8	99.8
Textiles	74.2	54.3	87.7	94.9	94.2
Minerals	113.2	95.4	120.9	129.2	129.8
Miscellaneous	87.0	77.6	105.6	113.0	113.0
Complete Index	87.2	70.3	98.9	107.1	107.4
1913-100	119.9	96.8	136.2	147.4	147.8

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" SENSITIVE PRICE INDEX (1935=100)

	Oct. 16, 1941	Oct. 17, 1941	Oct. 20, 1941	Oct. 21, 1941	Oct. 22, 1941
Crops	113.6	113.0	113.4	113.1	113.8
Raw materials	170.5	170.5	170.5	170.4	170.4
Complete Index	138.2	138.8	139.1	138.9	139.3
	Mar. 31, 1937*	Aug. 31, 1939	Oct. 22, 1940	Sept. 22, 1941	Oct. 15, 1941
Crops	147.9	92.2	102.5	113.1	113.8
Raw materials	207.3	122.9	165.9	170.6	170.5
Complete Index	175.1	106.4	130.4	138.9	139.3

* Highest level reached during 1932-37 recovery.

a search for stocks of particular cloths for Russia. Bandage materials have been purchased a little more freely. Irregular operations have occurred for shipping purposes, most of the orders being for Java, South America, West Africa and South Africa. Yarn demand has been much larger than the supply and spinners have sold with caution.

Irish Poultry.—The Ministry of Food announced on Wednesday its new arrangements for the handling of supplies of poultry, turkeys and rabbits from Eire and Northern Ireland. All existing licences for the importation of poultry and rabbits from Eire will be withdrawn on November 17th (licences for turkeys were withdrawn on October 21st) and supplies will be canalised through the Association of Wholesale Distributors of Imported Poultry and Rabbits, Ltd. This Association is being formed at the request of the Ministry of Food from wholesalers who imported supplies in 1938. These wholesalers were invited early this month to submit particulars of their imports in that year, and those eligible may apply for membership of the Association before October 31st. The exportable surplus of poultry, turkeys and rabbits from Northern Ireland will be purchased by the Ministry and distributed through the Association, which will arrange for its allocation to members on the basis of their trade in 1938.

Fish Levy.—The Ministry of Food has decided to relieve owners of foreign vessels of the levy of 8d. per stone on fish landed from these vessels and sold at maximum prices. This will necessitate an amendment, which will shortly be made, to the Fish Sales (Charges) Order. The transport charge of 6d. per stone which is payable on landings made by both British and foreign owners will remain.

Cereal Breakfast Foods.—The Cereal Breakfast Foods (Control and Maximum Prices) Order came into force on October 20th, specifying maximum prices for 25 cereal breakfast foods. This Order supersedes the Cereal Breakfast Foods (Control and Provisional Prices) Order, 1940, which stabilised prices at those in operation on December 2, 1940. The new Order adjusts maximum prices to meet higher costs of production and raw materials. The manufacture and packing of cereal breakfast foods except under licence of the Ministry of Food continues to be prohibited. Prices are specified per container, varying from 4d. to 1s. 2d. for the controlled products. Prices of those goods not scheduled in the new Order remain unchanged.

Rubber Control.—It is understood that the Rubber Control has issued instructions that any contracts for the sale or purchase of rubber for delivery in Great Britain can only be arranged at official prices. These are 13½d. per lb. for standard ribbed smoked sheet from European estates, and 13½d. a lb. for native rubber of the same grade. Since these prices are the same as those at which the Rubber Control sells to dealers, it would appear that no margin is allowed to dealers on sales. It is believed that the new prices will stay in operation until the end of December, when they will be reviewed.

"Black List."—A new Board of Trade Order, Trading with the Enemy (Specified Persons) (Amendment) (No. 17), which came into force on October 23rd, contains 339 additions to the "Black List" of traders in neutral countries with whom it is unlawful to have dealings of any kind. The Board of Trade announce that further additions will be made in due course.

Lubricating Oil Washing Plant.—The Board of Trade announced on October 18th that the supply of "lubricating oil washing machinery and plant" is to be subject to licence under the Machinery, Plant and Appliances (Control) (No. 5) Order of October 13th, 1941.

Cotton.—Employers and trades unions in the spinning section have reached an agreement with regard to the guaranteed wage under the Essential Work Order. The wage is to be the average of four weeks previous to any stoppage. Trading during the past week has been unimportant and the sales in yarn and piece goods have consisted of miscellaneous lots. Some fair Government lines have been put through in heavy materials, with

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended Oct. 18, 1941, total ordinary revenue was £39,035,000, against ordinary expenditure of £87,874,000, and issues to sinking funds of £225,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £1,660,468,000 against £1,315,826,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	April 1 to Oct. 19, 1940	April 1 to Oct. 18, 1941	Week ended Oct. 19, 1940	Week ended Oct. 18, 1941
ORDINARY REVENUE					
Income Tax	756,000	122,125	210,080	11,107	13,545
Sur-tax	80,000	12,280	15,094	120	800
Estate, etc.	82,000	42,540	50,110	230	1,560
Duties	14,000	7,528	6,471	100	100
N.D.C.	210,000	11,727	11,343	130	570
E.P.T.	1,000	29,142	116,225	200	7,875
Other Ind. Rev.	1,000	230	207	...	...
Total Ind. Rev.	1143000	225,572	409,530	11,787	24,450
Customs	310,700	165,144	196,637	7,558	8,421
Excise	266,660	90,001	164,300	2,401	3,200
Total Customs & Excise	577,360	255,145	360,937	9,959	11,621
Motor Duties	39,000	10,598	10,379	257	232
P.O. (Net Receipts)	3,300	7,950	6,250	750	1,050
Crown Lands	1,100	550	530	...	...
Receipts from Sundry Loans	2,600	787	2,151	...	144
Miscell. Receipts	20,000	12,727	39,702	...	1,538
Total Ord. Rev.	1786360	513,329	829,479	22,753	39,035
SELF-BALANCING P.O. & Brdcastg.	99,346	44,050	52,500	900	1,100
Total	1885706	557,379	881,979	23,653	40,135

Expenditure	Estimate, 1941-42	April 1 to Oct. 19, 1940	April 1 to Oct. 18, 1941	Week ended Oct. 19, 1940	Week ended Oct. 18, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	142,459	160,888	9,335	9,635
Payments to N. Ireland	9,200	4,046	3,940	...	...
Other Cons. Fnd. Serv.	7,800	3,442	4,051	...	239
Total	272,000	149,947	168,879	9,335	9,874
Supply Services	393,495	167,320	231,486	66,000	78,000
Total Ord. Exp.	420,695	182,313	248,373	75,335	87,874
SELF-BALANCING P.O. & Brdcastg.	99,346	44,050	52,500	900	1,100
Total	430,041	186,723	253,623	76,235	88,974

After increasing Exchequer balances by £139,187 to £2,798,223, the other operations for the week (no longer shown separately) raised the gross National Debt by £48,066,150 to about £13,029 millions.

NET ISSUES (£ thousands)	
P.O. & Telegraph	150
Overseas Trade Guarantees	14
Anglo-Turkish Armaments	1

NET RECEIPTS (£ thousands)	
Under War Damage Act	1,302

AGGREGATE ISSUES AND RECEIPTS

Aggregate issues and receipts from April 1, 1941, to October 18, 1941, are:—

(£ thousands)	
Ordinary Exp.	2,483,740
Inc. in Balances	171
Ord. Revenue	829,479
Gross Debt	1,628,915
Sinking fds.	6,207
Net borrowing	1,622,709
Miscell. Receipts (net)	31,723
	2,483,911

FLOATING DEBT

(£ millions)

Date	Tender	Tap	Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
Oct. 19, 1940	836-0			Not available		
July 12, 1941	960-0			Not available		
" 19	965-0					
" 26	960-0	1491-7	174-3	12-0	515-5	3153-5
Aug. 2	960-0			Not available		
" 9	960-0					
" 16	960-0					
" 23	960-0					
" 30	970-0	1525-3	213-9	1-0	513-0	3223-2
Sept. 6	970-0			Not available		
" 13	970-0					
" 20	970-0					
" 27	970-0	2577-2	246-5	0-7	600-0	3424-4
Oct. 4	970-0			Not available		
" 11	970-0					
" 18	970-0					

TREASURY BILLS

(£ millions)

Date of Tender	Offered	Applied	Allotted	Average Rate of Allotment	Per Cent Allotted at Min. Rate
Oct. 18, 1940	65-0	129-8	65-0	20	4-61
July 4, 1941	75-0	153-0	75-0	20	0-69
" 11	75-0	155-7	75-0	20	0-54
" 18	75-0	146-8	70-0	20	0-33
" 25	75-0	163-6	75-0	19	11-84
Aug. 1	75-0	165-2	75-0	20	0-14
" 8	75-0	159-1	75-0	20	0-16
" 15	75-0	151-8	75-0	20	0-31
" 22	75-0	133-2	75-0	20	0-95
" 29	75-0	152-3	75-0	20	3-17
Sept. 5	75-0	148-6	75-0	20	3-46
" 12	75-0	165-8	75-0	20	2-73
" 19	75-0	165-0	75-0	20	2-63
" 26	75-0	186-5	75-0	19	10-65
Oct. 3	75-0	159-4	75-0	20	0-47
" 10	75-0	161-5	75-0	20	0-37
" 17	75-0	155-6	75-0	20	0-54

On October 17th 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 35 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. £75 millions of Treasury bills are being offered on October 24th. For the week ending October 25th the banks will be asked for Treasury deposits to a maximum amount of £50 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Sept. 9	3,689	2,212	5,683	...
" 16	4,664	2,496	8,910	...
" 23	4,724	2,010	7,927	...
" 30	4,706	1,914	6,395	...
Oct. 7	3,887	2,690	11,535	...
" 14	3,638	2,537	10,320	31,170
" 21	...	...	8,537	30,523
Totals to date	377,113	347,561	352,674	61,693

* 99 weeks. † 42 weeks. ‡ 2 weeks.

Interest free loans received by the Treasury up to Oct. 21st amounted to a total value of £37,389,775. Up to Sept. 30th, principal of Savings Certificates to the amount of £46,022,000 has been repaid.

BANK OF ENGLAND RETURNS

OCTOBER 22, 1941

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt	Other Govt.	Securities	Other Secs.	Silver Coin
In Circulation	688,528,176	...	716,276,047	2,203,035	605,818
In Bankg. Department	41,713,399	...	...	...	...
Total	730,241,575	...	730,241,575	...	...

BANKING DEPARTMENT

Props. Capital	Govt. Secs.	Other Secs.	Discounts	Advances	Securities
14,553,000	142,182,438	...	...	...	...
Rest.	5,118,937	...	...	...	...
Public Deps.	21,304,397	...	...	...	...
Other Deps.	116,804,006	...	...	...	...
Other Assets	56,039,735	...	...	...	...
Total	211,820,075	...	...	...	...

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments	Amt. Oct. 22, 1941	Compared with Last Week	Last Year
COMBINED LIABILITIES	688,528,176	2,465	95,299
Note circulation	21,304	10,177	2,581
Deposits: Public	116,804	11,414	11,663
Bankers	56,040	1,646	3,700
Others	...	...	...
Total outside liabilities	882,676	2,874	108,281
Capital and rest	17,672	17	...
COMBINED ASSETS	689,474	49	105,288
Govt. debt and securities	5,362	2,557	2,582
Discounts and advances	23,405	345	991
Other securities	506	4	497
Silver coin in issue dept.	1,601	56	896
Coin and gold bullion	...	...	...
RESERVES	43,073	2,521	5,597
Res. of notes and coin in banking department	...	...	...
" Proportion " (reserve to outside liabilities in banking dept.)	22-1%	1-4%	1-5%

COMPARATIVE ANALYSIS

(£ millions)

	1940	1941
Issue Dept.		
Notes in circulation	595-2	683-3
Notes in banking department	37-0	46-9
Government debt and securities	626-8	727-5
Other securities	3-1	2-0
Silver Coin	0-0	0-5
Gold, valued at s. per fine oz.	168-00	168-00
Deposits:		
Bankers	105-1	126-5
Others	52-3	53-7
Total	181-1	193-7
Banking Dept. Secs.:		
Government	137-3	138-5
Discount, etc.	2-8	3-0
Other	21-2	20-2
Total	161-3	161-7
Banking dept. res.	37-5	48-3
" Proportion "	20-6	25-1

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £680 millions to £730 millions on August 30, 1941.

OVERSEAS BANK RETURNS

FEDERAL RESERVE REPORTING MEMBER BANKS—Million \$'s

ASSETS	Aug. 28, 1940	Aug. 13, 1941	Aug. 20, 1941	Aug. 27, 1941
Loans, total	8,509	10,663	10,688	10,697
Investments	15,648	18,211	18,337	18,410
Reserve with F.R. banks	11,449	10,594	10,696	10,635
Due from domestic banks	3,201	3,539	3,495	3,462
LIABILITIES				
Deposits: Demand	21,053	24,245	24,455	24,453
Time	5,340	5,434	5,435	5,431
U.S. Govt.	528	544	552	584
Inter-bank	9,074	9,869	9,849	9,844

AUSTRALIAN COMMONWEALTH BANK—Million £A's

ASSETS	Aug. 19, 1940	Aug. 11, 1941	Aug. 18, 1941	Aug. 25, 1941
Gold and English ster.	16-08	17-71	18-96	18-96
Other coin, bullion, etc.	8-97	7-12	5-83	5-69
Call money, London	44-62	39-42	36-57	33-65
Secs. and Treas. bills	91-40	51-41	53-76	56-68
Discounts and advances	32-39	22-27	22-77	22-31
LIABILITIES				
Notes issued	61-62	70-36	70-36	70-36
Deposits, etc.	113-44	108-68	107-05	106-20

SWISS NATIONAL BANK

ASSETS	May 31, 1940	Sept. 30, 1941	Sept. 30, 1941	Sept. 30, 1941
Gold	2168-3	2267-6	2300-3	2349-7
Foreign exchange	360-6	1274-2	1222-5	1162-4
Advances	174-3	92-0	108-4	147-2
Discounts, etc.	143-8	19-8	19-4	22-1
Securities	86-9	69-9	69-9	69-9
LIABILITIES				
Notes in circulation	2245-6	2083-3	2067-7	2150-0
Other sight liabilities	565-1	232-2	231-7	235-0

BANK OF CANADA

Million Can. \$

ASSETS	Sept. 11, 1940	Aug. 30, 1941	Sept. 3, 1941	Sept. 10, 1941
Reserve: Gold	23-1	40-6	67-3	80-7
Other	558-3	661-1	663-5	664-8
LIABILITIES				
Note circulation	320-2	422-2	426-7	431-6
Deposits: Dom. Govt.	40-2	60-7	75-3	91-9
Chartered banks	206-2	212-9	231-7	210-1

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

REICHSBANK

Million reichsmarks

ASSETS	July 31, 1940	July 31, 1941	Aug. 15, 1941	Sept. 6, 1941
Gold and foreign currencies	78	78	78	77
Bills and cheques	12,613	16,754	16,330	17,354
Rechnungskonten	335	289	308	275
Advances	28	27	20	15
Secs. for note cover	114	12	13	16
Other assets	1,814	1,877	1,810	1,569
LIABILITIES				
Notes in circulation	12,749	16,031	15,657	16,311
Daily maturing liabilities	1,620	2,243	2,165	2,193
Other liabilities	453	439	439	493

MONEY MARKET

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between Oct. 18th and Oct. 24th. (Figures in brackets are par of exchange.)

United States. \$ (4-86) 4-02 1/2-03 1/2; mail transfers 4-02 1/2-03 1/2. Canada. \$ (4-86) 4-43-47; mail transfers 4-43-47 1/2. Switzerland. Francs (25-22) 17-30-49. Sweden. Krona (18-15) 16-85-95. Argentina. Peso (11-45) 16-95-17-13; mail transfers 16-95-17-13. Dutch East Indies. Florin (12-11) 7-58-62; mail transfers 7-58-62. Dutch West Indies. Florin 7-58-62; mail transfers 7-58-62. 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.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Interest	Available for Distribution	Appropriation					Preceding Year		
						Pre-Div.	Ord. Div.	Rate	To Free Reserves	or in Carry Forward	Total Profit	Net Profit	Ord Div.
Canals, Docks, &c.													
Mount Stuart Dry Docks	Mar. 31	49,614		31,239	59,003	5,771	11,709	6	5,000	3,759	61,272	36,177	6
Prince of Wales Dry Dock	April 30	55,590	5,000	7,044	21,456	5,000	2,000	6		44	56,854	9,523	6
Coal, Iron and Steel													
Doxford (William) & Sons	June 30	227,098	30,000	105,932	137,004	15,000	62,500	121	25,000	3,452	282,154	132,899	12
Hawthorn, Leslie (R. & W.)	June 30	133,471		132,271	183,138	80,612	15	50,000		1,659	162,736	161,536	12
Horsley Bridge & Thomas Piggott	June 30	149,944	21,000	36,506	62,132	13,772	14,062	121	10,000		142,924	38,833	12
Kayser, Ellison & Co.	June 30	114,102	40,000	69,102	88,223	6,000	43,750	171	29,000	648	111,767	71,767	17
Tinsley Rolling Mills	June 30	18,224	2,000	2,950	7,773	871	2,000	10		79	17,017	3,657	10
Financial, Land, &c.													
Caledonian Property Investment	July 31	2,259	297	803	803		803	4			3,027	1,155	5
Harrisons & Crossfield	June 30	350,161		335,161	499,896	137,800	187,500	25		9,861	340,622	325,622	Nil
Olympia Limited	Dec. 31	18,309		Dr. 26,602	29,141					26,602	Dr. 43,492	34	34
Port of Beira Development	Mar. 31	34,521		11,536	15,953		10,984	54.9		552	14,371	8,054	Nil
Hotels, Restaurants, &c.													
United Caterers	June 30	12,073	2,728	3,394	5,271	4,500				1,106	5,025	Dr. 1,903	Nil
Motor, Aviation, &c.													
Bristol Aeroplane Co.	Dec. 31	766,537		295,694	306,422	17,250	174,900	10	100,000	3,544	989,702	319,976	10
Renold & Coventry Chain	June 29	196,404		93,404	105,811	8,598	47,289	10	25,000	12,517	193,330	99,330	10
Oil													
Trinidad Petroleum Development	July 31	677,420		157,770	232,075	6,575	150,000	15		1,195	689,593	160,677	15
Rubber													
Aberfoyle	Mar. 31	9,774	250	3,533	7,634		2,500	10		1,033	6,372	3,336	6
Bukit Pula	June 30	14,973	1,107	2,395	5,913		2,989	4		594	17,139	5,352	5
Djapoera	Mar. 31	8,594		4,926	6,013		3,250	5			6,915	1,688	3
Durian Sebatang	Mar. 31	5,274	111	3,047	6,470		2,812	5			3,627	1,688	2
Harewood	Mar. 31	8,847	400	Dr. 1,058	5,237		4,400	4			5,611	2,671	2
Java Para	Dec. 31	24,801		15,592	18,242		16,000	10			15,400	11,233	6
Kapowas	Mar. 31	5,061		2,691	6,007				2,500	191	4,303	3,222	4
Keptigalla	Mar. 31	11,020	1,000	5,420	7,152		5,206	4.16		214	16,913	6,288	4.1
Manchester North Borneo	Mar. 31	29,398	1,038	5,577	11,763	648	3,300	4	1,500	129	21,594	4,260	3
Port Dickson-Lukut	Mar. 31	28,992	1,100	13,065	25,937		12,323	5			15,948	9,883	12
Prang Besar	Mar. 31	45,655		8,644	20,323		8,900	10		296	36,395	11,445	10
Rim (Malacca)	June 30	47,612		8,123	20,441		7,020	10	1,500	397	33,147	10,241	3
Sandac	Mar. 31	18,829		7,512	14,278		4,437	4	2,500	575	15,401	5,472	3
Shipping													
Coast Lines	Dec. 31	300,164		183,118	323,118	194,250				11,132	255,195	227,710	Nil
Manchester Liners	June 30	75,494	50,000	25,493	55,941	11,729	16,695	71		2,931	98,024	48,024	7
Shops and Stores													
Burton (Montague)	Mar. 31	1,051,805	205,913	171,669	413,361	115,000	55,729	5		940	1,096,572	271,246	5
Tea													
Ankora	April 30	6,068		3,575	7,185		2,312	5	1,000	263	8,890	1,381	5
Empire of India & Ceylon	Dec. 31	252,383		33,642	45,193	10,950	23,688	6		996	256,865	37,366	7
Trusts													
Second Broadmont	Sept. 13	16,444		8,094	11,794	4,838	2,500	10	750	6	16,387	9,426	9
Third Conversion Investment	Sept. 15	10,964		5,417	8,933		3,875	4		1,542	11,924	7,813	5
Other Companies													
Allied Industrial Services	June 30	238,938		77,993	93,189	12,000	56,250	30	10,000	257	202,324	72,989	30
Armstrong Shock Absorbers	June 30	14,038		12,067	12,969		3,750	74	8,000	317	3,503	2,043	15
Birkett (T.M.) & Sons	July 31	94,389	3,160	10,454	27,217		6,694	15	7,500	3,740	40,182	12,614	15
Blakey's Boot Protectors	June 30	40,538	2,928	16,616	41,517	300	9,714	15		6,602	40,141	17,109	20
British Electric Resistance Co.	July 31	54,455		4,613	8,799		5,000	20		387	20,965	7,615	Nil
British Monomarks	Dec. 31	3,981		6,206	17,157		6,125	7		81	47,114	10,394	Nil
Britannia Electric Lamp Works	April 30	41,289	4,900	Dr. 23,026	3,796		23,026	7			70,770	33,949	Nil
Burberrys Limited	Mar. 31	129,846	40,000	8,059	25,889	8,648	6,000	4			165,418	28,393	25
Decca Record Co.	Mar. 31	68,616		31,022	43,265	5,039	8,020	25	15,000		83,379	50,140	25
Falk, Stadelmann & Co.	Mar. 31	124,833		82,381	115,188	31,500	43,312	71			7,569	97,602	7
Herrburger Brooks	June 30	13,262		Dr. 4,612	24,492						4,612	32,918	Nil
Palestine Potash	Dec. 31	291,999	64,500	15,773	87,364	66,731					50,958	80,254	Nil
Parkinson (Sir Lindsay) & Co.	Dec. 31	174,118		36,919	74,765	16,625	12,312	11.5	10,000		165,187	56,223	13
Sadler & Co.	June 30	12,102	5,000	5,730	7,391	5,250	3,592	5		36	12,710	4,876	Nil
Skinner (Thomas) & Co.	Mar. 31	11,476		7,391	10,200	6,600				530	14,939	4,895	Nil
Wake & Dean	July 31	377,292	2,830	329,155	549,839	71,991	255,508	(9)			35,971	15,570	Nil
Wall Paper Manufacturers	Mar. 29	105,840	1,379	50,358	69,046	30,000	20,000	4		1,655	506,969	452,844	4
Westminster Press Provs. Newspapers	June 30	21,755	7,455	10,456	12,091	9,078	1,135	6	28		58,818	12,399	7.3
Wright, Bindley & Gell	Mar. 31	20,978	3,446	281	5,712					281	19,409	5,771	7.5
Young Accumulator	Mar. 31	20,978											
Totals (£000's)	No. of Cos.	6,699	506	2,469	3,970	813	1,410	295	58	6,796	8,957	...	...
Week to Oct. 25, 1941	56	329,314	26,346	152,851	235,156	36,344	93,797	15,014	7,606	317,134	172,704	...	...
Jan. 1 to Oct. 25, 1941	1,637	329,314	26,346	152,851	235,156	36,344	93,797	15,014	7,606	317,134	172,704	...	...

(a) Includes £62,500 paid on Management Shares. (b) Excludes £77,000 War Damage Insurance. (c) After provision for Excess Profits Tax. (d) Excludes £5,000 carried to Property Account. (e) Before provision for Excess Profits Tax. (f) 10% on Ord. Stock and 6% on Deferred Stock. (g) Excludes £5,000 carried to Property Account. (h) 10% on Ord. Stock and 4% on Deferred Stock. (i) Eleven months.

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					Harewood Rubber					Colonial & General Invest.				
Bank of New Zealand	31*	Dec 6	5*	5*	Jabi Rubber		71		71	Consolidated Trust	3*			Nov 20
Hambros Bank	5*	Oct 31	5*	5*	Java Para Rubber		10		61	Conway Stewart	4*			
Royal Bank of Canada	2		2		Karmen Rubber		5		31	Daily Mirror Newspapers	5*			
INSURANCE					Martapoera Rubber		3		3	Eastwoods Lewes Cement	31*			Dec 1
London & Lancashire	10/-ps*	Nov 10	10/-ps*	10/-ps*	Merlimau Pegoh Rubber	6*	10		121	First Conversion Invest.	2*			
Northern Assurance	30*	Nov 6	30*	30*	Singapore United Rubber		8		6	General Scottish Trust	3*			
Sun Life Assurance	131*	Jan 1	27*	27*	Sitang Valley Rubber		10		8	Greef Chemical	3*			
MINING					Teling Rubber		5		71	Hawthorn Leslie (R. & W.)	121	15		3
Broken Hill Proprietary	9d ps*	Nov 26	10*	10*	Tonghurst Rubber		5		5	Highland Distilleries	251	30		
Ex. Lands Nigeria	10*		10*	10*	INDUSTRIALS					Hodman (George)	121	25		2
Globe & Phoenix Gold	120*	140c	150c	150c	Acme Tea Chest	5*	71		121	Lightolows	121	25		
Petaling Tin	20*	Oct 31	20*	20*	Adelaide Electric	5*	10		10	Melco Fabrics	4*			
Renong Tin	71*	Nov 21	20	20	Anglo-Thai Corporation	71*	10		10	Metol Closures	5*			
RAILWAYS					Associated Gas, &c.	21*			21*	Peterson Engineering	10*			1
West of India-Portuguese	31*	61	61	61	Babcock & Wilcox	4*			4*	Pressed Steel Co.	10*			Nov 6
TEA AND RUBBER					Beira (Port of) Developm.	54.916			341	Rio Negro (Arg'ina) Land	10*			
Aberfoyle Plantations					Bristol Aeroplane	6*	10		10	Southern Stockholders Inv.	2*			1
Benteng (Selangor) Rubber					British Thermostat	21*			71*	Stone (Max)	10*			
Chunglun Rubber					Brown (Matthew) & Co.	51*	9		9	Sunday Pict. Newspapers	5*			Nov 12
Craigleas Rubber					Calcutta Tramways	21*			21*	Taylor Walker & Co.	21*			
Durian Sebatang Rubber					Federated (Selangor) Rbr.	6*	10		10	Tizer Limited	5*			
Gadiah Rubber					Gadiah Rubber	5	8		8	Wilson's Brewery	6*			
										Woking Electric	13*			

* Free of Income Tax. (a) Includes Bonus 21%. Free of Income Tax. (c) To date.

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1940	Prices, Year 1941	Yield, Oct. 21, 1941	Price, Oct. 21, 1941	Yield, Oct. 21, 1941	Price, Oct. 21, 1941	Yield, Oct. 21, 1941	Name of Security
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UNITED KINGDOM: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average					1940		1941									
		1929	1932	1937	1938	1939	1940	Aug.	Sept.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	
Population mid 1939, 47,676,000; Area, 95,030 sq. miles; (244,000 sq. kms.)																		
1. Retail trade, Gt. Brit.: Food	Avg. daily sales in 1937=100	78	100	100	100	100	111	108	101	111	113	116	113	106	110	106	...	
2. " " Other merchandise		83	100	100	100	100	107	101	110	84	98	109	110	106	89	90	...	
3. " " Total		81	100	100	100	100	109	104	103	98	106	112	111	106	101	98	...	
4. Registered unemployed G.B.	Thousands	1,212	2,756	1,413	1,791	1,514	963	799	830	581	458	411	369	302	277	270	231	
5. " " United Kingdom (a)		1,276	2,813	1,586	1,881	1,690	1,035	868	903	643	505	457	420	342	316	303	...	
6. " " London		118	306	171	226	239	214	223	230	92	70	67	61	46	43	45	38	
7. " " E. and S. England (b)		50	142	70	96	93	99	52	63	55	39	31	30	21	18	18	16	
8. " " S.W. England (c)		69	157	83	84	76	33	22	26	28	22	19	19	14	12	13	11	
9. " " Midlands & N. Midlands (d)		165	371	144	210	153	92	70	69	61	41	33	27	20	16	18	13	
10. " " N.E. England (d)		280	602	165	208	151	75	60	60	53	41	36	30	25	23	20	20	
11. " " N.W. England		285	562	304	398	309	149	117	114	73	64	61	62	53	50	48	44	
12. " " Northern		156	378	156	158	139	89	77	89	64	51	46	37	30	26	27	24	
13. " " Scotland		116	228	151	164	127	89	75	76	67	55	50	46	37	36	33	33	
14. " " Wales		36	68	71	91	76	75	68	73	62	47	47	41	40	39	33	...	
15. " " Northern Ireland		676	541	285	110	107	78	13	52	23	285	187	74	89	25	44	...	
16. Industr. disputes. No. days lost.																		
17. Cereals and meat	1929=100	100	70.4	93.5	82.4	76.2	93.9	96.4	99.7	100.0	99.2	100.0	100.2	98.5	97.3	102.6	103.7	
18. Other foods		100	72.8	78.6	68.4	76.4	95.4	95.0	96.2	107.3	108.0	106.7	108.9	109.7	115.6	116.2	116.3	
19. Textiles		100	53.4	73.7	58.6	63.8	94.5	94.8	94.5	96.2	97.4	98.6	99.8	100.9	101.2	102.3	102.9	
20. Minerals		100	76.3	108.4	97.4	100.0	125.0	126.4	126.4	135.7	136.0	135.8	135.6	135.6	135.4	135.1	135.1	
21. Total, incl. miscellaneous		100	67.8	89.3	77.8	80.3	104.3	106.4	106.7	112.0	112.9	112.9	113.5	113.2	114.4	115.5	115.9	
Cost of Living: Min. of Labour		100	81.8	90.7	90.1	92.4	107.2	107.9	109.7	109.8	110.4	111.0	110.4	108.4	108.4	107.8	107.1	
22. Food		100	87.8	94.5	95.2	96.4	113.1	114.0	115.3	120.1	120.7	122.0	122.0	121.3	121.3	121.3	121.3	
23. Total		100	64.0	110.2	85.6	78.1	68.2	62.9	63.5	68.9	67.8	66.8	70.5	72.7	75.4	77.7	78.8	
24. Industrial securities, <i>Fin. News</i>	Jul. 1, 1935=100	100	113.6	128.6	127.6	116.8	122.8	121.0	120.9	126.5	128.5	127.8	129.2	129.2	129.8	130.1	130.8	
25. Fixed interest	1928=100	100	81.5	92.7	94.8	91.0	100.2	113.2	113.2	113.2	113.2	113.2	113.2	113.2	113.2	113.2	113.2	
26. Govt. Revenue, cumulative (e)	Mill. £'s	829.5	859.3	919.9	1018.2	1408.2	3970.7	1349.4	1651.0	3517.4	3970.7	316.1	728.5	1098.8	1416.9	1872.9	2284.5	
27. " expenditure (e)		362.3	258.5	479.6	487.4	509.9	566	611.9	607.4	602.0	608.9	621.7	628.7	637.3	650.7	666.1	669.4	
28. Bank of Eng.: Notes in circ. (f)		62.9	81.3	97.2	103.8	102.8	110	115.7	117.6	111.7	112.3	117.4	109.1	119.9	132.1	108.4	129.5	
29. " Bankers' deposits (f)		55.9	64.0	98.4	103.2	107.0	143	154.7	147.8	151.1	140.1	124.4	116.1	132.5	156.7	160.2	122.6	
30. Gov. sec. B'king Dept. (f)																		
Clearing Banks: (g)																		
31. " Deposits		1,738	1,791	2,287	2,277	2,248	2,484	2,481	2,597	2,709	2,764	2,829	2,824	2,946	2,991	2,997	3,115	
32. " Cash & bal. with B.E.		194	187	235	241	244	265	273	288	284	288	298	293	311	306	316	330	
33. " Discounts		229	308	281	280	255	366	439	401	210	194	188	173	193	275	266	351	
34. " Treasury Deposit Receipts								26	92	350	374	461	469	482	476	469	826	
35. " Advances		991	844	954	976	991	944	919	937	900	908	884	873	859	853	838	826	
36. " Investments		257	348	652	637	608	659	682	697	814	821	820	848	880	902	935	939	
37. Interest Rates: Bank rate	Per cent	5.498	3.008	2	2	2.24	2	2	2	2	2	2	2	2	2	2	2	
38. " Three months' bank bills		5.26	1.87	0.58	0.62	1.18	1.04	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	
39. " Day to day loans		4.47	1.61	0.50	0.50	0.87	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	
40. " Yield on 2½% Consols		4.61	3.75	3.29	3.39	3.76	3.40	3.40	3.40	3.24	3.20	3.24	3.18	3.07	3.08	3.08	3.03	

(a) 1937, average January to August; figures for September-December not comparable owing to revised method of counting adopted in September, 1937. (b) From January, 1940, includes former Southern and South Eastern divisions. (c) Includes Southern division before January, 1940. (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 do not include District Bank.

THE ECONOMIST

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PROFITS BY INDIVIDUAL GROUPS

QUARTER ENDED SEPTEMBER 30, 1941

(See article on page 507)

Group	No. of Cos.	Total Profits		Net Profits	
		Previous Year	Latest Year	Previous Year	Latest Year
Breweries and Distilleries	34	11,853,719	11,802,890	6,837,428	6,047,923
Electric Lighting and Power	3	2,449,496	2,665,781	727,236	640,903
Financial Land and Investment	48	6,328,198	5,810,015	3,627,526	2,496,268
Hotels and Restaurants	7	599,616	629,780	183,818	126,501
Coal, Iron and Steel	30	9,272,356	9,559,291	4,469,893	3,747,211
Motor, Cycle and Aviation	6	6,301,928	5,969,634	1,889,395	1,233,066
Oil	4	7,158,061	8,190,365	3,891,076	2,501,534
Rubber	101	2,575,255	4,073,472	1,290,874	1,476,834
Shipping	10	5,862,588	6,488,379	1,168,079	1,513,417
Shops and Stores	17	3,605,217	3,605,848	2,174,041	1,692,213
Tobacco	42	1,008,409	858,578	388,378	315,392
Telegraphs, etc.	2	327,460	329,612	195,734	206,840
Textiles	16	2,951,889	2,824,255	1,855,576	1,534,347
Tramway and Omnibus	2	280,914	310,073	110,706	30,451
Trusts	24	1,735,365	1,525,437	754,976	559,349
Waterworks	1	15,923	26,039	6,598	5,987
Building Materials	10	654,187	666,778	244,942	216,245
Food, Confectionery and Drink	13	3,859,330	3,963,035	2,073,965	1,640,425
Electrical Equipment	9	3,726,100	3,614,303	1,834,162	1,511,045
Newspapers, Printing, etc.	16	2,583,427	2,553,385	1,394,513	1,033,902
Tobacco	2	115,481	104,866	97,449	78,990
Warehouse and Trading	2	994,605	644,465	482,996	483,464
Other Companies	99	13,229,433	14,512,801	6,634,521	5,853,776
Total	498	87,479,957	90,729,082	42,333,880	34,944,083

SHORTER COMMENTS

(Continued from page 514)

Shell Union (\$000).—Gross operating income, third quarter, 1941, \$82,563 (\$62,035). Exes. \$60,791 (\$46,894), depr. (\$11,707 (\$10,192)), tax \$2,651 (\$1,181), net income \$6,656 (\$3,165).

Transvaal Working Profit.—Total estimated working profit of the gold mines of the Witwatersrand for September, 1941, £3,762,270. August, 1941, £3,830,434.

Halifax Building Society announces that owing to the increase in income-tax there will be a reduction of 5s. per cent in all interest rates on subscription and paid-up shares and deposits, as from February 1st, 1942. The new rates will be 2½, 2¼ and 2 per cent on the above shares respectively. These are net rates, the Society meeting the income-tax.

TERMS OF SUBSCRIPTION TO THE ECONOMIST

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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.

ing more and more citizens of this democracy is the suspicion that, in the Government's mind, our way of life is purely on the defensive. If so, then the prospect of victory is a relapse into the blindness, the cowardice and the stupidity that brought us to our present pass. Then, indeed, Britain is an elderly and declining nation, making one last brave spasm of resistance before it yields to those who are younger and stronger. But the British people reject this notion with a firmness second only to their rejection of the idea of a truce with Hitler. They are not on the defensive; they are determined to reconstruct. There is a mountain of anger throughout the country against the ideas and the men who brought the country to September, 1939. By general consent, following the Prime Minister's magnanimous leadership, recrimination has been deferred—but on the unspoken condition that nothing of that spirit shall survive.

There is no question of seizing the opportunity of war to foist on the people the views of a minority or by some Procrustean tactic to force a free people into the rigidities of some doctrinaire ideology. On the contrary, one of the great gains of the past two years is the defeat and disruption of the "isms" that have plagued British politics for a generation. There is a chance now to return to the native tradition of practical realism, to that mixture of tradition and progress which the Prime Minister gave as his political philosophy eighteen months ago. There was a hope at that time that the injection of Mr Churchill's robust practical sense would turn the Conservative party away from the Brummagem neo-feudalism of its recent years to the Disraelian tradition of constructive, popular and progressive realism and make it a worthy member of a national partnership. But it is not Mr Churchill that has captured the Conservative machine; it would appear to be the Conservative machine that has captured Mr Churchill.

Two examples must for the present suffice of the sort of project of democratic regeneration which is being

neglected. The first is the dispossession of the vested interests that have grown like barnacles on the hull of British enterprise in the last decade or two. At this hour of day it is hardly necessary to particularise the policies that have led to the carving up of the British economy into a number of exclusive baronies, each ruled in the interests of protection and stability. It is hardly necessary either to point out once again the handicaps that such a system of rigidity, scarcity and protected inefficiency imposes on a community that is fighting for its life. But it is necessary to enquire whether it is proposed that Britain should fight for its commercial life in the post-war world with the same system. Are the economics of democracy to be interpreted in terms of rings and trusts, cartels and combines? Apparently so; for not the slightest move has been taken even to enquire whether there are any dangers in monopoly run riot.

The second example is another necessity that has been proved by the war—the necessity for an emancipation of the talents of the citizen. A community of 47 million people, with great imperial responsibilities, somehow fails to avail itself of the capacities for leadership born into any save a minority of a million or two—and naturally there is that crying shortage of brains of which every practical administrator is aware. Has anything substantial been done or even projected, to analyse the causes of this shortage of brains and to work out the cure? Or is the British democracy of the twentieth century to apply restriction and monopoly to leadership also?

These questions must not be neglected any longer. In this revolutionary century, no society can afford to be purely static and defensive. By concentrating on the military war alone we may, indeed, secure victory; but what shall it profit a nation if it win the whole world and lose its soul? There is an opportunity for the British nation to show once again that, without losing its unity, its reason, its tolerance, it still can ride the crest of the wave of the future.

American Defence and Mexico

THE long reference in President Roosevelt's Navy Day broadcast to Nazi plans for South America will seem irrelevant only to those who have not grasped the particular significance of "hemispheric defence" to American public opinion. A threat to the integrity of the Latin American Republics or to the defences of the Panama Canal is generally accepted as a threat to the security of the United States. True, an invasion from overseas is not in question, but the preliminaries to such an invasion—the setting up in Central and Latin America of Governments favourable to the Axis and the preparation of advance airfields and air facilities—have undoubtedly been planned in Berlin.

The need is, thus, for stable anti-Axis Governments in Latin America and Mexico is in many ways the key to all the rest. In no other state (except perhaps Brazil) could a pro-Axis government, prepared to fall in with Axis plans of infiltration, do such damage to United States interests. The coasts and ports of Mexico could provide naval bases for the infesting of the Caribbean with hostile submarines. Airbases established in Mexico could dominate the Canal Zone. At the same time armed intervention by the United States in the domestic affairs of its neighbour, even though it were designed to put an end to pro-Axis activities, would put a heavy strain on the Good Neighbour policy throughout South America. Happily for the security of the Americas, Mexico has enjoyed firm and reasonably popular government for the last decade. Yet the stability and strength of the régime have not been based upon the avoidance of controversial issues. Since the advent of President Cárdenas in 1934, Mexico has gone through a period of active reform which by the hopes it mobilised and the fears it aroused might well have given Axis agents exactly the openings for social ferment which they have been quick to use in other countries, for example, in Popular Front France. When, in 1934, Presi-

dent Cárdenas came to power, the first impetus of the 1917 Revolution had spent itself. Labour legislation had come to a halt; 63 per cent of the land in the country was still in private hands; the politicians of the party which still called itself Revolutionary had enriched themselves and were satisfied with the *status quo*.

President Cárdenas reversed this process. The position of the Church was improved and good relations were sought with Mexico's neighbours. At the same time, the President launched an ambitious programme of revolutionary reform, designed to revive the spirit of 1917. The basis of the programme is the improvement of the living standards of Mexico's workers and peasants, the transference of much of Mexico's wealth from foreign interests to the Mexican people and the development of national agriculture and industry by means of a state-controlled and planned economy. By 1939, 62½ million acres had been distributed among the peasants, mainly in the form of collective holding or *ejidos*, and the reform was accompanied by an ambitious programme of irrigation, road building, rural credit and education. In 1936 the position of the workers was regularised and improved by the formation of the Confederation of Mexican Workers (the CTM). During the same period, the policy of transferring Mexican wealth from foreign to Mexican ownership was pursued by the nationalisation of the railways in 1937 and the expropriation of the oil companies in 1938.

When President Cárdenas, with a self effacement rare in Mexican politics, retired from the Presidency and from politics in 1940, it was thought at first that his successor, President Avila Camacho, intended to modify and even reverse the trend of the Cárdenas programme. The impression was confirmed by the nature of the first legislation put forward by the new régime. Peasants were to receive a title to their land; the Labour Law was to be modified by strengthening arbitration; the railways were no longer

to be controlled by the workers; the credit institutions were to be modified to encourage investment and enterprise; under certain conditions and in new areas, there were to be possibilities of foreign companies obtaining mineral concessions. The development of the promised legislation proved, however, that the swing to the right prophesied of Camacho was at the most a movement towards the centre. He himself, in a defence of his policy, delivered at an Annual Conference of the CTM, explained his programme as a consolidation of the gains already made. He was attacking none of the principles of Cárdenas but only reforming admitted abuses. The peasant's new title to his land would give him no right to sell, mortgage or neglect his land and large areas—La Laguna, Los Mochis and the Yaqui valley—had been specifically reserved for collective development. The new Labour Law did not modify the right to strike. Three of the seven delegates on the Board of Management of the railways were workers. Free enterprise would be confined to the expanding fringe of Mexican enterprise, not to the key industries. And President Camacho could point to the fact that his key ministers are all men chosen by Cárdenas.

In the sphere of foreign policy, President Camacho has gone much further than his predecessor. He is making a brave effort to improve and increase the equipment of the Mexican Army, and Mexico is giving a lead to the other Latin American republics in the matter of hemispheric defence against the Axis. The President realises that Mexico, which, standing alone, is still defenceless, has everything to gain by concerting its military plans with those of the United States. The Mexican Government has therefore given Washington every assistance to President Roosevelt's policy of developing Central American bases. On April 1st an Agreement was signed permitting American military aircraft to use Mexican airfields, and the two governments are reported to have agreed to develop the ports of Mazatlan and Tampico as joint bases at a cost of £4 millions of which Mexico will provide £500,000 and the road linking the two ports. The Mexican Government has also followed many of the anti-Axis leads given by President Roosevelt, for example, the seizure of Axis ships and the black-listing of pro-Axis firms. This attitude of confidence and co-operation has been doubly helpful to the United States. It has directly assisted the defence of the Canal Zone. It has directly encouraged other Latin American States to accept the President's lead. They can argue that if Mexico, the State most vulnerable to United States intervention, shows so little fear of it, there can be no risk for those geographically more remote.

The extremist elements in Mexico, to Right and Left, are bitterly opposed to the United States, to democracy, to "financial plutocracy." Until the entry of Russia into the war, the two groups co-operated in a joint underground campaign to disintegrate the government and to detach Mexico from any policy of joint hemisphere defence. Since June 23rd, the Communists have begun a clamour for national and international anti-Axis fronts, but they naively suppose that the new policy can be combined with fierce and irresponsible denunciations of United States imperialism and "Dollar Diplomacy." The Left Wing extremists, except in so far as they increase the ideological confusion, are negligible. The danger is from the Right, from the *Accion Nacional* of the politicians and upper and middle class and the growing mass movement, the *Union Nacional Sinarquista*. With these movements, Nazi agents co-operate blatantly. Their stock in trade is the "imperialism" of the democracies, and President Camacho's alleged willingness to see unhappy Mexico dragged into a war from which the country will emerge mortgaged completely to United States business interests.

Anything that plays into the hands of this type of propagandist weakens both the friendly Mexican Government and the defence plans of the United States. It is therefore unfortunate that the dispute between the Mexican Government and the American and British oil companies whose properties were expropriated three years ago should have dragged on so long and that even to-day,

there should apparently be so little hope of a solution. The expropriation by the Mexican Government of the properties of the Standard Oil Company of New Jersey, of the British owned Mexican Eagle and the Sinclair oil interests dates from March, 1938. Since that date, a heavy fog has hung over the actions of the oil companies and of the governments concerned and over the actual negotiations. Occasionally a rift in the fog gives a glimpse of activity—for example, when Mexico broke off diplomatic relations with Great Britain on the score of an allegedly insulting note, and an embargo was placed by the large British and American oil companies on the sale of Mexican oil, again when Mr Donald Richberg conducted negotiations with President Cárdenas in 1939, again a few weeks ago when a comprehensive economic and financial agreement between the Mexican and United States Governments was followed by the rejection by the American oil companies of the terms suggested by the Governments for settlement of the oil dispute—or again when diplomatic relations between Great Britain and Mexico were happily resumed last week. These tantalising rifts do not provide a complete picture of the negotiations. For one thing, on each occasion the Mexican Government and the oil companies appear to be disagreeing over a different point. In 1938, Mexico was demanding to run the oil fields and pay compensation out of the profits while the companies maintained that, so run, the oilfields would yield no profit. In 1939, agreement appeared to have been reached on the ownership of the fields. The differences arose over the period of their leasing back to the oil companies. In 1941, compensation for loss of the companies rights to the sub-soil appears to be the stumbling block.

In this cloud of conjecture, there are one or two certain points. If the question at issue between Mexico and the oil companies is ownership of the sub-soil, then deadlock appears certain, for ownership has become an emotional symbol of economic independence for the Mexican people. It might have been wiser if the Mexican Government had maintained the concessions while securing modifications such as were granted in Persia, Venezuela or Ecuador. That they did not do so has been excused by reference to the intransigence of the oil companies in earlier years. Nevertheless, methods used by Mexico were completely illegal and there can be no doubt of the oil companies' right to fair compensation in the shape of a capital sum or of permission to work the oilfields for an agreed period.

There is far less justification for the other steps that have accompanied the dispute. The embargo on Mexican oil, although it was never complete, was intended by the oil companies to bring the Mexican Government to terms by depriving it of all revenue from oil. It had the effect of supplying the Axis, in exchange for blocked marks and blocked lire, with a comfortable reserve of oil against the outbreak of war. In so far as the embargo received official support the British Government were prejudicing a national in support of a sectional interest.

The provocation of a diplomatic dispute has had even more unfortunate results. It coincided with the period of the British Government's greatest complaisance towards a persistently defaulting Nazi Germany and thus created the suspicion that Britain had one diplomacy for the strong, another for the weak. It offered a telling argument to anti-democratic, anti-"Anglo-Saxon" propagandists in Latin America who made use of it as a blatant example of the subordination of diplomacy to Big Business; and it did so at a time when the United States Government by perfectly correct diplomatic behaviour was attempting to lessen just that suspicion among its American neighbours.

Now that normal diplomatic relations have been established and the diplomatic and commercial issues have been—very properly—disentangled, it is the obvious duty of the British Government to give the American Administration all the aid in its power in promoting a Good Neighbour policy in Latin America. If hemisphere defence and the combating of totalitarian propaganda can be countered by removing such major points of friction as the oil question, then the official interest which has been shown in the dispute might now be devoted very suitably to its solution.

Production Problems

IT is common knowledge that Russia's capacity to produce tanks, aircraft and other military equipment has fallen appreciably below Germany's and that its ability to keep the German army fully employed depends in large measure on the extent to which Britain and America can make good the deficiency. Simultaneously to fill Russia's yawning gaps, caused by the loss of many important industrial centres, and to build up the equipment of the British fighting forces is a tall order. But it is an order that must be fulfilled to the best of Britain's and America's ability. It involves a tremendous acceleration on the munitions front. Mr Bevin has set a target by calling for a 30-40 per cent increase in production this winter.

Broadly, there are only two methods whereby the output of the tools of war can be increased; the one is the expansion of the production facilities at the disposal of the Supply Departments at the expense of civilian industries and occupations and the other is the increase in the "yield" of finished equipment per man-hour. Both have frequently been stated and discussed in *The Economist* and elsewhere. There is little new to say. But in view of the urgency of the need for an acceleration in output the problems bear restatement in the light of experience and present conditions.

The process of transferring labour, materials, production and transport facilities from the satisfaction of civilian needs to those of the fighting forces has by no means been completed. Civilian production, it is true, has been drastically curtailed; but many unessential things are still being made, while others are produced in quantities well above the bare needs of the population. The temporary suspension of the manufacture of jewellery, ornaments and fancy household goods, would hardly affect the morale of the people. A further curtailment in the output of essential personal and household goods would be willingly accepted in the present mood of the country. The standardisation of essential articles has not been pushed far enough. The facilities of the distributive trades, though denuded of part of their labour, have not yet been pruned to wartime standards. Nothing has been done to remove the contradiction of the shops' invitation to buy and the Government's exhortation to refrain from spending. Financial policy has not yet been designed to bring about that reconciliation of self-interest with patriotism, which alone can resolve the anomaly. Again, transport, though scarce, has not yet been rationed drastically enough to the civil consumer. The recruitment of women for the war services and the munition factories has been notoriously slow.

The magnitude of the civilian resources that can still be tapped for war work, however, can easily be exaggerated. While they cannot be stated in quantitative terms, it is quite clear that Mr Bevin's target cannot be reached by this method alone, even if the process of transfer were frictionless and instantaneous. Nevertheless, the rate of transfer can, and must, be speeded up.

In the main, therefore, any further expansion in the output of finished war equipment must be sought in an increase in the "yield" per man-hour. In one respect total production of the finished tools of war grows automatically as new factories are completed, while the yield per man-hour rises as the proportion of labour and plant engaged in preparatory work is reduced. Thus, the sudden leap in production after Dunkirk was due to the fact that a new series of plants then came into operation, quite as much as to the change of Ministers at the Ministry of Supply or the lessening of working hours or even exhortations on the part of civilians. The scope for further automatic increase is small. The means have been exhausted, for additional openings are still being constructed and quick to use if labour, materials and plant engaged in the front are still fairly substantial. Rising production is to be expected; the

scale of current output owes more to previously laid plans and less to current efforts than the speeches of Ministers would suggest.

It is not enough, however, to rely on this automatic expansion in the output of finished equipment. Indeed, the main effort in securing a higher yield of finished equipment per man-hour must come from a continuous quest for higher efficiency in the utilisation of existing resources. And efficiency is largely a matter of organisation.

Many industrialists are still complaining that they are unable to maintain a balanced flow of production because of faulty ordering and tardy delivery of raw materials or parts or both. No doubt there is still considerable room for improvements in the habits and methods of the Supply Departments. Orders are often still intermittent and do not enable the industrialists to plan long enough ahead. Many specifications could still be simplified, while concessions (permission to depart from original specifications) granted to one firm are not rapidly enough passed on to others. Standardisation, despite recent progress, has not yet gone far enough. Again, the Regional Boards of the Production Executive, set up to harness local production facilities to the war effort, come in for a good deal of criticism because the majority of them have not yet been successful in their task. Capacity exchanges, designed to enable individual manufacturers who have machines to spare to let them to others in need of them, are still not functioning efficiently in all parts of the country.

It would be unfair, however, to lay all the blame for the difficulties at the door of the Supply Departments, which, after all, have had to be expanded enormously from the very small pre-war nuclei. Indeed, the industrialists who complain of the "uncommercial" habits of their new customer are having similar difficulties in adjusting themselves to the new conditions. Before the war they were quite content in hunting orders, and many of them achieved anything but a balanced flow of production over a long period of time. With all their many shortcomings, the Supply Departments can hardly supply all their contractors with the orders, labour, materials and parts in the proportions in which they require them to keep their facilities in full and continuous employment. They must still take the initiative in securing orders—the Supply Departments are not in a position to know precisely what, and how much of it, each factory in the country will produce—and in organising their plants as efficiently as possible. Moreover, the production engineer on the spot can do a great deal to increase productivity in his own plant. He is the man on whom falls the responsibility of improving the technique of production and of passing on his knowledge to others. It was in a recent bulletin of the Institution of Production Engineers that appeared the statement that any production engineer who is engaged on war work and is satisfied with an output that does not grow from month to month is unworthy of his job.

The truth is that the stupendous task of changing over from a peace to a war economy at the rate that the emergency demands is seriously taxing the organising ability available to the Government and to industry. The requirements of equipment are so big that it has become necessary to enlist the services of a large proportion of civilian industries in addition to those of the experienced firms and of new plants. Germany, which had a much longer start, was faced with precisely the same difficulties and even the United States, with its vast fund of organising ability, is not escaping them. The German experience was that sub-contracting, even when assisted by a full system of capacity exchanges and order exchanges—the latter have not yet been established in Great Britain—was not enough to solve the problem. Management, in fact, there as here, has proved to be the scarcest of all factors of production. The tendency now is towards organising industry

in units which are specialised as to product and as large as one management can handle. In the case of mammoth concerns, such as the H. Goering Werke, this tendency involves splitting up; but in the main the scarcity of management skill inevitably leads to integration in one form or another. In this respect the problem is similar in technique, though different in aim, to concentration in civil industries. As with the temporary concentration of civil industry, the rationalisation of war industries does not necessarily mean permanent amalgamations; it can be achieved by a great variety of much looser and much more temporary arrangements, whereby a large and experienced concern takes over the management of a number of smaller sub-contractors for the duration of the

war, a scheme known as the "extended work bench" in Germany, the "parent firm" in this country, and the "hen and chickens" in America.

In sum, while there are still untapped resources which must be harnessed to the war effort with all possible speed, the main effort to increase production must be concentrated on securing an increase in productivity. There is much that the Government can still do, not only in the matter of ordering, but in improving the conditions in which industry has to operate and in facilitating the grouping of concerns into management units. But industry itself can contribute in large measure to the increase in the yield of finished equipment per man-hour by striving unceasingly to improve production technique and organisation.

Astrology Old and New

WAR, which notoriously stimulates research, appears not only to encourage modern science, but to bring out from forgotten corners certain more venerable sciences which many of us had thought to be long ago dead and buried. The credit for this resurrection goes to our great British Press which, as part of its work of national importance, supplies its readers daily and weekly with doses of astrology: fortifying, supporting, heartening them with the prophecies of expert astrologers on the immediate future of the war. It is perhaps surprising that so many rival astrologers are available to satisfy so sudden a demand. Were they all in the profession before the war or have they been hurriedly pushed through a qualifying correspondence course in astrological inference and deduction? No outsider can say; but there they all are, prophesying away like red-faced Nixons, with the feature editors in the background confidently hitching their circulation to a star.

It must be more than 7,000 years since astrology started among the intelligentsia of Babylon. It was, we learn, one of the two chief means at the disposal of the priests for ascertaining the will and intention of the gods, the other being through the inspection of the liver of the sacrificial animal. None of the Press lords has so far produced a liver expert for the encouragement of national morale, but if the war lasts long enough something may yet be done in that line and we shall then be getting augurs' reliable tips and forecasts hot from the entrails of the weekly meat ration.

That development is likely to be slow, for as the twin sciences of astrology and divination advanced through the centuries, the entrail expert slowly lost prestige to his rival and by the Middle Ages the astrologers ruled alone. In the civil war of the seventeenth century they were surprisingly active. On the side of the Cavaliers the great expert was Sir George Wharton, of Queen's College, Oxford, who started an almanac in 1641 and on the outbreak of war devoted his skill and knowledge to the King's cause. He was bothered by a number of competing prophets, of whom the most important were Wm. Lilly and John Booker; and Wharton started operations with a fierce attack on their credit, expressing his deep sympathy with "all such as have heretofore had the misfortune to be cheated and deluded by the grand and traitorous imposter of this rebellious age."

These professional jibes were too much for Lilly. Hitherto he had taken no interest in politics, but angered by Wharton's abuse he offered his services to the Parliamentary Party, and they were accepted. From now on Wharton and Lilly were the two protagonists—Ministers of Propaganda to Charles and the Roundheads respectively, prophesying successes for their own side and disaster for their opponents. Lilly, for example, was sent for in 1648 to Colchester, where the Roundheads were being held up, and there he was ordered to do his stuff for the troops, assuring them of impending victory. He seems to have given satisfaction, but a few years later he made the worst mistake open to an astrologer—he

boosted the wrong side, letting it be known that the stars foretold the immediate downfall of Parliament.

Called on to explain before a tribunal so grievous a scientific error he appeared to be in a bad way. But these astrologers are quick thinkers, trained to meet just this kind of situation; and Lilly cleverly printed an expurgated edition of his prophecy (with the wrong calculation omitted) and by putting this copy into his judges' hands he secured an acquittal.

Three hundred years exactly have passed since Wharton published his first astrological almanac, and again the astrological front is mobilised, with prophets giving of their best to the various newspapers, the heavenly message seeming to vary from paper to paper according to the optimism or pessimism discernible in its editorial columns. It is clearly a great mistake to think of the stars as inflexible. On the contrary, they can adapt themselves, almost as though they were working journalists, to the tone of the particular paper that is at the moment taking their staff.

But there is no doubt about some of their successes. The *News of the World's* astrologer, for example, on August 10th (some days before the Atlantic Charter was published) came out with the following:—

There will be decisions of great importance arrived at between heads of two—*perhaps three**—of the great nations involved in the salvation of humanity.

Obviously this was a prophecy of the Churchill-Roosevelt declaration—and a bull's eye. But it should be remembered that three days before the prophecy came out journalists knew that the meeting had taken place and there was a rumour in Fleet Street that Churchill and Roosevelt had gone on to Alaska to have a meeting with Stalin, making a conference of three in all. The rumour was untrue, but the stars had heard it and were themselves in doubt about it. So far, it seems, has astrology advanced from the achievements of the Middle Ages when astrologers claimed to deal only in facts. To-day the modern prophet can catch in the light of the stars not only the things which will happen but a reflection of inaccurate gossip only three days old about things which have not happened.

So this is the true symbol of the modern astrologer—a figure whose eyes gather the celestial message while his ears are flapping to catch the talk of Fleet Street—a being, like the skylark, true to the kindred points of Heaven and Home. But does it sometimes occur to this Sunday prophet that instead of feeding an anxious, credulous public on dope he might earn an honest wage sweeping a street-crossing? He is not tied to his present job. Men are not villains by necessity, knaves by spherical predominance or liars by an enforced obedience of planetary influence; and a false prophet would be what he is if the most honest star in the firmament had twinkled on his bastardising.

* Our italics.

NOTES OF THE WEEK

Aid to Russia

Lord Beaverbrook's speech in the House of Lords on October 23rd supplied several of the omissions in his earlier broadcast, and between the two the public has been given a gratifyingly full account of the Moscow Conference. Even the most sceptical and frenetic of the Government's critics would have difficulty in maintaining that the problem of supplying Russia's deficiencies is not being taken seriously. The British and American Governments are prepared to send really large quantities, not merely of the things they have to spare, but of the things for which Stalin asked, most of which are almost as scarce here as in Russia. It is noteworthy, for example, that both tanks and aluminium are on the way to Russia—and it would be difficult to find any finished munitions scarcer than the first or any raw material scarcer than the second. In a very real sense, the risk and burden of these shipments fall on Great Britain, for Mr Harriman's first words at the Conference appear to have been to make it clear that American supplies would be available for Russia only to the extent that they were diminished to Britain. Moreover, until the Neutrality Act is amended, most of the necessary shipping will come out of the British pool. This, however, touches upon the one question with which Lord Beaverbrook did not deal—the capacity of the transport routes. British or British-American responsibility can go no further than the delivery of the goods at the Russian ports—it has been extended to the land route across Iran, where British and American railway material will be sent. But from Archangel, Vladivostok and Bandar Shah, the responsibility lies with the Russians. This, of course, is the governing bottleneck and it is obvious that it imposes limits on the assistance that can be given. Lord Beaverbrook has at least established that no other limits will be imposed by either the willingness of the British Government or the productivity of British industry.

* * *

The American Tide

Since the beginning of the war, American policy towards it has moved by fits and starts, impelled by the pressure of external events and retarded by considerations of domestic politics. For the first time, the two forces can now be said to be exerting their influence in the same direction and, as a result, the progress has been somewhat faster in recent weeks. The new phase really dates back to the brief adjournments of the Senate and House of Representatives in the late summer, when Congressmen, to their surprise, found that their constituents were considerably in advance of them. The resulting change in atmosphere in the Capitol made possible an amendment of the Neutrality Act; but in deciding exactly how much was to be excised from that document, counsels of timidity again prevailed, and when the amending resolution came before the House it referred only to the arming of American merchant ships. It soon became apparent, however, that the tide was still flowing, and political pressure was put on the President from the other side: Mr Willkie, by heading an imposing list of Republican signatories to a demand for outright repeal of the whole Act, threatened to take the leadership out of Mr Roosevelt's hands. The result has been to make possible a bolder attitude by the President (or to force him out of his timidity, according to the view taken of his rôle). More of the Neutrality Act is to go (specifically, the prohibition on American vessels entering combat zones) and the President's Navy Day speech was in stronger language than ever before. America, he said, had been attacked, and the shooting had already begun; the motto was Farragut's "Damn the torpedoes; full speed ahead." But all this remains within the context of defence. Though Lord Halifax is interrupted in New York by shouts of "Open up a Western Front," America's own policy does not yet recognise that offence has any part to play in defence. Mr Cordell Hull told a Senate Committee the other day that the Administration had "no intention of rushing out somewhere and getting into real war," and this is a more authoritative guide to policy than Colonel Knox's more challenging utterances. Indeed, at one time in the last few days, it has seemed as if bold language to Germany was to be

combined with appeasement of Japan. This was when it was announced that all American supplies for Russia would henceforth move from Boston to Archangel. It was later announced that this was a mistake and that there is no intention of abandoning the Vladivostok route. The real test of whether it is Japan or America that is bluffing will come when supplies for Russia are sent to that port in American ships. And the real test of American policy will come if—or when—it is discovered that neither Japan nor America is bluffing.

* * *

Mr Lewis and Mr Roosevelt

The grand debate on foreign policy has been further complicated by the action of Mr John L. Lewis in calling a strike in the coal mines owned by the big steel companies and in rejecting a thrice-repeated appeal from the President to send the men back to work. As is usual in American labour disputes, the issues are involved and the motives are mixed. The professed occasion of the strike is a demand that the steel companies should accept the "closed shop" which was conceded by the other coal owners earlier in the year—a demand that does not seem to be inherently unreasonable. But Mr Lewis is clearly also playing to the political gallery. In recent years he has changed from an ally to a bitter enemy of the President. He was rash enough to promise, during last year's presidential campaign, that he would resign the presidency of the CIO if Mr Roosevelt were re-elected, and ever since he was held to his promise he has been trying to come back. There are certainly few things that can embarrass the President more than strikes in defence industries. For support of his foreign policy he leans heavily on those who think him unduly partial to organised labour, and he may be faced with quite considerable dissension in the interventionist ranks if he does not show firmness towards strikers—which would offend many of his faithful New Dealers. The game that Mr Lewis is playing is thus hardly conceived in the public interest. But it is a dangerous one for Labour too. At the time of the strike epidemic in May and June there was a great deal of support in Congress for very drastic legislation to prevent any interference with production, going as far as the conscription of strikers for the army. It would not take very much to bring this sort of measure back upon the agenda.

* * *

The Front Holds

The advance on Moscow is still halted. Fierce fighting continues in and round Kalinin, Mojaiksk and Maloyaroslavets, where the new German attacks have been blunted by Russian resistance and by heavy sleet and rain. In the south the advance continues, and the Germans are reported to be within 10 or 15 miles of Rostov-on-Don. They have certainly driven deep into the industrial area of the Donetz basin, and the Russians have admitted the evacuation of Kharkov, which the Germans claimed several days earlier. This discrepancy has frequently occurred during the Russian campaign—for the Germans always claim the capture of a town from the hour the first advanced units reached the suburbs. Yet in spite of the threat to the south, it is probably exaggerated to talk of an immediate drive on Astrakhan—though it is undoubtedly an ultimate objective—or of a winter campaign in the Caucasus. Moscow remains the key to the whole line. If the Germans can take neither Leningrad nor Moscow, it is almost certain that they cannot advance to the Don-Volga line in the south. The flank of the southern armies would be too openly exposed, and the organisation of transport to feed this front would be very difficult without control of the Moscow transport system. The old division of the Russian front into three sectors under Marshal Voroshilov, Marshal Timoshenko and Marshal Budyonny has been abandoned, and while Voroshilov and Budyonny have left for the rear to organise new armies, General Zhukov takes over the northern front, with the defence of Moscow, and Marshal Timoshenko has the task of reorganising the armies round Rostov. Nevertheless, the old division gave a better picture of the pivotal nature of Leningrad, Moscow and Rostov.

Massacre in France

The reaction of free opinion to the murder of hostages in France has been unanimous. President Roosevelt has condemned the outrages; the Prime Minister has added just retribution to the war aims of the Allies; the Pope intervened through the Papal Nuncio in France; and the lead of Chile in condemning the executions and interceding for the prisoners has been welcomed by all the other Latin American States. Of all the Governments that have spoken only two have made no reference to the outrage committed by the Nazis. One is naturally Germany and the other is Vichy France. Both Pétain and Darlan pleaded for a postponement of the executions; but they appealed to the French to collaborate with the Nazis in discovering the "criminals" who had shot Germans on the soil of France and condemned as outrages, not the murder of innocent men in collective punishment, but the shooting of the German officers. This is the anniversary of Monthoire. The policy which began by way of Franco-German economic collaboration may end with Franco-German collaboration to hunt down and deliver up the patriots of France to German "justice," for, in return for delaying the executions, the Germans have offered the French a "last chance to co-operate in the inquiry into these crimes," and pressure is being brought to bear on the municipal authorities not only of Nantes and Bordeaux but of all French towns to denounce suspects and deliver up wanted men. It need not be supposed that the world's condemnation has moved Hitler to grant this respite. The executions continue in Poland and Holland whether the world protests or not. The respite is a bargaining counter. What other concessions are being extorted under pain of massacre? It is a method capable of almost infinite extension until all Europe is either "collaborating" or standing up against a wall.

* * *

Controlling the Retailer

The Committee set up by the Board of Trade in June "to examine the present problems of the retail trade in goods other than food, having regard both to the immediate needs of the war and the position after the war," has presented an interim report. Its chief recommendation is a system of licensing designed to control the opening of new shops and the extension of the activities of existing shops, and pending a decision retailers have been advised to regard the recommendation as accepted. It is another sign of the tenderness with which the Government has treated the retail trade that this step is only being taken now after two years of war, although its ultimate necessity was surely apparent from the fact that a defence regulation, couched in almost exactly the same terms as the Committee's recommendation, was made in the last war early in 1918. It is extraordinary that the Government, which in other respects has taken far wider powers for mobilising the nation's resources and manpower than it did in the last war, should have apparently overlooked the need for this particular regulation. Even now attention is being concentrated far more on the difficulties of the small shopkeeper, which some members of Parliament evidently think is the main concern of the Committee, than on the need for releasing labour from the distributive trades—which ought to be its main concern. It is true that with the limitation of supplies and rationing the position of the small shopkeeper is becoming increasingly difficult vis-à-vis the big shop and the chain store, but this issue would not have arisen if the Government had not shied at the problem of compensation. The much bigger issue is the need for concentration in the retail trade as a whole—which has absorbed much of the labour supposedly released by the concentration of industry—for it is there that the biggest single reserve of available manpower is to be found.

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Manning the Tank

Stalin, according to Lord Beaverbrook, told the Moscow Mission that the war was being decided by tanks. He also told them that at the start of the campaign against Russia the Germans had 30,000 tanks. "Let us aim," Lord Beaverbrook has said, "at 30,000 tanks, let us say we will mobilise so many for the day when our defensive operations are abandoned in favour of the attack"; and now comes President Roosevelt's announcement that the American tank programme is to be doubled and will exceed the hitherto envisaged programme of 2,000 tanks a month.

But all these thousands of tanks will be useless for the purpose of winning the war unless they are manned by the right crews. In Stalin's view, the war may be settled when complete co-ordination of tanks and aircraft has been achieved, and there is a strong case for recruiting tank crews on the same principles as RAF pilots. For cruiser tanks particularly, crews should have the same sort of temperament as fighter pilots; that is, they should be young and, above all, volunteers. It would possibly be as useless to put a cautious reluctant man, however young, into a tank and launch him as a thunderbolt against the enemy as it would be to put conscripts into aeroplanes. Unfortunately, the present call-ups are from age-groups which are unlikely to produce men of the right type. There is, however, the possibility of circularising other branches of the army for volunteers for tank crews—in the same way, in fact, as the Commandos and parachute troops are recruited. Moreover, young men on reaching military age could be given service in a tank crew as a specific option, as they already are for service in an air crew. In addition to the fighting crews, the RAC needs a much larger number of "ground staff," who must be skilfully trained if not fully skilled. The question of releasing skilled men from industry for the Forces is still being considered by Sir William Beveridge's Committee; but suitable men may also be available from the older age-groups now being called up, especially as the substitution of individual for block reservation should release many men with the right qualifications. The recruiting of suitable men would be further facilitated by the adoption of the Select Committee's suggestion of preliminary training depôts, where recruits could be tested for special aptitudes before being posted. It would also be an advantage if these depôts were under the Ministry of Labour rather than the War Office, so that they would be free from army routine and red tape generally. Great Britain, which invented the tank, has not yet in this war taken part in large-scale tank warfare, because it has not had the tanks. The present aim should be to ensure that when the 30,000 tanks are there, the right men are there too.

* * *

Educational Reform in Closed Forum

The nature of the Board of Education's memorandum on post-war education, which this summer was sent to a chosen few for discussion, has been revealed by Mr Butler, who last week circulated in Hansard a summary of the major subjects covered. No indication has been given of the views expressed by the officers of the Board responsible for the memorandum, or by the bodies and individuals who were privileged to read it, but most of the subjects have been discussed *ad nauseam* and hardly merit the secrecy and mystery with which they have been surrounded. For instance, the first subject is the raising of the school-leaving age—it is odd how the Board of Education persists in regarding this as the starting-point for all educational reform—and afterwards come the questions of redefining elementary education, and placing children in the different types of secondary schools, a subject which was surely fully discussed in the Spens Report at the end of 1938. Most of the other subjects are concerned with technical problems; with physical welfare,

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the remuneration of teachers, grants for a university course, and so on. In fact—to refer to the three educational controversies discussed in *The Economist* a fortnight ago (page 465)—the Board's memorandum covers part of the institutional problem—who should go to what schools—but barely touches on the curricular problem, and leaves the vital social problem completely alone—the public schools are not mentioned. Since Mr. Ramsbotham had decided that the memorandum was to be secret, it is perhaps as well that this last problem was not discussed, as it is a matter that concerns the whole nation. But it is one on which all post-war reconstruction must depend, and it cannot be shelved by mere tinkering with the present system. It is to be hoped that Mr. Butler will do better than that.

Treasury Control

In reply to a question in the House of Commons, on October 21st, the Chancellor of the Exchequer once more defended the Treasury against the charge of obstructing the Supply Departments by unreasonably withholding financial approval. Sir Kingsley Wood stated that "a primary function of the Treasury in the midst of a vast conflict is to ensure that money requisite for the successful prosecution of the war is available without delay as it is required," and he explained the revisions of procedure and organisation which were carried out at or before the outbreak of the war to secure that there should be no delay. In general, so far as can be discovered, the Chancellor was right in saying that "those arrangements are working satisfactorily." Stories are constantly heard of rigidity and parsimony, but the general experience of those who have gone into Government departments from outside is one of surprise at the prompt and reasonable way in which the Treasury deals with applications—though also of amazement at the detailed matters which still have to be referred to it. The Chancellor was also right, within limits, in saying that the Treasury also has the function of "seeking to secure the elimination of avoidable extravagance and waste in wartime expenditure." The limits within which this is true are the limits within which the Chancellor was right in saying that "the expenditure of money implies the expenditure of labour, material and productive capacity." Even within those limits the Treasury is not always the best body to decide on the proper distribution of scarce resources. But in general, of course, it is correct that where money is the embodiment of some physical reality it must be doled out with the most parsimonious care. The real charge against the Treasury is its unwillingness to provide money in cases where no real resources are involved, but only the maintenance of the whole structure of financial contracts. The long delay in arranging a satisfactory scheme of insurance for war damage is an obvious case in point. The continuing attitude to the provision of compensation for persons or institutions whose displacement from their normal means of livelihood is necessary for full mobilisation is another. If *The Economist* can be forgiven for repeating an epigram of its own invention, the proper sphere of finance in wartime is to ensure that nothing is decided on financial grounds. Judged by that test, the Treasury cannot be wholly acquitted. It does little to obstruct; it might do much more to assist.

Canadian Economic Policy

The domestic financial policy pursued by the Canadian Government ever since the war has been both logical and successful, and the latest batch of economic decisions, details of which have now reached London, show that Mr Mackenzie King's Cabinet is not frightened of sweeping and drastic measures in this field at least. A general stop on all basic wage-rates has been decreed, and it is to be an offence for any employer to raise his basic rates without the permission of the National Wartime Labour Board. At the same time, the cost-of-living bonus, which has hitherto applied to war industries, has been extended to all industry and made mandatory. This cost-of-living bonus, it is important to note, is an absolute, not a proportional, amount; that is to say, it is the same in amount for all adult workers. The worker is thus assured of receiving any additional cost of the necessities of life, but the better-paid workers get no assurance of being able to maintain their consumption of luxuries. This, of course, is a very great improvement on the British position; but any device that ties wages to the cost of living can be a

creator, rather than a destroyer, of inflation, unless effective steps are taken to keep the cost of living down. This has not been forgotten in Canada. All important prices are now to be made subject to fixation and control by the Wartime Prices and Control Board. Legal price-fixing may be of little avail unless some control is asserted over the volume of supplies coming on to the market, and Ottawa may find that it is drawn a long way further down the road of economic control than it now envisages. But it is very greatly to the credit of the Government and its advisers that a logical and courageous policy has been adopted before Canada plunges into the full intensity of an economy of scarcity.

General Hertzog's Declaration

When, nearly a year ago, General Hertzog was expelled from the Nationalist Opposition, it appeared that he and his followers were steering away from the extremists and towards General Smuts. For whereas the Nationalists under Dr Malan stood for the right of the Afrikaans-speaking people to dominate all other sections of the population, the Afrikaner party—as the Hertzogites came to be called—was really opposed to the Government only on the war issue. Early this year, one of its members quoted a saying of General Smuts in reply to Dr Malan—"unity on the basis of race is impossible—it is alone possible on the basis of principle"—as being the basis of the policy of the Afrikaner party; and at the party congress this summer Mr Havenga, the deputy leader, denounced any form of government recognising the dominance of one section of the population over the rest. Nevertheless, the Afrikaner party has made little or no progress in the country, probably because there is no place in South African public opinion for a lukewarm Opposition party; those in opposition to General Smuts on the war issue are also violently anti-British and believe that a German victory will bring them freedom and prosperity. Thus, Dr Malan, in trying to win support in the country for his party, had to go so far this summer as to declare that victorious Germany would want a friendly disposed Government in South Africa—which could be provided by the Nationalist party. General Hertzog has now out-Malaned Malan. National Socialism, he said last week, is the right system for South Africa; "it comes to us also as an Afrikaans national tradition and custom as old as the Afrikaner people themselves"; it will free South Africans, as it has freed Europeans, from the poverty and misery brought by capitalism; Hitler will not treat with a democratic Government—and so on. He is obviously trying to win from Dr Malan the support of the Afrikaner extremists who blame Britain for the poverty into which they have allowed themselves to slip, but in doing so he has killed his Afrikaner party. Mr Havenga has bravely renounced his leader, with whom he has been associated since Union, and has reaffirmed the party's belief in democracy, but it will no longer count as a force in Union politics. General Hertzog, unless he joins forces again with Dr Malan, who already has too many rivals for the leadership of his party to welcome another, will for the time being walk alone.

Dominion Status for Burma

The three-week visit of the Hon U Saw, Prime Minister of Burma, to this country is coming to an end and while guarding on the whole a very judicious silence, the Burmese Prime Minister announced to the Press the purpose of his visit, which is to obtain an unequivocal guarantee that Dominion status will be conferred upon Burma after the war. The Atlantic Charter with its promise "to respect the right of all peoples to choose the form of government under which they will live" raised high hopes in Burma, which were rather dashed by Mr Churchill's subsequent explanation that Clause 3 did not in any way modify statements made by the British Government on their "considered policy of establishing Burmese self-government." The Burmese demand for full self-government is not hard to understand, given the background of Burmese politics since the new Constitution came into force in 1937. The Senate and the House of Representatives have functioned well, Ministries have been formed and maintained without intervention of the Governor; there are few communal differences such as divide India; and the Burmans are doing their share in imperial defence. Nevertheless full self-government, which would mean full control of foreign policy and of defence, would seem to entail

rather more political wisdom than has been shown hitherto. Burma has succeeded in creating an unfavourable impression in both India and China over its recent handling of the immigration problem, and the insistence on levying transit tax on lease-lend material passing up the Burma Road to China is a sign neither of good-neighbourliness nor of any real appreciation of the Japanese threat. It has also created a very unfavourable impression in the United States. If Burma is to achieve full self-government, the country must learn a sense of responsibility towards all its neighbours, and it cannot expect an entirely sympathetic hearing if its further contribution to the defence both of China and the Empire is made conditional upon any more specific guarantee than that which has been given already.

The Reuters Sale

Mr Bracken's promise in the House of Commons last week that the sale of half the capital of Reuters to the Newspaper Proprietors' Association would be accompanied by the establishment of some form of trust has been fulfilled. The Press Association, which until this deal were the sole holders of Reuters' shares, and the NPA have appointed an equal number of trustees whose function will be, in brief, to ensure the integrity, the independence and the efficiency of Reuters. An independent chairman of the trustees will be appointed by the Lord Chief Justice, and provision has been made that the trust shall be irrevocable for at least 21 years, after which it shall not be amended or dissolved without the consent of the Lord Chief Justice. The independence of Reuters, which members of Parliament considered last week to be in jeopardy—although it was then already controlled by the PA—should thus be adequately ensured, even were it not for the fact that the competition between the newspapers, both in London and the provinces, and the very different views which they express, would have themselves sufficed to prevent any doctoring or suppression of the news by the controlling interests. But besides being independent Reuters must, by the terms of the trust, be made efficient. It is its efficiency which in recent years has been called in question and which it was the object of the deal to promote.

ILO Conference

This week's ILO conference in New York has shown that the institution is keeping itself up to date. While the war has forced the ILO into temporary exile, it is encouraging to see that the time is being well spent in vital research. The conference, which is unable to follow its usual practice of exercising pressure on the industrial policy of its member nations, has devoted itself mainly to the discussion of two reports, the first, drafted by the acting director, Mr E. J. Phelan, on the part to be played by the ILO in reconstruction, and the second, prepared by the office, on methods of collaboration between state, employers and labour. The conference was fully representative of the democratic front, including delegates from all Governments of countries under enemy occupation now transferred to London, all the Dominions, and the Republic of China. Attention has been focused on the large economic problems to which the war has given rise and whose solution must form an essential part of the post-war settlement. Foremost among these is the stimulus given to industrialisation in countries that have hitherto been mainly agricultural—the South American States, the Dominions, India, and China. Hardly less important is the shift in the channels of trade to which the blockade of virtually the whole of Europe has given rise, fostering the formation of regional supply units in the Americas and the Eastern Supply Group. There is little doubt that victory will be complicated by the determination of interested parties to return to the economic set-up of the pre-war world, already rendered an anachronism by the progress of events. If the ILO can keep before the Allied world the factual change which is taking place and can thrash out the problems of return to a peace economy in the new conditions, it will perform a vital service in the period of its retreat. Moreover, the necessity of providing a practicable alternative to the economic integration which Germany is imposing on Europe through the elaboration of her slave economy is daily more plain. It is the business of the ILO to translate the "freedom from want" of the Atlantic Charter into real terms and to drive home the issues among the Allied Governments.

Employing the Disabled

Once again it has taken a war to produce Government action on a social reform that had long been considered necessary. The Inter-departmental Committee on Rehabilitation published its final report, with certain definite recommendations, in 1939; but it was not until last week that a Government scheme for the training and resettlement in industry of disabled persons was announced. It will cover all persons over 16 years of age who are unfitted by disablement—whether caused by war, industrial or other accidents, not excluding road accidents, or disease—from resuming their normal occupation, and those who are handicapped by disablement from obtaining satisfactory employment. Ministry of Labour officials will get in touch with the disabled person while he is still in hospital, and will find out the type of employment which the patient would like and would be able to undertake; to some extent the expected employment may influence the process of rehabilitation. When training is necessary, allowances, including dependants' allowances, will be paid. The Government has realised, therefore, that behind rehabilitation looms the problem of re-employment—a case heard before the Court of Appeal on June 27th this year (*White v. Wm. Pickersgill and Sons*) revealed that at present even a fully-cured worker, with a medical certificate of complete fitness in his hand, may become unemployable if his old employer cannot reinstate him in his old job. During the war it will be necessary to concentrate on fitting a disabled person for essential occupations, especially munition work, and, of course, his re-employment now is much easier than in peacetime, when an employer has the choice between a fully-fit person and one who is partially incapacitated. Nevertheless, the Ministry of Labour is finding out the best way of applying the new scheme to occupations which are likely to continue after the war. By then, however, this admittedly interim scheme will have to give way to a really comprehensive scheme of rehabilitation, which will only be possible by relating it to a reformed system of national health insurance and workmen's compensation.

Shorter Note

An interesting constitutional point was raised by Mr Speaker last week. In the event of a division taking place in a secret session, he has come to the conclusion that he would consult with representative opinion from all sections of the House, and if it were desired to publish the record of the division, a motion—which would be debatable—could be moved proposing that the record be included in Mr Speaker's report of the proceedings. Mr Mander raised the question whether, in the event of a division in secret session causing the fall of the Government, the names of members and the way they voted would be published. Mr Speaker agreed that the public would have to know the cause of the fall of a Government.

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THE WORLD OVERSEAS

Support for the President

(From Our Washington Correspondent)

October 14th

NOW is the open season for conventions—staid conventions, rowdy conventions—but this year they are different. There is a general sense of policy-making in the air. The American Legion meeting at Milwaukee in September made the change graphic. The Legion meetings of the period between wars exhibited about as much horse-play as could be collectively thought up by a group in its irresponsible forties that had left home and inhibitions behind. This year's session, by contrast, provided the most striking demonstration to date of popular support not only of the President's policy towards the war, but of more active participation than he has so far sponsored.

When Congress wrote the prohibition against service outside the hemisphere into the selective service act, the slogan, No AEF This Time, was widely echoed. During the past year, successive events have made the country conscious of its surrounding oceans and positive in its convictions about their defence, including the occupation of off-shore bases. Hemispheric lines have become elastic, and various bulges have tended to hold their shape as they occurred. But doubts nevertheless remained on whether the flexibility of the hemisphere concept could be stretched to include activities on the opposite shores. Then yesterday's AEF said it could.

Present at the Milwaukee convention were assorted Legionnaires who were closely in touch with groups whose mind on the war was already made up. The Legion is necessarily a rather amorphous body; and men privately representing the Administration and men privately representing the America First Committee arrived entertaining rival hopes of riding herd on the Legion—or stampeding it toward the type of resolution they preferred. But the America Firsters found their job impracticable and the Administration men found theirs unnecessary. Observers largely agreed about the spontaneity of the Legion's endorsement of:

The ability to carry war when unavoidable to our enemy and thus to prevent him from bringing war to us. This ability will require removal of our geographic limitations on movement of forces and adequate provision for corresponding plans and material. Our great potential bulwarks are the Atlantic and Pacific oceans. These oceans will be our greatest assets or worst liabilities according to our strength or weakness therein. They represent the base of our world strategy. We want America strong enough to meet any possible attack before it arrives and to turn the enemy back so that our homes remain intact and our families secure. If fighting is necessary to defend the United States, we insist upon being prepared to do the fighting outside the United States.

The shift of attitude in the past year has been made equally clear in the debate of the American Federation of Labour convention, now in session in Seattle. President William Green moved from the "short of war" statements of previous years to the following:

Understanding more clearly the issues at stake and the tragic consequences that must follow in the event the forces of democracy are beaten, we of the American Federation of Labour are going to advise the President of the United States that we will give all we have in support of his programme; that we will stand by him and behind him and all around; and we will tell him further that, if it is necessary to take a more decisive action in order to maintain freedom of the seas and to protect democracy throughout the world, we will stand by him and follow to the bitter end.

This statement was perhaps somewhat in the nature of the bunting draped around the rostrum. But a fact of definite importance accompanied it; it was not opposed by

"Big Bill" Hutcheson, vice-president of the AFL and head of the important carpenters' union. Mr Hutcheson is a Republican of long-standing, and as recently as September 15th he was one of 58 signers of a statement condemning Mr Roosevelt's "shoot-at-sight" speech as "a grave threat to the constitutional powers of Congress and to the democratic principles of majority rule." The statement said: "The President has decreed that shooting shall begin. His edict is supported neither by Congressional sanction nor by popular will. The American people have repeatedly declared themselves overwhelmingly opposed to participation in Europe's war. They are more interested in strengthening our own defences and in preserving and extending democracy at home."

The dying away of open isolationism in the AFL projects attention to the CIO Convention, only a few weeks off. The about-face of the left wing, after the German attack on Russia, has left John L. Lewis largely isolated in his isolationism. Philip Murray, the present CIO president, has expressed support of the Roosevelt policies, and a procession of CIO unions—most recently, the International Woodworkers of America—have publicly transferred themselves to his camp by resolutions calling for the repeal of the Neutrality Law and full aid to Britain and Russia. But it does not necessarily follow that the CIO's attitude is decided.

Mr Murray's health has been taxed by a heart ailment that developed during the summer; the assumption that he will be able to continue as CIO head is not yet a certainty. He more than any other CIO leader can weld the Hillman and Lewis factions in the organisation—in his absence, could they be kept together, and, if not, would Lewis dominate all except the Hillman group of unions?

Union Difficulties

Both the CIO and the AFL are plagued by internal difficulties. Factionalism in the CIO, which is due in part to Communist followers of the party line and in part to the intransigence of Mr Lewis' hate-Roosevelt attitude, has imperilled participation in national policy. The AFL is still gingerly avoiding the matter of racketeering in its midst, to which full publicity is daily given by the Scripps-Howard columnist, Westbrook Pegler, by the current trial of an official—appropriately named Bioff—for extorting a cool half million from Hollywood producers, and by a spectacular arrest disclosing forged AFL dues stamps. When the ILGWU, one of the group of garment workers' unions close to the Hillman position, and formerly with the CIO, rejoined the AFL last year, a condition of reunion was a clean-up campaign. The ILGWU president, David Dubinsky, remained away from this year's meeting because no such clean-up had occurred. With only very mild action in prospect before the convention closes, it looks as though racketeering would remain unfinished business in the AFL.

Inertia in the AFL and intransigence in the CIO seem likely to do the general cause of labour immeasurable harm in the coming months. Rival unionism, with strikes called by one group because part of the work on a given job was being done by members of the other organisation, has caused a number of stoppages—more seem likely to result from competitive organising campaigns in the near future.

The situation has been brought into relief by the bid of the Currier Lumber Company of Detroit to erect 300 prefabricated houses as part of the Government's defence housing programme. Its bid was \$400,000 lower than that of the next bidder. But the company has an agreement with the CIO Construction Workers' Organising Committee run by John L. Lewis' brother—to say nothing of the fact that prefabrication cuts across the jurisdiction lines of the craft unions in the building department of the AFL. Under normal Government procedure, contracts go to the low

bidder. Yet a stabilisation agreement made several months ago with the AFL Building Trades Department by Sidney Hillman on behalf of the Office of Production Management gave the craft unions a practical monopoly of Government work. So the country has the choice of losing \$400,000 or seeing inter-union raids in the building trades.

The original issue between the two organisations, craft versus industrial unionism, has ceased to exist; profiting by rising employment, both sides are signing up members in whatever form they can be taken in. Rank and file workers would welcome the reorganisation of labour's divided house. The issue to-day is one of top jobs and personalities. No plan for resolving that issue is in sight. Yet without such bridging of them, to allow the defence programme to move forward, is likely to take more and more time. And the sentiment of the public, as well as of labour's own conventions, is that we have no time to lose.

Coal Mining in German Europe

[BY A CORRESPONDENT]

October 10th

Most German mining companies have been working profitably since the outbreak of war; but this was only due, even according to Nazi sources, to the higher share of the inland market, which is still the most profitable one, in Germany's coal trade, and also to the fact that Germany can now dictate higher prices than hitherto to its European customers. The output per man-hour, which had increased by as much as 80 per cent between 1924 and 1938, has been on the decline since then. This seems to be equally true of the mines in Western Germany and in Silesia (the latter also comprising most of the former Polish and Czech pits). The apparent exception is the mining of lignite, but only in so far as this is worked in open-cast.

The slackening down of productivity has not yet resulted in a decreasing total output, since it has been possible, so far, to increase the number and the average length of shifts in the pits. Even last year the earnings of a great number of workers increased by 5 per cent or more, merely through a lengthening of their working hours or by the introduction of Sunday work. New workers, Germans and foreigners, were frequently sent into the mines, but many of them seem to have been inexperienced; at least one company report complains that even after they had been in the pit for some time their efficiency lagged "not inconsiderably" behind that of other workers. According to the same report, many miners left the firm in order to work with other companies, though, in principle, it is a punishable offence in Germany to engage a worker who has been employed somewhere else. A similar fluctuation of workers, though on a larger scale, is the migration of skilled miners from Upper Silesia to the Ruhr district, where hewers' wages are between 12 and 20 per cent higher. The Silesian industrialists are bitterly disappointed about this trend, which has already resulted in a local shortage of 100,000 skilled miners.

It is difficult to see how further reserves of workers could now be mobilised, especially since the number of elderly men among the miners is very high, and it is calculated that in the Ruhr district alone during the next ten to fifteen years as many as 30,000 workers, or almost 10 per cent of the total, will have to be replaced every year by younger men. The prospects of this development are serious indeed, and the authorities have shown much concern with mining conditions for some considerable time. Reich Coal Commissioner Walther, a high Nazi party official, boasted last autumn that no supply difficulties would occur during the coming winter, but this prediction soon proved to be exaggerated. It has now been admitted in the Nazi Press that his work was "not entirely satisfactory," and last spring his office was replaced by a new "Coal General Staff," officially called the "Reich Coal Association," which is different from its predecessor in some significant respects.

The president of the new association is Herr Pleiger, who, as the managing director of the Hermann Goering Works, is Germany's biggest industrialist and at the same time a special trustee of the Government. Its other members are leading industrialists or coal merchants, and

the association is supposed to supervise the production, distribution and consumption of coal throughout the Reich. It was initiated by an "offer" of the big business men, who up to then had only to obey the orders of Herr Walther. To a certain extent, therefore, its formation can be regarded as a victory of "the capitalists" and of the principle of private enterprise in the Nazi State. The Press has advertised its formation as the beginning of a new era of responsibility and initiative in industry. However, the extent of this victory is somewhat limited, as the work of the association is to be controlled by the "Coal Office" of the Reich Ministry of Economics; it has also to "co-operate" with those numerous state institutions which have been formed in the course of the last nine years and whose instructions frequently contradict one another. The big industrialists will, however, be given fairly unrestricted powers in at least one respect; it has been hinted in the Press that there is no room any more in the German coal trade for persons who "never see the actual coal"; the coal syndicates will probably be given additional powers for the control of the market with a view to exterminating small agents and middlemen.

Search for Efficiency

Still more significant than the formation of this new organisation is the sudden revival of the struggle for technical efficiency in mining. It must be remembered that all the more significant technical reforms under the Nazi regime have arisen from the drive for economic self-sufficiency and armament improvements; they were made without regard to the problems of economy, and many of the new synthetic products and other inventions actually meant that more labour was used for the same process than before the invention was put into practice. Now, under the influence of falling productivity in the mines, special stress is laid on the search for new labour-saving devices. The most promising project in this respect is the so-called "Iron Miner," a new engine combining and simplifying several processes in the working and loading of coal. Experimentally, the output per shift has been increased by this means by almost 50 per cent; but admittedly such results are only possible under extremely favourable conditions, and it is not even expected that the new machines will be workable in every pit.

In the meantime further development will largely depend on the efficiency and goodwill of the miners and on the extent to which young workers are attracted to mining. There appear to be certain plans for an increase in the wage level; at least, it has lately been pointed out in the Nazi Press that the miners should become the best-paid heavy workers in Germany. So far, however, the authorities have taken to the less costly expedient of flattering and patronising the mining population; a significant speech was recently made by Hermann Goering, in which he called the miner "the first soldier of labour in the Third Reich." The wage rates have not yet been raised, and the higher earnings due to longer working hours are largely offset by a higher cost of living. Some minor improvements have apparently been made with regard to the medical services in the mines, and miners, like most heavy workers, receive higher food rations, and are provided with vitamin tablets.

It is interesting to note that the numerous Polish miners are given "special," that is lower, wages. It has even been suggested replacing them gradually by German workers, although, for the next few years, it will certainly not be possible to get rid of them except at the cost of shutting down a large number of coal pits. Similarly the wages of the French workers in the Lorraine coal pits, now incorporated into the Reich, are lower than in the neighbouring Ruhr

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Unnecessary Deferment

The scheme as it stands, according to the latest particulars, is that all stocks are eventually to be converted into 4 per cent debentures, 1952-76, except—in so far as sterling issues are concerned—the 3 per cent permanent stock whose position is unaffected. Those with rates below 4 per cent will be converted at their present maturity date—presumably the earliest. All others are to be converted forthwith to a 4 per cent basis, but with the payment in cash of half the present value of the difference, to their existing maturity dates, between the present rate and 4 per cent. For the two principal London issues affected, this means a payment of 2.20 per cent on the 4½ per cent stock, 1951-53, and 4.14 per cent on the 4½ per cent, 1969. It is difficult to see why, if deferment of repayment is necessary, and the principle of cash compensation is recognised, holders should receive only half of what is due to them. It is even more difficult to understand why the redemption of the stock should be so substantially postponed. Both Montreal and the Dominion are extremely prosperous. The whole of any dollars provided by the former to meet payments here will go direct to the latter. So far as can be gathered, the only pressure upon the municipality is the need to fund some \$35 millions of debt due to the banks. The need for so drastic a scheme is far from being established, but, if it is to be effectively resisted, British bondholders should organise without delay. They have the example of those of the City of Vancouver before them, who six years ago succeeded in killing an equally sweeping plan, subsequently proved by events to be unjustified. It is much better that the issue should be fought out than that it should remain as another cause of friction between two peoples who should be united on all fronts.

New Savings Drive

The latest national savings figures for the week ending October 21st include only two days' receipts from the first warship week, a fact which may explain the relatively unimpressive rise from £11,210,000 to £11,724,000. Since the latter total is the highest realised since the week ending June 17, 1941, it is clear that a new boost for the savings campaign is overdue. The latest figures bring the total for eleven months to £554,405,964, against £415,360,205 raised in the first year of the National Savings Campaign to November 22, 1940. That the improvement is not nearly good enough becomes obvious on reference to the floating debt figures, indicating approximately the extent of the revenue-expenditure gap, which it is the business of the savings campaign, including both large and small savings, to close. On October 25th last the floating debt totalled £3,438,200,000, an increase of £1,176 millions on the year. On October 21st last the total of small savings for the previous twelve months of 3 per cent savings bonds, of the three issues of 2½ per cent National War Bonds, and of interest-free loans, amounted to £1,675 millions gross. The revenue deficit of the period was some £2,865 millions, and the savings campaign failed to fill the gap to the extent of some £1,200 millions. While it appears that the rate of saving, like the total of the floating debt, has increased by about one-third during the past year, there appears to be no reason to expect that a relative improvement will take place. There is already evidence that a considerable proportion of subscriptions to the first warships weeks have been drawn from funds on deposit with the banks rather than from a further cut in expenditure, and so have done nothing to swell the volume of true savings. The real aim of the savings campaign is, after all, to bring generally larger money incomes into line with the smaller supply of consumption goods. Exceptional responses made to the special demands of warships weeks too often take the form of a transfer of savings from one medium to another rather than of fresh personal retrenchment. Looked at from the standpoint of an alternative to new taxation or forced saving, the savings campaign demands much output of time and energy in proportion to its yield.

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Company Notes

Thos. W. Ward Results

The profits of Thos. W. Ward show satisfactory progress in the year to June 30th last, the gross figure, after tax and general expenses, rising moderately from £193,171 to £194,845. The transfer to staff funds is maintained at £5,000, but depreciation absorbs only £51,625 against £55,036. Consequently, equity earnings are raised from £88,433 to £95,893, representing 16.2 against 13.3 per cent. Since the ordinary dividend is repeated at 11½ per cent, to which it was raised from 10 per cent in the previous year, £25,000 is available for reserve against nil in 1939-40 and £15,000 in 1938-39, and the carry forward is raised from £120,123 to £126,048.

	Years to June 30,		
	1939	1940	1941
Trading profit*	193,225	185,293	186,098
Total income	196,542	193,171	194,845
Depreciation	45,577	55,036	51,625
Staff funds, etc.	2,000	5,000	5,000
Preference divs.	43,125	40,625	38,594
Employees' divs.	4,204	4,077	3,733
Ordinary shares:—			
Earned	101,637	88,433	95,893
Paid	79,750	74,250	64,969
Earned %	12.6	13.3	16.2
Paid %	10	11½	11½
To Reserve	15,000	—	25,000
Carry forward	105,940	120,123	126,048

* After works expenses and taxation.

The improvement in equity earnings is, of course, the reflection of substantially higher pre-tax profits, due no doubt to a considerable expansion in some at least of its very varied activities last year. Thus, debtors have risen from £868,725 to £1,162,222 and creditors, including taxation, from £786,289 to £1,158,616. Stocks have declined in terms of value from £582,198 to £540,323, and it is probable that the fall in volume has been much more marked. There is, in consequence, a jump in the total of cash and Government securities from £84,435 to £196,599. The reserve fund, after addition of the current transfer, stands at £175,000. The accounts are reticent about current prospects, but there is every reason to expect that the level of net earnings will be approximately maintained. In any case, there is a comfortable margin of equity earnings before reduction of the ordinary dividend would become necessary. The £1 ordinary shares at 26s. 10½d., ex dividend, yield £8 7s. 5d. per cent.

Handley Page Profits

The preliminary statement of Handley Page for the year to December 31st last shows a fall in net profits, after taxation, depreciation and fees, from £219,479 to £159,388. It is highly probable that the whole of the drop of over £60,000 in net earnings may be due to the extra burden of income and EPT last year and that total profits are in excess of the 1939 level of £951,569, a record for the past decade. On the other hand, it is well known that aircraft companies have generally accepted lower contract rates, and it is possible that the gross figure is reduced, although there is little doubt that turnover increased still further last year. On the basis of the preliminary figures, it seems reasonable to estimate the rate of equity earnings at 64.8 against 85.6 per cent. The final dividend is reduced from 20 to 15 per cent, tax free, making with the 10 per cent interim, less tax, which is repeated for the current year, a total rate, less tax, of 40 against 44.8 per cent. Surplus earnings appear to stand at some £46,000, and it is, therefore, probable that there is some transfer to reserve or contingencies—the former received £80,000 in 1939—and that the carry forward is raised above last year's level of £21,711. The 5s. ordinary stock, at 20s. 6d., yields £10 2s. 6d., less tax.

Murex—Further Progress

The Murex accounts for the year ended June 30, 1941, show a rise in total profits, for the eleventh year in succession, from £534,987 to £587,405. Trading profits are

actually £62,651 higher at £553,091. As in the previous year, obsolescence reserve remains at £150,000, and the closing of the London office has almost wiped out expenses under this head. Transfer to tax reserve is, however, some £68,000 higher at £370,000, and equity earnings are reduced from £220,555 to £209,722, representing 41.9 against 37.6 per cent. The total 20 per cent payment on ordinary shares, maintained throughout the four previous years, is repeated, and after increased appropriations, the carry forward is raised from £103,423 to £107,145.

	Year ended June 30,		
	1939	1940	1941
Total profits after depreciation	344,519	534,987	587,405
Obsolescence reserve	50,000	Nil	Nil
Taxation	108,500	302,353	370,000
Other expenses	7,190	8,579	4,183
Preference dividends	3,500	3,500	3,500
Ordinary shares:—			
Earned	175,329	220,555	209,722
Paid	135,625	118,750	100,000
Earned %	25.9	37.6	41.9
Paid %	20	20	20
General reserve	40,000	*87,242	*106,000
Carry forward	90,167	†103,423	†107,145

‡ Including 2½ per cent. cash bonus.

* Including £50,172 reserve for investments in enemy occupied territory in 1940, and £31,000 reserve against loan to a subsidiary in 1941.

† After deducting £1,307 loss on sale of investments.

The balance-sheet, like the profits statement, conveys an impression of steady and well-proportioned expansion. The consolidated account reveals a rise in fixed assets from £1,240,289 to £1,448,745, while stocks and work in progress are £150,695 higher at £598,767. Creditors are up from £771,790 to £1,235,283, £210,181 of the increase being provided by a rise in taxation reserve. Debtors have increased from £525,686 to £674,863. The company's balance-sheet shows the investment of £50,000 in 2½ per cent National War Bonds, 1946-48, while cash holdings are almost stable at £383,300. The statement of the chairman, Mr George P. Joseph, indicates that profits, satisfactory as they are, have been struck on a conservative basis which affects the value put on stocks and work in progress, and ensures the provision for all tax liability on profits to June 30th last, regardless of the date of payment. He also points out that the company has, of course, incurred special expenditure for war damage and ARP. Through its production of the rarer metals and alloys, its electric welding business and the association with ICI, the company holds a dominant position, and there seems no reason to suppose that the limit of expansion has been reached. The £1 ordinary shares, at 90s. ex dividend, yield £4 8s. 11d. per cent.

BA Western Earnings

It was inevitable that the BA Western accounts to June 30th last should show less satisfactory results than in the previous year, and, in the circumstances, the setback appears to be moderate. Gross revenue actually rose from £3,555,572 to £3,647,090. But as in the case of BAGS, operating costs, in particular fuel charges, rose sharply and since income from rentals was lower, total profits are reduced from £819,486 to £795,735. With exchange differences slightly lower at £232,797 against £248,141, earnings for debenture issue are only some £3,000 down at £472,968. As in the two previous years, net earnings failed to cover debenture and note service and the carry forward is reduced from £13,554 to £5,549.

	Year ended June 30,		
	1939	1940	1941
Operating receipts	3,422,383	3,555,572	3,647,090
Working expenses	2,999,028	2,962,590	3,064,237
Rentals received, etc.	228,376	226,504	212,882
Total profits	651,731	819,486	795,735
Exchange differences	216,513	248,141	232,797
Miscellaneous expenses	89,929	95,603	89,970
Earned for debentures	345,289	475,742	472,968
Deb. and note interest	461,420	483,506	480,973
General reserve	Dr. 125,000	—	—
Carry forward	21,318	13,554	5,549

As with all the Argentine railways, the essential difficulty is the closing of European markets and the lack of transport facilities. Consequently, there was little prospect that debenture and note service could be covered by current earnings in the immediate future and the moratorium for the two years to July 1, 1943, covering 4 and 5 per cent debenture stock and 5 per cent Three Year Secured Notes appears to be justified. The latter issue totalling £395,910 replaced the 4 per cent Three-Year Bearer Notes which fell due on January 1st last. The company was fortunate in that the severe fall in the value of maize and other grain traffic was accompanied by an increase of 31 per cent in that of wheat. Despite this improvement and a rise in the value of cement and wool traffic, earnings from goods fell from £1,495,082 to £1,466,089. The most favourable aspect of the current traffic position is the increased transport of livestock to Great Britain and the U.S.A. which began to revive early this year. The most significant factor last year was, however, the rise in costs which increased the working percentage from 83.32 to 84.02. No details are furnished of the year's expenditure on renewals other than that it was provided from revenue, the Renewals Fund remaining at a balance sheet total of £2,857,093.

* * *

Rhodesian Copper Results

The halving of the interim dividend on Roan Antelope Copper in April, followed almost a month ago by a similar reduction in the final distribution, did not depress for long shares of the Rhodesian copper mining concerns. Investors in this group have now to face a further blow in the total passing of the dividend on Mufulira Copper, as compared with a cut from 13½ to 11½ per cent for the year to June 30, 1940. Both concerns explain the action taken by the high level of taxation, and, although EPT is not specifically mentioned, it is undoubtedly mainly this tax which the managements have in mind. It is possible to see how the combination of a higher rate of income-tax with the necessity of finding EPT at the full rate for the whole year may have increased the total tax provision by more than 50 per cent and so reduced the Roan Antelope dividend

Change

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to half the figure of 1939-40. It is not easy, however, to understand how a parallel development can have completely obliterated the profit of Mufulira, which for that

	Mid-Dec., 1940	Mid-March, 1941	Subsequent lowest price	Present price	Fall on week
Rhokana 20s.	142/6	150/-	130/-	135/-	5/-
Roan Antelope 5s. .	14/-	14/-	10/9	13/-	...
Rhod. Anglo A. 10s.	13/6	13/3	11/-	13/-	-6
Rhod. Sel. Trust 5s.	10/6	9/3	8/-	8/6	-9

year amounted to 18½ per cent on the capital, and the immediate action of the market was to mark down prices of the whole group. Mufulira shares are held as to one-third by Rhodesian Selection Trust, of which they are

almost the sole asset, and as to two-thirds by Rhokana Corporation, which has its own mine, of which the results may be available within the next few days. Rhodesian Anglo-American holds over half the Rhokana shares, and is also interested in "Chartered"—itself largely concerned in copper companies—and in the still developing Nchanga Consolidated. It will be seen from the table given above that, while Rhokana rose in the early spring to well above the level of end 1940, the prices of the other shares have been very steady, for mining ventures. The fall after March reflects disappointment at the inadequacy of EPT concessions. The net fall over the period covered is less than 5 per cent. It seems that higher costs may have played a part in reducing dividends, but the course of prices suggests a belief that distributions will not long continue at the current levels.

THE STOCK EXCHANGES

London

Note: all dealings are for cash only

In the absence of any decisive developments on the Eastern front or in the Far East, markets closed quietly before the week-end. Quiet conditions continued in the early part of the current week, investors awaiting developments, but, despite a rather dull tendency in some sections, the undertone was firm, sentiment being assisted by President Roosevelt's speech on Monday.

The small volume of business in the gilt-edged market before the week-end left prices unchanged, but, with slight selling at the re-opening, 2½ and 4 per cent Consols lost ½ and ¼ respectively, 4 per cent Funding Loan declined ½, while Local Loans and 3 per cent Conversion both eased ½. The following day, turnover was again small, and despite some initial weakness, prices remained unchanged. An improvement in midweek was halted by talk of India vesting. There were few changes in the foreign bond market before the week-end, but the Russo-Japanese frontier incident led to a sharp fall in Japanese issues on Monday. The 6 per cent issue of 1924 fell 2½, while 5 per cent bonds, 1907, and 5½ per cent bonds, 1930, both lost 2 points. The next day's recovery included a rise of 1½ points in the 5½ per cent, 1930, loan, while most other issues improved from ¼ to 1. South American bonds were quiet, the 5 per cent Brazil loan of 1903 rising a point on Tuesday, when Chilean issues enjoyed some small advances. Among European issues, Dawes loan improved ½ before the week-end, and a further ¼ on Tuesday, when the Czech 8 per cent loan lost ¼ point.

The uncertainty arising from the War Damage Act continued to influence junior issues in the home rail market, and both before and after the week-end small losses were general. Thus during Friday's business GW ordinary lost ½, LMS ordinary and Southern preferred both declined ½, while Southern deferred eased ½. London Transport "C" stock also lost ½, but senior issues were firm. The current week opened with further declines, GW ordinary falling ½, Southern deferred ½, and LMS ordinary ½, but London Transport "C" improved ½ and Southern ½. The following day the market became steadier and junior stocks were unchanged, although senior issues advanced slightly. Later, junior issues were in some demand, GW ordinary rising ½ among smaller gains. Among foreign rails, Canadian Pacific ordinary was prominent before the week-end with a gain of ½, but at the re-opening lost ½. Among South American stocks, BAGS was weak on publication of the report.

Both before and after the week-end, the volume of business in the industrial market was slight, but the undertone throughout remained firm. Brewery issues were slightly irregular before the week-end, but fresh support in the early part of the current week resulted in gains for Guinness, Bass, Courage and Watney deferred. Seager Evans, however, were persistently weak. Changes in the aircraft and motor section were slight and trendless, while on Tuesday among heavy industrial issues, small losses predominated. Babcock & Wilcox, John Brown, Harland & Wolff, and Stewarts and Lloyds, among others, were all lower, but United Steel Cos. improved against the trend. Courtaulds gained 6d. on Friday, but otherwise changes in the textile group were few and slight. The shipping group was quiet until midweek, Royal Mail Lines gaining 6d. on Tuesday. Later, Cunard attracted buyers. Among tobacco issues, BAT and Imps gained ½ on Monday, the latter having improved the same amount the previous Friday. Elsewhere, Cable & Wireless ordinary gained ½ before the week-end. In the miscellaneous group, Murex advanced ½, on the same day, and on Tuesday gained ½ on the year's improved results. The general tone improved in midweek but, Cunard apart, price changes were small.

War news and the general uncertainty exercised a depressing influence on the mining and commodity markets before and after the week-end. In the kaffir market on Monday, Blyvoors reversed the previous Friday's advance of 6d., and West Wits declined ½, although Geduld gained the same amount. Interest continued at a low ebb the next day, Crown Mines losing ½ and Grootevlei gaining ½. The rubber market was dull throughout, and price changes were generally downward. The oil market finished cheerfully before the week-end, Burmah gaining ½, but, as elsewhere, both prices and turnover fell away in the early part of the current week. Anglo-Iranian lost ½ and Burmah ½ at the re-opening, when Mexican Eagle ordinary declined 4d. The following day Burmah, Shell and Anglo-Iranian all lost ½ and the downward movement continued in midweek. Subdued trading in mid-week produced no definite trend.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices	30 Ord. shares*	20 Fixed Int.†
Oct. 23 ..	2,829	1,177	77.9	131.6	
" 24 ..	2,949	1,442	78.1	131.6	
" 27 ..	3,195	864	78.1	131.6	
" 28 ..	2,839	1,977	78.2	131.6	
" 29 ..	2,892	1,056	78.2	131.6	

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941 highest, 79.7 (Sept. 12); lowest, 66.8 (Apr. 24). 20 Fixed Int., 1941; highest 131.6 (Oct. 29); lowest, 126.1 (Jan. 2).

New York

THE situation on the Russian front led to quiet and subdued conditions before the week-end on Wall Street, slight selling causing many small declines. Trading in the early part of the week was slow, the Russo-Japanese frontier incident creating increased uncertainty, while the impending coal strike was a depressing factor. Markets fluctuated narrowly and small declines were fairly general. Later, conditions remained dull pending decisive developments.

The Iron Age estimates steel mill activity at 94.5 per cent of capacity against 96 per cent in the previous week.

New York Prices

STANDARD STATISTICS INDICES
(1935-36=100)
WEEKLY AVERAGES

	1941	Oct. 15	Oct. 1	Oct. 15, 1941	Oct. 22, 1941
347 Industrials ..	80.6	83.9	82.5	80.6	80.6
32 Rails ..	69.5	71.4	71.2	70.1	69.5
40 Utilities ..	77.6	80.1	79.5	78.4	77.6
419 Stocks ..	79.5	82.6	81.4	79.6	79.5
Av. yield* ..	6.74%	6.41%	6.55%	6.74%	6.69%

* 50 Common Stocks. (a) Oct. 22.

DAILY AVERAGE OF 50 COMMON STOCKS

Oct. 16	Oct. 17	Oct. 18	Oct. 20	Oct. 21	Oct. 22
95.1	95.5	96.5	96.5	97.6	97.1

1941 High: 105.8, January 10. Low: 90.7, April 30.

Total share dealings: Oct. 23, 540,000; Oct. 24, 700,000; Oct. 25, 270,000; Oct. 27, 480,000; Oct. 28, 560,000; Oct. 29, 550,000.

* Two-hour session.

	Close Oct. 21, 1941	Close Oct. 22, 1941	Close Oct. 21, 1941	Close Oct. 22, 1941
1. Railroads.				
Balt. & Ohio ..	31	31	1941	1941
Ches. & Ohio ..	24	24	1941	1941
Ill. Cent. ..	8	7	1941	1941
N.Y. Cent. ..	11	10	1941	1941
Norfolk Pac. ..	6	6	1941	1941
Pennsylvania ..	22	22	1941	1941
Southern ..	17	16	1941	1941
2. Utilities, etc.				
Amer. Tel. ..	152	151	1941	1941
Amer. W'vks. ..	3	3	1941	1941
Ches. Light ..	35	34	1941	1941
Edison ..	17	17	1941	1941
Gen. Elec. ..	23	23	1941	1941
Int. Nickel ..	6	6	1941	1941
3. Commercial and Industrial.				
Amer. Metal ..	19	19	1941	1941
Am. Roll. Mil. ..	12	12	1941	1941
Am. Smelting ..	39	38	1941	1941
Anacosta ..	26	26	1941	1941
Briggs ..	18	18	1941	1941
Celanese of A. ..	23	22	1941	1941

(Continued on page 543)

Industry and Trade

Limitation of Supplies Changes

The Board of Trade has now given details of the changes in quotas under the Limitation of Supplies (Miscellaneous) Order for the six months ended May 31, 1942. The Order, which came into force in the spring of 1940, restricts, for half-yearly periods, the value of a wide range of articles in common use that may be distributed to retailers, to a percentage of supplies during the corresponding half-yearly periods, June-November, 1939, and November, 1939-May, 1940. In the main the quotas are to remain unchanged, though in the case of certain goods supplies will be further reduced. Those of carpets, linoleum and floor coverings are to be cut from 33½ to 25 per cent of supplies in the standard period. The quota for trunks, bags and related articles will be similarly reduced, but within this group of articles the effective quota for suitcases and attaché cases made wholly or mainly of fibre board, will remain unchanged at 50 per cent. That for glassware is to be 20 per cent, but the effective rate for tumblers, jugs and carafes will be 40 per cent. Fancy goods will retain a quota of 25 per cent, but the effective rate for certain articles in this category, such as cups, saucers and tumblers of synthetic resin, fountain pens and umbrellas, will be 50 per cent. The supply of metal toys will be prohibited from January 1, 1942. On the other hand, the restrictions on supplies have been removed from many household goods made of plain, unadorned earthenware or china, such as cups, saucers, plates, dishes, jugs, bowls, basins and chambers. Despite the further cuts made in the quotas, the list of articles covered by the Order might have been pruned still further by the temporary prohibition of supplies of all goods that are not really essential.

Economising Transport

Following the Ministry of War Transport's decision to extend its control over the road haulage industry—an indispensable step in the integration of the various means of transport—Lord Leathers announced measures designed to economise transport at a luncheon of the British Association of Refrigeration last Monday. Broadly, the new plan aims at the elimination of cross-hauls and at the curtailment of long-distance traffic whenever alternative goods can be secured from nearer sources of supply. In the past cross-hauls have been responsible for a good deal of waste of transport. These are mainly a legacy of pre-war conditions, when transport was ample and when manufacturers of identical commodities in different parts of the country found it advantageous to create a nation-wide market for their goods. In other words, the economies of large-scale production tended to widen the radius of distribution, as in the case of bricks and branded goods, for example. But now carrying capacity, rather than the cost of haulage, has become the deciding factor. For these reasons, it has become necessary to curtail long-distance traffic and to render individual areas more self-supporting. In the case of coal, the biggest single user of transport, the need for concentrating production at the pits situated nearest to the areas of consumption has long been advocated, though much still remains to be done. But there is a good deal of scope for extending the principle of local self-sufficiency to other commodities, including consumption goods, though its application is needs limited by the undesirability of expanding existing production facilities. On peacetime

criteria, these measures are retrograde; but since the demands on transport are likely to increase with the expansion in war production, they must be accepted on grounds of expediency. The success of the scheme, however, must depend largely on the initiative of the Ministry of Food and the Board of Trade, as well as on the Supply Departments of the fighting services; the former has already issued an Order enabling it to control the movement of food and animal feeding-stuffs.

Classified Catering

More details are now published of the proposed classification of catering establishments according to the needs of their clients. All catering establishments, whether public or private, are to be divided into three categories. Category A comprises those serving meals to workers in specified heavy industries of particular national importance, including mining, quarrying, docks, iron and steel and metal extraction. These establishments are to receive one pennyworth of meat per main meal, instead of one pennyworth as at present, more cheese, and three times their present allowance of sugar. Catering establishments in category B, which comprises other industrial canteens and private establishments catering mainly for industrial workers, will receive 1½d. worth of meat and double their present allowance of sugar. In both categories there will be an increased allowance of cooking fats, and establishments serving what the Ministry of Food calls "cut meals" will have more cheese and preserves. All other establishments are classified in category C and will receive the same allowance as before. This is a sound step in the development of the policy of differential rationing.

Diamond Hoarding

The Board of Trade has information that only half the stones supplied to the diamond trade are being exported, though the Diamond Manufacturers' Association is pledged to export at least 75 per cent. Half the stones are being hoarded at home, and it was to prevent this particularly unpatriotic method of conserving individual wealth that the Board of Trade required the export undertaking. The defence of the trade is that it is not being supplied with the size of stones most suitable for export. Stones up to three-quarters of a carat are best for this purpose and the larger stones are sold to the home trade. The Government's retort to this is that if the trade does not keep more strictly to its undertaking, the sales of stones of over one carat in the rough will be prohibited. As the Board of Trade has also reminded the Association that it is running the risk of having its business closed down altogether, it is to be hoped that the trade will make every effort to honour its pledge.

Wine Imports

Since March 20, 1941, no wines and spirits have been imported, but the Ministry of Food is now considering, in response to representations made by the wine trade, whether some relaxation of the embargo could be allowed. Stocks of imported wines and spirits in bond amounted to £10,714,000 at the end of 1939. Stocks are now low—some

on January 31, 1942, all the outstanding 5½ per cent First Mortgage Debentures totalling £33,200.

Shorter Comments

Canadian Pacific Railway (\$000's).—Gross earnings in September \$19,268 (\$15,647), excls. \$3,467 (\$2,986), net earnings \$15,802 (\$12,661).

Royal Mail Steam Packet Co.—A final distribution of 1.845d. in £ by the liquidator, Sir W. McLintock, is to be made on or after October 28th.

(Continued on page 550)

(Continued from page 542)

Capital Issues

Week ending November 1, 1941	Nominal Capital	Conversions	New Money
By Permission to Deal ..	65,740	...	108,234
Particulars of Government issues appear on page 549			

Year†	Including Conversions	Excluding Conversions
1941 ..	1,299,269,950	1,245,662,668
1940 ..	1,226,044,089	872,788,056

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1941 ..	1,241,586,533	4,206,135	70,000
1940 ..	871,803,384	984,672	N/A

Nature of Borrowing (Conv. Exclud.)

Year†	Deb.	Pref.	Ord.
1941 ..	1,238,565,650	527,394	6,569,624
1940 ..	856,698,520	1,561,005	14,528,531

† Includes Government Issues to Oct. 21st only. Above figures include all new capital in which permission to deal has been granted.

CONVERSIONS AND REPAYMENTS

United Glass Bottle Manufacturers, Limited.—A drawing of £19,590 of 4½ per cent First Mortgage Debenture Stock will be made on November 20, 1941, for repayment at par on January 1, 1942.

Manchester Guardian and Evening News.—It has been decided to redeem,

have been lost by enemy action—and it is understood that many wine merchants ration their customers to less than one-fifth of last year's purchases. Empire producers are aggrieved that their trade with this country has been, in effect, cut off, and they feel that special consideration should be given to them. They appear to be somewhat at a disadvantage compared with Spain and Portugal, because of the difference in distance from the market here. It has been said that there is empty space in ships which come from Spain and Portugal, as well as from South Africa and Australia, which would well be filled with wines. But if this space exists it could with advantage be used for importing commodities of a greater wartime utility. The Government has asked wine distributors to conserve supplies of brandy for medicinal use, and the Co-operative Wine Growers' Association of South Africa—a statutory body representing the industry in that country—would like to see import licences granted to solve the problem of medicinal supplies. An alternative solution might be the requisitioning of stocks. The view has been expressed that Empire trade in wines and spirits should be fostered, so that advantage may be taken of potential post-war demand, which may not easily be fulfilled by the former European wine producers. In the past, the proportion of Great Britain's total wine imports derived from the Empire has been relatively small. Total imports of wine amounted to £5,520,081 in 1939; of this the value of South African wines was £385,986, and of Australian wines £605,562. From all Empire countries £1,074,106 worth of wine was imported in that year. It is true that South Africa, at least, had hoped for larger exports to this country. For example, it was estimated that 10,000 hogsheads of South African sherry would reach this country in 1940, 15,000 hogsheads in 1941, and 22,000 hogsheads in 1942. The small amount of business which is normally transacted does not strengthen the arguments of those who wish for special treatment for Empire wine producers, even while they admit that their products cannot be regarded as an essential article of wartime consumption.



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Crude Oil Production

The accompanying table, published in the *Oil and Gas Journal* of September 4th, shows the distribution of crude oil production by countries, as well as changes in the rate of output between the autumns of 1939 and 1941. In so far as Axis-controlled oilfields are concerned, the estimates must be largely conjectural. Nevertheless, the figures show that in spite of the acquisition of additional sources of supply since 1939, mainly in the Balkans, the output of crude oil controlled by members of the Axis represents only about 2½ per cent of world production. Germany has, of course, supplemented her meagre supplies of crude oil by an appreciable expansion in the output of substitute fuels, planned

WORLD CRUDE-OIL PRODUCTION

(Barrels Daily)

(a) Controlled by U.S., British Empire, Holland, U.S.S.R.

Country	Sept. 1, 1939	Sept. 1, 1941
Bahrein Island	22,500	19,700
Canada	22,000	27,400
Egypt	14,200	20,900
British India	28,000	27,600
Iran	225,000	190,000
Iraq	88,000	22,600
Netherlands East Indies	172,000	176,800
Saudi Arabia	11,000	15,500
Trinidad	53,000	57,800
U.S.S.R.	586,000	612,680
United States	3,605,700	3,965,650
TOTAL	4,827,400	5,136,630

(b) Axis Controlled Countries

France	1,350	1,280
Germany	16,500	27,000
Hungary	2,300	7,800
Italy	2,900	4,500
Japan	7,200	7,000
Roumania	127,000	104,700
TOTAL	157,250	152,280

(c) Principal Other Countries

Argentina	49,800	59,000
Colombia	62,000	54,000
Ecuador	6,400	4,600
Mexico	110,000	135,000
Peru	35,000	30,400
Venezuela	595,000	628,000

GRAND TOTAL* 5,844,250 6,201,910

* Including other countries.

long before the war. Nevertheless, oil remains one of the most vital of scarce raw materials in Germany and Japan. Production in the majority of other countries has increased between 1939 and 1941, in spite of the loss of the European market, a reflection of the increase in consumption, especially in the United States. The only important exceptions are the oilfields in the Middle East, and some of the Latin American countries whose markets have been restricted, mainly by the scarcity of tankers.

No Petrol Rationing for America

Fear of a petrol shortage along the Atlantic seaboard of the United States has, for the time being at any rate, been removed. At a press conference last week-end Mr Harold L. Ickes, Petroleum Co-ordinator for Defence, announced that the restrictions recently imposed on the use of petrol in the Eastern States would be removed forthwith. These restrictions—which included the curtailment of supplies to filling stations in that area and the compulsory closing of these outlets between the hours of 7 p.m. and 7 a.m.—were necessitated by shortage of transport facilities said to have been brought about by the transfer of American tankers to Britain. Their removal is the logical outcome of the British Government's decision to return forty of these vessels—fifteen by November 1st and twenty-five by November 30th. How many tankers were actually transferred to Britain earlier this year has never been disclosed, but the figure is believed in some circles to be as high as eighty. If this is true, it provides grim evidence of German successes on the Atlantic Front, even though, as it now

appears, some of the tankers were transferred in anticipation of losses which have not occurred. According to Mr Ickes, the forty vessels are now being returned as the result of "a major improvement in the British oil situation brought about by the rapid application of the American tanker and petroleum programme and Great Britain's improved condition in the Battle of the Atlantic." The projected giant 1,800-mile pipeline from the Gulf Coast pro-

ducing region to the New York area, whose construction would have required close on 500,000 tons of steel, may now be unnecessary. A period of heavier tanker losses would, of course, once more alter the picture for the worse, and the American Government may consider it expedient not to cancel the pipeline project; but as a record tanker tonnage is now under construction in American yards, the longer-term outlook seems reasonably good.

COMMODITY AND INDUSTRY NEWS

TIN prices have continued at a comparatively low level, with slight fluctuations each day. Wednesday's price for standard cash was £255 10s.-15s. per ton compared with £255 15s.-£260 on the previous Wednesday. Three months tin, at £259 10s.-15s. per ton, compared with £259 5s.-10s. The Rubber Trade Association has announced that it will not publish rubber prices unless they are changed. Prices were fixed on October 15th at 13.75d. per lb. for European plantation-produced smoked sheet and 13.69d. per lb. for rubber from native plantations.

Unrationed Textile Goods.—The manufacture of unrationed textile goods by registered and unregistered traders is prohibited except under licence or against coupons issued by the Board of Trade. In view of pressure on supplies, the general licence permitting the use of cloth within traders' general quotas for the manufacture of any unrationed goods has been modified. Cloth is no longer permitted to be used under this licence for the manufacture of table cloths, table napkins, fancy drapery, embroidery, sports goods or artificial flowers. In view of the need for blankets and towels, however, the Board of Trade is prepared to grant licences to registered persons, allowing them to use extra cloth outside their quota for the manufacture of these goods.

Toilet Preparations.—A second Order dealing with toilet preparations, following the one discussed in *The Economist* of October 11th, comes into force on November 1st and makes several changes. Only supplies of controlled goods in the manufacture of which a registered person has carried out a process will count against his quota. Supplies of controlled goods obtained by one registered person from another will count against the supplier's quota, but supplies made in the standard period by one registered person to another are to be included in the supplier's standard period and will count towards his quota. A wholesaler or retail dealer may only buy controlled goods for re-sale if they were made by a registered manufacturer.

Export Control.—A new Board of Trade export control Order which comes into force on November 6th adds to the list of articles for which export licences are required. These include a number of additional forms of iron and steel (including alloy steel) and articles manufactured wholly or mainly of iron and steel. Spices, neoprene and manufactures thereof now require licences, and the existing prohibitions relating to machine and other tools, golf clubs, paper-insu-

lated wire and cables, card clothing, mining drill bits, borax, boric acid and certain types of railway locomotives and vehicles are extended.

Cotton.—A feature of the market has been the larger demand for cloth for the Government. Substantial contracts have been placed by the Ministry of Supply in heavy materials and fine strong cloths. In some instances, to fulfil these contracts, it has been necessary to divert yarn from ordinary business. Further stock lots have been purchased for immediate export to Russia. There has not been any slackening in the inquiry for export, and miscellaneous sales have been put through, chiefly for South America, Java and the Dominions. There have been rumours, however, that there may be a restriction upon shipments in the near future, to release supplies for Government and essential home purposes. From the beginning of this week all yarn deliveries have been under licence. A keen demand has been reported in American and Egyptian yarns but only a limited turnover has taken place.

Food Control.—Retail prices of imported eggs, except Eire eggs, were reduced by ½d. each to 2½d. on October 27th. Other classes of eggs remain at 2½d. each. The Ministry of Food promises that supplies of cooking eggs will be available at 2d. each. A special distribution of imported canned meats, canned beans and canned fish is being made through the usual trade channels, which may not be sold to consumers until November 16th. Cheese has been removed from the group of "main" dishes served in restaurants, and now ranks as a "subsidiary" dish. The drying of vegetables (including herbs and tomatoes, but not edible fungi) by artificial means is to be subject to licence from November 14th. The manufacture of cornflour, custard and blancmange powders, and similar products are to be controlled. In the first week of December 2 oz. of block suet will be available in addition to the fats ration.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week Ended Oct. 11, 1941	Oct. 18, 1941	From Apr. 1 to Oct. 18, 1941
Argentina	76	88	5,438
Atlantic America	7	98	1,847
Danube region	...	...	678
S. and E. Africa	...	...	1,081
Indo-China, etc.	...	...	91

* Not received.

† Incomplete.

Source: *The Corn Trade News*.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week Ended Oct. 11, 1941	Oct. 18, 1941	From Aug. 1 to Oct. 18, 1941
N. America	402	495	3,889
Argentina, Uruguay	140	189	2,736
Australia	...	...	...
Russia	...	...	182
Danube and District	...	...	...
Other countries	...	...	...

* Unobtainable.

Source: *The Corn Trade News*.

"THE ECONOMIST" SENSITIVE PRICE INDEX (1935=100)

	Oct. 23, 1941	Oct. 24, 1941	Oct. 27, 1941	Oct. 28, 1941	Oct. 29, 1941
Crops	113.7	113.7	113.6	113.5	113.6
Raw materials	170.5	170.5	170.5	170.5	170.5
Complete Index	139.3	139.3	139.2	139.1	139.2

	Mar. 31, 1937*	Aug. 31, 1939	Oct. 29, 1940	Sept. 29, 1941	Oct. 22, 1941
Crops	147.9	92.2	102.0	113.4	113.8
Raw materials	207.3	122.9	165.8	170.5	170.4
Complete Index	175.1	106.4	130.0	138.1	139.3

* 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	
1935	96	83	96	+3.1
1936	99	90	99	+1.0
1937	100	100	100	-7.0
1938	94	82	85	+10.7
1939	105	80	103	+10.7
1940	116	83	114	+47.0
1940 Aug.	124	74	122	-7.8
" Sept.	148	54	143	-8.4
" Oct.	157	73	152	-40.0
" Nov.	81	88	81	-28.9
" Dec.	76	76	76	-21.2
1941 Jan.	63	67	65	-19.1
" Feb.	106	68	105	-35.9
" March	124	102	123	-31.1
" April	122	93	101	+20.5
" May	88	109	88	-7.2
" June	122	105	122	-31.2
" July	75	130	77	-25.2
" Aug.	83	105	84	...
" Sept.	107	128	107	...

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

Purchase Tax is included; figures are therefore comparable throughout.

Source: *Board of Trade Journal*.

AMERICAN WHOLESALE PRICES

	Oct. 21, 1941	Oct. 28, 1941
GRAINS (per bushel)...	Cents	Cents
Wheat, Chicago, Dec.	116½	113½
" Winnipeg, Oct.	72½	72½
Maize, Chicago, Dec.	74½	75½
Oats, Chicago, Dec.	47½	47½
Rye, Chicago, Dec.	64½	63
Barley, Winnipeg, Oct.	54½	54
METALS (per lb.)...	12.00	12.00
Copper, Connecticut	52.00	52.00
Tin, N.Y., Straits, spot	5.85	5.85
Lead, N.Y., spot	...	...

	Oct. 21, 1941	Oct. 28, 1941
METALS (per lb.)—cont.	Cents	Cents
Spelter, East St. Louis, spot	8.25	8.25
MISCELLANEOUS (per lb.)—	7.73	7.85
Cocoa, N.Y., Acera, Dec.	...	...
Coffee, N.Y., cash—	9½	9½
Rio, No. 7	13½	13½
Santos, No. 4	17.05	16.93
Cotton, N.Y., Am. mid, spot	16.20	15.96
Am. mid, Nov.	12.40	12.49
Cotton Oil, N.Y., Dec.	9.40	9.42½
Lard, Chicago, Dec.	...	...

	Oct. 21, 1941	Oct. 28, 1941
MISCELLANEOUS (per lb.)—cont.	Cents	Cents
Petroleum, Mid-cont. crude, per barrel	117	117
Rubber, N.Y., smkd. sheet spot	23½	23½
" Nov.-Dec.	23½	23½
Sugar, N.Y., Cuban Cent., 96 deg. spot	3.50	...
Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Dec.	2.50	2.58
Moody's Index of staple commodities, Dec. 31, 1931=100	207.1	207.6

COMPANY MEETINGS

TRINIDAD PETROLEUM DEVELOPMENT
COMPANY, LIMITED

SATISFACTORY PRODUCTION CONTINUED

DIVIDEND MAINTAINED

EPT POSITION

MR KENNETH MOORE'S REVIEW

The annual ordinary general meeting of the Trinidad Petroleum Development Company, Limited, was held, on the 29th ultimo, at the Institute of Chartered Accountants, Moorgate Place, London, E.C.

Mr Kenneth A. E. Moore, F.C.A., chairman of the company, presided.

The secretary (Mr J. Mytton) having read the notice convening the meeting and the report of the auditors,

The chairman said: Gentlemen,—The report and accounts for the financial year ended July 31, 1941, have been in your hands for some days and, with your permission, we will take them as read. (Agreed.)

In addressing you to-day I propose to confine myself largely to financial matters, but I may say in passing that the company's production experience and field development have continued to be eminently satisfactory.

A SUCCESSFUL VENTURE

You will have observed from the accounts that the trading profits have again been on a scale that, but for the incidence of taxation, would have permitted a handsome return on the capital provided by the shareholders for the venture for which the company exists.

That venture, consisting of the search for and production of oil, with all its hazards, has been more successful than many of its kind, and the production achieved goes well beyond any hopes which were held out in the prospectus issued in 1937, when additional capital was raised to bring the earlier work of the company to fruition. It is fortunate that it has been so, not only for you as shareholders, but also from a broader standpoint, since ample oil supplies are vital to the war effort and your company is able to make a substantial contribution towards them.

As the financial reward available to shareholders is severely limited by the incidence of taxation you will no doubt wish me to give you the fullest account possible in regard thereto.

IRREPLACEABLE RESERVES BEING EXHAUSTED

In the first place I should perhaps mention the general consideration that in existing circumstances the company is exhausting irreplaceable reserves of oil at a much higher rate than was the case in the pre-war years, upon which its standard profits for purposes of EPT are based.

Out of current earnings it has to pay to the Government of Trinidad firstly a special war-time "cess," or levy, based on production, absorbing a substantial sum, and, secondly, local income tax on the remaining profits at a rate raised as from January 1, 1941, to 4s. 3d. in the £.

On the profits remaining after deducting Trinidad taxation there falls to be paid to the British Government, firstly, Excess Profits Tax at 100 per cent., calculated by reference to the pre-war standard of profits, supplemented by allowances for increased capital and other reliefs to which I will refer presently. Lastly, when this liability has been ascertained, British income tax at 7s. in the £ is assessed on the residue of profits, subject to what is known as Dominion income tax relief.

RELIEFS UNDER FINANCE ACTS

The computation of the company's pre-war standard of profits and of the allowance for increased capital in itself bristles with questions of legal interpretation, some of which are the subject of a pending appeal. But there is the further complication that the possible reliefs afforded by Section 13 of the Finance (No. 2) Act, 1940, and Section 31 of the Finance Act, 1941, cannot at present be calculated.

The first-named section gives us a right to join with other Trinidad oil companies in a collective application to the Board of Referees for an increase in the percentage allowance for increased capital. The normal allowance is 8 per cent., and the Board of Referees have power to increase it to a maximum of 12 per cent.

RIGHTS OF APPLICATION AND APPEAL

Section 31 gives us the right to make an individual application to the Commissioners, with a right of appeal to the Board of Referees, for an addition to our standard profits calculated on a formula related to our estimated oil reserves, the additional output due to the war, and the normal rate of profit thereon computed in accordance with rules and regulations to be made by the Treasury.

Both these sections are the outcome of representations to the Chancellor by the oil and certain other industries, in which, on your behalf, we have taken an active part. They are designed to mitigate to some extent the severity of EPT in the case of companies whose business involves the exhaustion of oil reserves and reserves of certain minerals and whose additional output due to the war accelerates that exhaustion. We hope that they will afford us a modest measure of relief, but from their very complication it will be many a long day before we know their exact value in our case.

THE ONLY SOUND COURSE

In the meantime the only sound course open to us is to bring our taxation reserve up to a figure which should be adequate on a conservative basis, disregarding the possible additional reliefs to which I have referred. Accordingly we have transferred out of this year's profits a sum of £175,000 to taxation reserve, and have renamed the reserve "Taxation and contingencies reserve account."

After substantial payments on account, the reserve stands at £418,600, which in the opinion of our auditors should more than cover our liability for taxation. Any excess will be a free reserve available for contingencies or any other purpose for which free reserves are available including the initiation of a fund for the redemption of preference share capital.

THE DIVIDEND

After providing for taxation in this way the balance available enables us to recommend a final dividend of 10 per cent., making the total dividend for the year up to 15 per cent.—that is, to the same nominal rate as was paid in respect of the preceding year. On this occasion, however, we are able to pass on to shareholders the benefit of Dominion income tax relief, so that the rate of tax to be deducted from the final dividend is 6s. 1d. only, as compared with the present standard rate of 10s. in the £. The final dividend is therefore equivalent to a dividend of 14 per cent., subject to income tax at 10s. in the £, making the total dividend for the year equivalent to 19 per cent. gross, subject to deduction of income tax at 10s. in the £, and thus represents an effective increase over the actual dividend paid last year.

This point is an important one, and seems to have escaped the notice it deserves. It affects preference shareholders also as it makes the effective rate of preference dividend greater than the nominal rate of 6 per cent.

STRONGER FINANCIAL POSITION

If you will now turn to the balance-sheet you will see that the raising of an additional £200,000 of capital earlier in the year has very much strengthened the financial position, and that cash at bank at the date of the balance-sheet amounted to nearly £450,000. This may appear to you to be a large sum, but it would be folly for us not to keep sufficient cash available to meet the balance of

BRISTOL AEROPLANE COMPANY,
LIMITED

CONTRIBUTION TO THE WAR EFFORT

MR VERDON SMITH'S STATEMENT

The thirty-first ordinary general meeting of the Bristol Aeroplane Company, Limited, was held, on the 30th ultimo, at Bristol, Mr W. G. Verdon Smith, C.B.E. (the chairman), presiding.

The following are extracts from the chairman's statement, which was circulated with the report and accounts:—

The company has continued to contribute the maximum of its capacity to the nation's war effort in all departments both of development and of production, and the aircraft and aero engines associated with the name "Bristol" have been conspicuously in the forefront of the struggle. The opportunity for recounting the epic narratives of their services in operation with the Royal Air Force lies in the future.

Turning to the accounts, capital expenditure as represented by fixed assets shows an increase over the figure for the previous year, additional outlays having been made as circumstances required. The figures shown for current assets, including both stocks and work in progress (less payments on accounts) and debtors, represent a considerable increase, such increase corresponding approximately to the greatly enlarged volume of work performed by the company during the period. Following our practice for several years past, £100,000 has been added to general reserve, bringing the total amount placed to reserve up to £670,000. With regard to current liabilities, the additional provision for taxation accounts for a considerable proportion of the increase under this heading. In addition, further borrowing from the company's bankers has been necessary, the overdraft being £430,000 more than the amount outstanding at the beginning of the year.

The net trading profit does not compare with the amount shown in the previous year's accounts inasmuch as the sum required to meet the liability for Excess Profits Tax has now been deducted before arriving at the net figure. As the amount available for distribution—£306,421—is less than the amount available in the previous year, it may be explained that this reduction arises from two causes. In the first place, although very considerable additional work was undertaken by the company as compared with previous years, this additional work has not been reflected in a comparable increase in trading profits by reason of the reductions in rates of profit on work for the Ministry of Aircraft Production. In the second place, the year's business has to bear the weight of the high rate of income-tax and also is subject to the incidence of the Excess Profits Tax—three months of the year at the original 60 per cent. and the remainder at the full rate of 100 per cent. In this matter your company, as is the case with many others, is called upon to make heavy contributions to the current cost of the war. For these reasons the amount of profit available for distribution bears no relation to the vast scope of the company's business and activities. At the same time, shareholders will no doubt willingly accept this position and indeed be glad to feel that in the time of the nation's need the company has been able to place resources on so great a scale at the service of the Empire.

As for the appropriation account, after covering interest on borrowings and providing for income-tax and also for directors' fees, there remains a balance of £295,694, to which has to be added the balance brought forward, namely, £107,727, leaving an available balance of £403,421. Of this sum £100,000 has been added to the general reserve and £17,250 has been absorbed by the dividend for the year on the 5 per cent. cumulative preference shares, whilst £75,900 has already been distributed as an interim dividend of 4 per cent., less income-tax, on the ordinary shares. Your directors now recommend a final dividend of 6 per cent., less income-tax, on the ordinary shares, leaving a balance to be carried forward of £14,271.

In conclusion, it is fitting to express your directors' appreciation of the whole-hearted way in which, through these times of strain, the company's staff and workpeople in all grades of responsibility have maintained their enthusiasm and initiative and have shown unflagging zeal in the national cause.

The report was unanimously adopted, and resolutions were passed increasing the maximum number of directors and converting the shares of the company into stock.

our liability for taxation when ascertained and for the requirements of the business as and when they arise.

In this connection it seems a pity that the Government is not at present willing to accept 2½ per cent. National War Bonds or some special Government security in payment of taxation. All companies making substantial profits endeavour to accumulate large bank balances to meet their prospective, but for the time being unknown, liability for taxation. But from the standpoint of national finance, it would surely be more healthy if that money, instead of producing astronomic increases in bank deposits (and indirectly in the floating debt), could be invested without prejudice to the taxpayer in War Bonds as it accrues, and so reach the Government at an earlier date and in a more final and wholesome form than it does under the present system via Treasury deposit receipts, Treasury bills, etc.

The suggestion could be extended also, of course, to the case of individuals who likewise endeavour to build up bank balances to meet the prospective demands of the tax collector, and would gladly take time by the forelock if a psychologically suitable system existed.

OCEAN LOADING FACILITIES

To return to our domestic affairs, our principal expenditure on capital account this year has been in respect of the acquisition of complete ocean loading facilities and additional bulk storage accommodation as referred to in the directors' report. We regard the resulting strengthening of our organisation as something far more valuable than the mere capital cost in terms of money. In other respects the balance-sheet calls for no comment on my part, as the figures speak for themselves.

In conclusion, I am sure you will wish to join with your directors in expressing our warmest thanks to all who serve the company in Trinidad, from Commander Lavington, our general manager, to the humblest worker on the field, for the admirable way in which they have carried on the work of the company in a year of difficulty and strain. Theirs is a most valuable contribution to the war effort. To our managing directors and staff in this country our thanks are also due for having coped successfully with administrative and supply problems regardless of the inconveniences of working under air-raid conditions during the greater part of the year.

The chairman concluded by moving the adoption of the report and accounts.

Major Goronwy Owen, D.S.O., D.L., M.P., seconded the resolution, which was carried unanimously.

The proposed final dividend of 10 per cent., making 15 per cent. for the year was approved.

The retiring director, Major Goronwy Owen, D.S.O., D.L., M.P., was re-elected, and the auditors, Messrs Josolyne, Miles, Page and Co., were reappointed.

The proceedings terminated with a hearty vote of thanks to the chairman, directors and staff at home and abroad.

ABERFOYLE PLANTATIONS, LIMITED

The seventh annual general meeting of Aberfoyle Plantations, Limited, was held, on 24th ultimo, in London, Mr P. J. Burgess (the chairman) presiding.

The following is an extract from the chairman's speech circulated with the report and accounts: The profit earned amounted to £8,098, representing 32.4 per cent. on the capital of the company, from which £4,565 has to be reserved for taxation, leaving £3,533, or 14.13 per cent., to carry to the balance-sheet. A dividend at the same rate as for the previous year, namely, 10 per cent., less tax, is recommended for distribution. The balance-sheet shows a strong position financially with £18,882 in cash and Government securities. Attention may be drawn to the low figure for the property account, which represents £11 4s. per planted acre.

Prospects for the current financial year appear to be very similar to those of the past one. The price of rubber is reasonably stable and the allowed production is now in excess of what has hitherto been accepted as full, and this has the same practical effect as free production and is limited only by the capacity of the trees and the labour available for tapping. It is unfortunate that this call on the industry should involve depletion of bark reserves in the fulfilment of it, and it is unreasonable to expect further increase of output in face of the 100 per cent. Excess Profits Tax and with no allowance for the depreciation of the reserve of productive capacity.

The report and accounts were unanimously adopted.

CURRENT STATISTICS

Finance

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £680 millions to £730 millions on August 20, 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; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Melite Iran, of Nov. 23rd; Lithuania, of Nov. 30th, 1940; Bulgaria, of May 10th; Yugoslavia, of June 7th; Hungary, of Aug. 9th; Greece, of Aug. 23rd; Portugal, of Sept. 13th; International Settlements, Japan and Sweden, of Sept. 20th; Turkey, of Oct. 11th; Roumania, of Oct. 4th; Australia and Canada, of Oct. 25th, 1941.

U.S. FEDERAL RESERVE BANKS

Million \$'s	Oct. 1940	Oct. 1941	Oct. 1941	Oct. 1941
12 U.S.F.R. BANKS	24	9	16	23
RESOURCES				
Gold on hand and due from Treasury	19,513	20,501	20,525	20,560
Total reserves	19,513	20,501	20,525	20,560
Total cash reserves	336	243	251	268
Total U.S. Govt. secs.	2,352	2,184	2,184	2,184
Total bills and secs.	2,352	2,184	2,184	2,184
Total resources	22,755	23,984	24,550	24,234
LIABILITIES				
F.R. notes in circ.	5,520	7,300	7,351	7,352
Excess cr. bank res.	6,940	5,210	5,230	4,660
Mr. bank res. dep.	14,148	13,290	13,321	12,749
Govt. deposits	383	304	259	198
Total deposits	16,131	15,471	15,500	15,526
Total liabilities	22,755	23,984	24,550	24,234
Reserve ratio	90.1%	91.2%	91.0%	91.1%
BANKS AND TREASURY				
RESOURCES				
Monetary gold stock	21,428	22,772	22,778	22,786
Treasury & bank currency	3,055	3,203	3,207	3,214
LIABILITIES				
Money in circulation	8,236	10,237	10,283	10,278
Treasury cash and dep.	2,615	2,545	2,481	3,172

SWISS NATIONAL BANK

Million Swiss Frs.	May 1940	Sept. 1940	Sept. 1941	Oct. 1941
ASSETS				
Gold	2168	3230	3249	7245.5
Foreign exchange	360.6	1222.5	1162.4	1166.3
Discounts, etc.	174.3	108.4	147.2	141.4
Advances	143.8	19.4	22.1	20.5
Securities	86.9	69.9	69.9	69.9
LIABILITIES				
Notes in circulation	2245.6	2067.7	2150.0	2111.6
Other sight liabilities	565.1	231.7	235.0	235.0

FEDERAL RESERVE REPORTING MEMBER BANKS—Million \$'s

ASSETS	Sept. 1940	Aug. 1941	Aug. 1941	Sept. 1941
Loans, total	18,692	10,688	10,697	10,917
Investments	11,592	18,337	18,410	18,181
Reserve with F.R. banks	11,490	10,696	10,633	10,879
Due from domestic banks	3,296	3,495	3,462	3,576
LIABILITIES				
Deposits: Demand	20,984	24,455	24,453	24,375
Time	5,355	5,435	5,431	5,430
U.S. Govt.	530	552	584	615
Inter-bank	9,370	9,849	9,844	10,320

CENTRAL BANK OF ARGENTINA Million paper pesos

ASSETS	Sept. 1940	Aug. 1941	Aug. 1941	Sept. 1941
Gold at home	1,170	1,071	1,069	1,068
Other gold and for. exch.	183	433	446	445
Non-int. Govt. bonds	119	119	119	119
Treasury bonds	395	394	394	394
LIABILITIES				
Notes in circulation	1,175	1,251	1,248	1,251
Deposits: Government	190	80	211	176
Banks	365	681	546	528
Certs. of participation	176	33	29	31
Reserve ratio	78.1%	74.1%	75.0%	75.9%

REICHSBANK

Million reichsmarks

ASSETS	Sept. 1940	Aug. 1941	Sept. 1941	Sept. 1941
Gold and foreign currencies	77	78	77	77
Bills and cheques	12,793	16,330	17,354	17,411
Reinterbank notes	369	308	275	296
Advances	30	20	15	32
Secs. for note cover	61	13	16	21
Other assets	1,200	1,810	1,569	1,158
LIABILITIES				
Notes in circulation	12,396	15,657	16,311	16,062
Daily maturing liabilities	1,465	2,165	2,193	2,129
Other liabilities	499	439	493	505

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

ASSETS	Aug. 1940	Aug. 1941	Aug. 1941	Aug. 1941
Gold and stg. exch.	26.26	11.11	18.14	17.89
Advances to State	26.91	24.27	24.02	24.31
Investments	2.54	3.77	3.77	3.77
LIABILITIES				
Bank Notes	20.07	21.96	21.94	22.12
Demand liab. State	4.62	9.12	9.56	9.47
Banks and others	17.72	14.26	13.59	13.63
Reserves to sight liab.	35.4%	39.9%	40.2%	39.6%

PRAGUE NATIONAL BANK

Million crowns

ASSETS	Sept. 1940	Sept. 1941	Sept. 1941	Sept. 1941
Gold	1,598	1,508	1,510	1,510
Foreign exchange	709	787	786	787
Other cash	2,122	558	626	707
Bills and securities	101	940	840	840
Advances	408			
Other assets	5,427	9,286	9,852	10,114
LIABILITIES				
Note circulation	5,509	7,449	7,427	7,438
Cash certificates	910	1,588	1,679	1,733
Clearing deposits	1,471	2,363	2,339	3,197
Other liabilities	1,844	1,035	1,034	1,048

SOUTH AFRICAN RESERVE BANK

Million £'s

ASSETS	Sept. 1940	Aug. 1941	Sept. 1941	Sept. 1941
Gold coin and bullion	36.89	52.62	53.29	53.54
Bills discounted	0.32	0.99	0.94	0.93
Invest. and other assets	34.01	42.26	42.20	42.59
LIABILITIES				
Notes in circulation	21.79	24.36	26.16	24.97
Deposits: Government	6.75	4.54	4.66	4.80
Banks	36.00	60.06	56.85	59.11
Others	2.78	2.89	4.80	4.29
Reserve ratio	54.8%	57.8%	57.7%	57.7%

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.
Breweries, &c.													
Backus & Johnston's	June 30	18,829	...	8,255	14,954	...	7,700	7	...	+ 555	19,723	7,401	7
Brown (Matthew) & Co.	Sept. 30	128,825	25,000	101,825	202,458	56,000	17,775	9	11,000	+ 17,050	130,030	121,660	9
Highland Distilleries	Aug. 31	57,675	2,513	31,810	78,037	...	34,786	30	...	+ 2,976	68,391	44,151	30
Coal, Iron and Steel													
Sneyd Collieries	June 30	73,398	...	29,881	131,793	4,399	22,500	15	...	+ 2,982	64,206	32,661	15
Ward (Thos. W.)	June 30	194,845	51,625	138,220	258,344	38,594	68,702	11	25,000	+ 5,924	193,171	133,135	11
Yarrow & Co.	June 30	64,919	...	62,719	96,639	...	22,500	15	40,000	+ 219	69,337	67,137	15
Financial, Land, &c.													
Clarendon Property Co.	July 31	49,823	5,689	Dr. 7,083	9,044	...	...	...	Dr. 30,000	- 7,083	64,117	2,812	NH
New Zealand & Australian Land	Mar. 31	210,533	...	Dr. 8,976	3,308	22,000	...	...	...	- 976	285,573	77,313	NH
Raglan Property Trust	Mar. 31	19,090	...	Dr. 3,973	8,337	...	...	...	...	+ 3,973	24,767	5,818	NH
Rio Negro (Argentinian) Land	June 30	73,935	...	15,660	23,328	...	9,000	3	5,000	+ 1,660	49,962	8,305	2
Rubber													
Banteng (Selangor)	April 30	11,853	400	5,153	11,380	...	4,950	5	...	+ 203	11,366	4,666	3
British Borneo Para.	April 30	9,010	32	2,378	5,072	...	2,500	5	1,000	- 1,122	9,699	5,385	5
Chungloong	Mar. 31	10,966	250	2,537	8,943	...	2,908	10	...	- 371	7,441	4,511	10
Jabi	Mar. 31	15,838	611	5,927	10,298	...	4,991	7	...	+ 36	9,252	6,408	7
Karmen	Mar. 31	18,325	450	5,220	15,592	...	5,000	5	...	+ 220	12,108	5,781	5
Morib Plantations	June 30	10,087	528	3,928	6,658	...	3,500	5	...	+ 428	10,308	3,552	5
Prye	Mar. 31	13,826	530	3,466	5,102	...	3,308	3	...	+ 158	11,507	3,325	3
Selaugor United	Mar. 31	17,708	...	8,698	19,370	...	9,000	10	...	- 302	12,484	7,780	10
Sungei Getah	Mar. 31	14,291	1,492	3,487	15,860	...	7,200	8	...	+ 3,713	9,007	6,105	8
Tonghurst	Mar. 31	8,608	250	1,342	4,340	...	1,256	5	...	+ 86	4,182	2,533	5
Tea													
Bogawantalawa District	Mar. 31	26,426	...	13,246	15,432	4,826	8,460	10	...	- 40	28,204	16,766	10
Ceylon Upcountry	Mar. 31	7,242	...	2,136	3,383	...	1,438	10	1,000	- 352	7,066	3,010	10
Dharmal	Dec. 31	31,822	2,000	7,372	12,970	691	7,286	17	...	- 605	36,149	8,675	17
Trusts													
Camperdown Trust	Oct. 1	93,017	...	28,438	48,986	9,375	14,063	9	5,000	+ 12,411	85,278	28,618	9
Realisation & Deb. Corp. of Scotland	Aug. 31	135,057	...	51,099	147,382	15,688	23,000	11	...	+ 5,115	136,587	59,097	11
Scottish & Dominions Trust	Sept. 15	41,234	...	12,648	31,437	7,688	3,075	3	7,000	- 11,121	42,907	15,429	3
Second Edinburgh Investment	Sept. 30	115,860	...	43,943	172,019	14,287	15,500	10	...	+ 13,706	121,181	51,186	10
Other Companies													
Ardath Tobacco Co.	June 30	301,359	...	301,359	587,571	84,000	210,000	7	50,000	- 42,641	368,038	368,038	9
Eastwood's Lowest Cement	June 30	16,585	5,200	8,986	16,187	...	8,063	7	...	+ 923	15,689	4,886	5
Elder Smith & Co.	June 30	766,191	...	180,276	299,167	...	175,500	6	...	+ 4,776	753,136	190,154	7
Hughes-Johnson Stampings	Aug. 3	57,086	13,100	33,528	57,319	...	17,225	25	...	+ 16,303	61,269	47,352	25
Keystone Knitting Mills	June 30	93,702	13,594	4,697	7,363	...	...	...	...	+ 4,697	89,587	1,304	NH
Laws Chemical Co.	June 30	27,418	1,047	10,321	12,044	2,686	7,558	6	...	+ 77	26,093	10,079	6
Morris (Herbert) Limited	July 31	108,665	15,738	92,227	174,703	10,000	100,000	20	...	- 17,773	163,508	145,715	20
Murex Limited	June 30	587,405	...	182,222	285,645	3,500	100,000	20	75,000	+ 3,722	534,987	172,576	20
Serck Radiators	Aug. 2	65,280	13,686	47,641	51,042	22,500	22,500	22	15,000	+ 10,141	76,655	45,468	22
The Times Publishing Co.	June 30	76,177	23,628	19,549	164,987	17,092	...	...	...	+ 2,457	Dr. 19,872	Dr. 13,665	NH
Tilwange Tea	Mar. 31	15,713	...	6,752	11,057	...	10,000	10	...	- 3,248	18,549	13,645	10
Totals (£000's)													
Week to Nov. 1, 1941		3,587	177	1,455	3,028	291	951	...	205	+ 8	3,612	1,719	...
Jan. 1 to Nov. 1, 1941		332,901	26,523	154,306	238,184	36,634	94,749	...	15,249	+ 7,674	320,747	174,483	...

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				TEXTILES—continued				MISCELLANEOUS			
Oct. 21, 1941				Oct. 21, 1941				Oct. 21, 1941			
Oct. 28, 1941				Oct. 28, 1941				Oct. 28, 1941			
GRAIN, etc.				COTTON—continued				CEMENT, best Eng. Portland, d/d site, London area,			
Wheat				Cloth, 38 in. ditto, 38 yards,				in paper bags or jute sacks 20 to ton—(a)			
No. 1 N.Mt. 496 lb. f.o.b. Mont.				18 x 16, 10 lb.				6-ton loads and upwards per ton			
Eng. Gaz. av. per cwt. (e)				39 in. ditto, 37½ yards,				s. d. s. d.			
Flour per 280 lb.—				16 x 15, 8½ lb.				s. d. s. d.			
Straights d/d London				FLAX (per ton)—				Acid, Oxalic, net.			
Barley Eng. Gaz. av. per cwt. (e)				Livonian ZK				Tartaric English less 5%			
Oats (e)				Fennau HD				Ammonia, Sulphate			
Maize, La Plata, 480 lb., f.o.b.				HEMP (per ton)—Mailla, spot				Nitrate of Soda			
MEAT—Beef, per 8 lb.—				JUTE (per ton)—				Potash, Sulphate			
English long sides				Daisee 2/3 c.f.f. Dundee				Soda Bicarb.			
Imported hinds				Common 8 lb. cops. (per spindle)				Soda Crystals			
Mutton, per 8 lb.—English				10½/40 Hessians, per yd.				COPRA (per ton)—S.D. Straits			
Imported				8/40 Hessians, per yd.				c.f.f.			
Pork English, per 8 lb.				10/40 Calcutta Hessians, Nov.				HIDES (per lb.)—			
BACON—(per cwt.)—Wilts, cut side				Dec., 100 yds.				Wet salted Australian, } 40/50 lb.			
HAM—(per cwt.)—Green				SISAL (per ton)—African, Oct.				Queensland			
OTHER FOODS				Dec.—No. 1				Cape, J'burg Ord.			
BUTTER (per cwt.)—All Grades,				WOOL (per lb.)—				Dry Capes, 18/20 lb.			
First hand				Lincoln wethers, washed				English & Welsh Market Hides			
CHEESE (per cwt.)—				Selected blackfaced, greasy				Best heavy ox and heifer			
Home Produced				Australian scrd. fleece 70's				LEATHER (per lb.)—			
Imported				Cape scrd. average snow white				Sole Bends, 8/14 lb.			
COCOA (per cwt.)—				N.Z. scrd. 2nd pieces, 50-56's				Shoulders			
Accra, g.f.				COAL (per ton)—				Insole Belies			
Grenada fine				Welsh, best Admiralty				Dressing Hides			
COFFEE (per cwt.)—				Durham, best gas, f.o.b. Tyne				PETROLEUM PRODUCTS (per gal.)—			
Santa, sup. c. & f.				IRON AND STEEL (per ton)—				Motor Spirit, England & Wales			
Costa Rica, medium to good				Pig, Cleveland No. 3, d/d				(b) Kerosene, Burning Oil			
EGGS (per 120)—English				Bars, Middlesbrough				Vaporising Oil			
LARD (per cwt.)—Imported				Steel, rails, heavy				(b) Automotive gas oil, in bulk,			
POTATOES (per cwt.)—				Tinplates (home, i.c. 14 x 20)				ex road tank waggons			
English, new				NON-FERROUS METALS (per ton)—				Fuel oil, in bulk, England and			
SUGAR (per cwt.)—				Copper (c)—Electrolytic				Wales			
Centrifugals, 96%, prpt. shipm.				Tin—Standard cash				Furnace			
c.f.f. U.K./Cont.				Three months				Diesel			
REFINED LONDON				Lead (d)—Soft, foreign, cash				ROBIN (per ton)—American			
Granulated, 2 cwt. bags				Spelter (d)—C.O.B., spot				RUBBER (per lb.)—			
Granulated, 2 cwt. bags, domestic				Aluminium, ingots and bars				St. ribbed smoked sheet			
consumption				Nickel, home delivery				SHELLAC (per ton)—TN Orange			
West India Crystallised				Antimony, English, 99%				TALLOW (per ton)—London Town			
TOBACCO (per lb.)—				Wolfram, Empire				VEGETABLE OILS (per ton net)—			
Indian stemmed and unstemmed				Platinum, refined				Linseed, raw			
Rhodesian, stemmed and un-				Quicksilver				Rape, crude			
stemmed				GOLD (per fine ounce)				Cotton-seed, crude			
TEXTILES				SILVER (per ounce)—				Coconut, crude			
Raw, Mid-American				Cash				Palm			
Giza, F.G.F.								Oil Cakes, Linseed, Indian			
Yarns, 32's Twist								La Seeds, Linseed			
40's West								La Plata (new)			
60's Twist (Egyptian)								Calcutta			
Cloth, 32 in. Printers, 116 yards,											
16 x 16, 32's & 40's											
36 in. Shirtings, 75 yards,											
19 x 19, 32's & 40'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 buyer's premises.
(d) Including import duty and delivery charges. (e) Average for weeks ended Oct. 18 and Oct. 25.

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.*	Open market sight selling rate 175-50 pesos per 100 U.S. \$ on Sept. 17th.
Ecuador.*	Official sight selling rate 15-00 sucres per U.S. \$ on Sept. 26th.
Guatemala.	Sight selling rate maintained at one quetzal per U.S. \$, plus commission of 1 per cent to Central Bank.
Nicaragua.*	Official sight selling rate for payment of imports fixed Jan. 1, 1941, at 5-54 cordobas per U.S. \$ (incl. 10 per cent tax).
El Salvador.	Sight selling rate New York was 2-50¢ colones per \$ on Sept. 13th.
Venezuela.*	Sight selling rate New York 3-35 bolivares per U.S. \$ on Sept. 5, 1941; free market 3-65¢ bolivares per dollar.

OVERSEAS BANK RATES

Changed	From	To	Changed	From	To
Amsterdam	Aug. 28, '39	2 5	Madrid	July 15, '35	5 4
Athens	July 29, '41	6 3	Montreal	Mar. 11, '35	2 1
Batavia	Jan. 14, '37	4 3	Oslo	May 12, '40	4 3
Bombay	Feb. 1, '35	6 5	Paris	Mar. 17, '41	2 1
Buenos Aires	Apr. 9, '40	4 3	Pretoria	June 2, '41	3 3
Canton	Jan. 25, '40	2 2	Tallinn	Oct. 1, '35	4 3
Cebu	Sept. 17, '40	3 3	Riga	Feb. 17, '40	4 5
Colon	Oct. 22, '40	4 3	Rio de Janeiro	May 31, '35	5 3
Calcutta	Nov. 28, '35	3 3	Rome	May 18, '36	5 3
Cebu	June 13, '35	4 4	Sofia	Sept. 16, '40	6 4
Copenhagen	Oct. 15, '40	4 4	Stockholm	May 29, '41	3 3
Hankow	Dec. 3, '34	4 4	Zurich	Nov. 25, '36	2 1
Hongkong	May 14, '39	5 7	Tokyo	May	3-29
London	Mar. 31, '41	4 4	Wellington	May 27, '40	3 2
N.Y. Fed. Res.	Aug. 26, '37	1 1	Dublin	Oct. 26, '39	4 3

(e) 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. Air Mail	Ord. Air Mail	125 124 125 124	Ord. Air Mail	Ord. Air Mail	125 124 125 124	125 124
Sight	126 127 128 129	126 127 128 129	125 124 125 124	126 127 128 129	126 127 128 129	125 124 125 124	125 124
30 days	127 128 129 130	127 128 129 130	126 125 126 125	127 128 129 130	127 128 129 130	126 125 126 125	126 125
60 days	128 129 130 131	128 129 130 131	127 126 127 126	128 129 130 131	128 129 130 131	127 126 127 126	127 126
90 days	129 130 131 132	129 130 131 132	128 127 128 127	129 130 131 132	129 130 131 132	128 127 128 127	128 127

* 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, 126½; 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)

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	17 6	101	5 9	101	14 0	102	2 3
S. Africa		101	0 0	101	12 6	102	0 9	102	9 0	102	17 3

(SELLING RATES PER £100 STERLING)									
		Sight.		Telegraphic.					
London on:		£	s. d.	£	s. d.				
Rhodesia		99	15 0	99	15 0				
South Africa		100	0 0	100	0 0				

will be in office until January, 1945, is committed up to the hilt to Mr Hull's views, and that the section of the Republican Party for which Mr Willkie speaks is, if anything, rather firmer in its devotion to the same ideas. A change of mind is taking place in America to-day comparable to that which led up to the repeal of the Corn Laws in England a hundred years ago.

It is, of course, not very difficult to pick holes in the American position, to demonstrate how much of the Hawley-Smoot structure remains, for all Mr Hull's whittling away, to recall how often American practice still diverges from American precept—as, for example, in the case of the countervailing duties that were imposed to offset the British Purchase Tax—to point out that the United States has a system of preferences with her own colonies and dependencies differing only in scope, not in character, from the British imperial preferences. But no demonstration of the kind will avail to alter the simple fact that America, to whom Britain is beholden as one sovereign state has rarely been to another, and on whose constructive co-operation the whole future of the democratic world depends, is trying to move as quickly and as directly as a complex democracy can towards the liberation of international commerce, and that she invites Great Britain to join her. Certainly the main return, and perhaps the only return, that the beneficiaries of Lease-Lend will be asked to make is co-operation in the movement towards freer trade; can Great Britain possibly refuse her wholehearted assistance? Moreover, as the Americans ask, why should there be any unwillingness to co-operate? In the future, as in the past, there is no nation in the world whose interest in the maximum possible expansion and liberation of world commerce is as great as Britain's.

Nevertheless, before the American proposals can be accepted, some modification of current drifts of thought in Great Britain will be necessary. There are many in this country whose general preference for collective solutions to economic problems leads them to distrust "the creation of an economic order in the post-war world which will give free play to individual enterprise" (the words, once again, are Mr Welles's). There are many who see the necessity of a far-reaching control of overseas trade as part of a general policy of economic stabilisation. There are the technicians who delight in the possibilities of manipulation that exchange controls and import controls provide. And there is the great mass of opinion that accepts the inevitability of controlled overseas trade for no better reason than inability to see the avenue of

escape from the apparatus of control now being built up. To all these people, the American policy comes as a very salutary challenge. They need to ask themselves whether the adjustment of their views would be too high a price to pay if (as is, of course, yet unproven) it would purchase the entry of the United States into constructive partnership in the rebuilding of the world.

Unfortunately, the adjustment of opinions is not the only difficulty. Given the completest acceptance of the American views, there are likely to be very great practical obstacles to their application, even after the immediate confusions of the Armistice period have been resolved. For example, it is all too probable that the sterling area's severe shortage of dollars will persist well into the era of peace; and if it does, it may be impossible, even with the best will in the world, to avoid a continuance of exchange control. The system of imperial preference will be difficult to abandon, not merely for political reasons, but because of the increased requirement of dollars that would ensue. In the reconstruction of British exports, which will be a life and death matter for this island, it will be impossible to avoid some bilateral correlation of imports and exports. It is politically as naïve to ask the British people to make no use whatever of the lever of their buying power—the only bargaining weapon they possess—as it would be to ask the American Congress to abolish the protective tariff.

These are very difficult questions, which require the closest analysis and the most careful discussion. They bear in them the seeds of discord between two nations which must at all costs keep together. Given goodwill, they can all be solved—but only on two conditions. The first is that whenever Great Britain is compelled to use one of the devices that have been condemned as "weapons of economic warfare," the necessity for the departure from principle should be clearly established. The second is that the principle itself should be proclaimed in accents that carry conviction. There is no reason to assume that it need be rigidly or unconsciously applied; "to render security to men and women and provide for the progressive improvement of living standards" is another object of American policy. But subject to such qualifications as are necessary for security and stability, it is to Britain's interest to secure as large a volume of international commerce under conditions as free of restriction and by methods as free of discrimination as the joint influence of the British and American governments can achieve.

Political Warfare

IT is now some two months since British propaganda was reorganised by the unification of all propaganda services under the Political Warfare Executive, a triumvirate of the Foreign Secretary, the Minister of Information and the Minister of Economic Warfare. This executive has full responsibility for the formulation and execution of British propaganda and the process of unification has been rounded off by appointing three controllers to oversee the programmes of the BBC. Mr Ivone Kirkpatrick is the controller of programmes to enemy and to enemy-occupied territories, Mr J. B. Clark controls other foreign broadcasts and Mr A. P. Ryan advises the Corporation on its home news and political programmes.

This unity of control is a first step towards an efficient use of propaganda. The real question is whether, as a result of unified control, a coherent policy is beginning to emerge. The first duty of British propaganda is, of course, scrupulous accuracy. People are far more likely to tune in to British stations—often at the risk of severe punishment—if they feel confident that by doing so they are getting the facts. But obviously that is not enough. Propaganda is political warfare. Its purpose is negatively to undermine enemy resistance, to sap the German will to fight, to spread disillusion and defeatism; positively it is to associate more and more of the enslaved peoples actively with the Allied cause, to prepare them

for the turn of the military tide, to rouse them from apathy, to restore in them hope, the great mainspring of action. Europe has miseries enough to provide a negative propaganda with all its ammunition. It is not difficult to persuade the conquered peoples that they have nothing to gain under Hitler's "new order." They know it better than we. And, although the response will be infinitely less, the line of negative propaganda to the German people is fairly obvious—their enforced endurance of increasing hardship, of separation and of death and the fruitlessness of victories against a background of war without end.

But positively? Is there much sign of a new, vigorous and constructive unity behind Britain's propaganda of integration? It is the old problem, whether Britain can come to signify for the toiling, suffering and fighting millions a hope of stability and freedom between the extremes of Hitler's "new order" and the old order of Europe that made Hitler possible. It is the old problem whether Britain in the highest crisis of its history can fulfil the promise of its democratic way of life. It is the old problem, so often discussed in these pages, of transforming Britain's stolid defence into the powerful offensive of an embattled idea. Here the need for unity of home and foreign propaganda is manifest. The steps in imaginative legislation that could fire the enthusiasm of the

people of this country would be at the same time the unshakable, factual basis of British propaganda to the world. It is when the Government's apparent indifference to the social problem is considered against the setting of political warfare that it can be seen to be not merely unfortunate but positively dangerous. A Britain committed to the defence of the pre-1939 *status quo* and indifferent to the needs both of its own people and of its Continental neighbours is a poor weapon for political war, and no amount of reorganisation will make its propaganda a really dynamic force until there is something dynamic in Britain upon which to build.

This view is, of course, challenged. It is challenged by the "100 million allies" school of thought on the grounds that the dynamic need not be discovered for it is already there. Let Britain unfurl the banner of world revolution, rally the workers of Europe, and, joining hands with its Soviet ally, bring Hitler's house of cards tumbling down by an irresistible upheaval of the revolutionary masses. The Conservatives, too, have their challenge. They maintain that a great deal of nonsense is being talked about new worlds and new orders. The old is worth fighting for, and to guarantee to the nations of Europe their national sovereignty is quite sufficient to maintain their courage and rally their support.

The two views are obviously in direct opposition; yet by a curious paradox both sides appeal to Russian propaganda. Its resourcefulness and success cannot be called into question. For the Left, it is a sign of the vital energy of a great nation that has achieved socialism and can speak from the secure basis of economic and social justice achieved at home and offered abroad to all peoples irrespective of race. The Conservatives counter this by pointing out that Russian propaganda has been almost exclusively non-ideological. At home, its appeal is to the Soviet fatherland, to patriotism, to national resistance. Abroad, it paints the misery and hopelessness of war, talks directly to the bereaved families of Germany, promises national liberation in the most general terms and for post-war reconstruction associates itself uncompromisingly with the policies of Britain and the United States.

It is true that Russian propaganda is not ideological; yet the Conservatives are wrong in deducing from this that British propaganda should be equally personal and nationalist. It is true that Russia is a great socialist State; yet the Left is wrong in assuming that successful propaganda must be a more or less diluted Marxism. Both sides make the mistake of applying identical standards to British and to Russian propaganda, whereas

the whole background and recent history of the two countries are radically different.

Russian propaganda in this war is not Communist because Communism, for all the enthusiasm it can arouse, is not a very profitable line in Europe. The Russians have to counteract the idea which brought Hitler to power: that the only alternative to him is Communism. Moscow Radio has even—with a certain cynicism—assured the German people that Britain would never permit the "bolshévisation" of Europe. Russia's non-ideological propaganda is a complete refutation of the thesis of the Left, for those who can with most effect preach Revolution are, in their supreme hour, scrupulously avoiding it. Russia at least has very little doubt who would gain the "100 million allies" if once again the Nazis were given the opportunity of appearing the only alternative to Revolution.

Yet this does not prove the thesis of the Right, that Britain must campaign for the *status quo*. The Russians are making no propaganda for a new order and for a positive rôle in Europe because Russia stands for a very definite kind of new order and because Russia has intervened in Europe to some effect since September, 1939. The Russians are compelled to advocate full sovereignty for the nations of Europe because on several occasions they violated that sovereignty. Russia is speaking from a doubtful background of intervention, Britain is speaking from a very doubtful background of non-intervention. Europe can fear Russia for standing for too much and for being too strong. Its fear of Britain—and of the United States—is that they stand for too little and are not strong enough.

Russian propaganda, with its official unwillingness to press its own alternative, far from exploding the arguments of those who plead for a dynamic British propaganda based on reconstruction at home and a positive policy for Europe, only serves to reinforce it. Nazism is finally detestable. Communism is considered by its own adherents to be unsuitable for export in this hour of greatest need. What is the third choice? There is total anarchy, of course, a greater danger, particularly in Germany, than is perhaps generally realised. But there is also a third way of order and freedom of which the Atlantic Charter is the first rough and inadequate outline. The Allied nations, including the Soviet Union, are generally pledged to this. But, like the vision of Ezekiel, so far it is "a valley of dry bones." The first task of the Political Warfare Executive, and, behind it, of the War Cabinet, is to give flesh and substance to the Charter so that "these bones may live."

Canada's War Effort—I

TO the student of war economics, Canada presents a puzzle. By all the statistical tests, the war effort of the Dominion is very large. Perhaps it could hardly be expected that a country more than three thousand miles away from the aggressor could bring its mobilisation for war to quite the pitch of intensity that a beleaguered island can achieve, and the comparison with Great Britain is, for that reason, hardly a realistic one. But, by any test, Canada has done more than any other overseas member of the democratic alliance. Her output of munitions of war is wide in range and large in volume. Proportionately, she has something like twice as many men under arms as the United States, and her Minister of Finance has stated that the expenditures of the Dominion Government, including the assistance given to the United Kingdom, but excluding all provincial and municipal expenditures, will this year amount to nearly 50 per cent of the national income.

But when the inquirer's eyes are turned from these indications of achievement to the effect they have produced on the normal economy of the country, he is astonished to find so few traces of the distortion that so large an effort should have exerted. Some articles of consumption, which are normally imported from the United States,

have been restricted or prohibited; but in general there is a peacetime abundance of consumers' goods, both durable and current, and retail sales this summer were running from 20 to 30 per cent above the previous year. Taxation has been very steeply increased, so that the revenues of the Dominion Government in the current fiscal year will be three times as great as in the twelve months before the outbreak of the war; but the bulk of this increase has, perhaps unavoidably, fallen on the upper half of incomes and there has been no restriction of the lower incomes comparable in its effect with the expansion due to rapidly rising employment. Yet there are few, if any, shortages—not even in manpower, except in the vicinity of the manufacturing centres. What is the explanation of this paradox? How has Canada achieved the miracle of devoting half her national income to the purposes of government (more than half if provincial and municipal expenditure is included) without restricting consumption? The increase in government expenditure amounts, on the figures, to about 36 per cent of the national income. Where has this come from if not out of the consumption of the people?

The figures of the national income and of Government revenue and expenditure, derived with some estimation,

from the official returns, are as follows:—

	(\$ millions)			
	1938	1939	1940	1941
Net national income produced*	3,847	4,080	4,654	5,475
Dominion, provincial and municipal governments†				
Revenue.....	1,040	1,086	1,432	1,991
Expenditure.....	1,208	1,326	2,374	3,736
Of this, war §.....	34	232	1,237	2,600

* Net national income paid out plus undistributed corporate profits. † Fiscal years nearest to calendar years. § Including funds provided for United Kingdom.

These figures have some remarkable features. It is difficult to believe that, in 1938, governmental expenditure was as much as 31½ per cent of the national income (the United Kingdom proportion in the same year was of the order of 25 per cent)—or that tax revenue was as much as 27 per cent of the national income. Similarly, it is unlikely that total expenditure, even after a price rise which can be roughly estimated at 14 per cent, is now as large as the whole pre-war national income. The conclusion is inescapable that the estimate of national income has been put far too low. The 1939 figures give a *per caput* income in Canada only about 66 per cent of that of the United States, which is contrary to all observation and common-sense. In short, the figures printed in the table above can be reconciled with each other only if a substantial addition is made to the national income estimate in each year. It is possible that the present net national income, on a basis comparable with the British and American estimates, may even be as high as \$7,200 millions. Even at this figure the Canadian *per caput* income would be nearly 20 per cent below that of the United States and no higher than that of the United Kingdom (at the official rate of exchange). If this figure be accepted, then the proportion of the national income that is being domestically spent on war purposes works out at 36 per cent for Canada, compared with about 22 per cent in the United States and perhaps 55 per cent in the United Kingdom. These figures would accord far more closely than the official ones with what could reasonably be expected from general observation.

This comparison, however, does not dispose of the question how so great an increase in the activities of the Government has been achieved with so little encroachment on the level of popular consumption. Where have the resources come from? The answer, for Canada as for other countries, is that if the sinews of war are not drawn from popular consumption they must be taken from three other sources: first, the increase in the national output; second, the consumption of domestic capital; third, an adverse balance of payments. In Canada, all of these elements are very difficult to estimate. The national income figures, when roughly corrected for the rise in prices, seem to indicate a "real" increase of about 22 per cent. The deficit on the balance of payments with the United States in the current year depends on the degree of success that is attained in carrying out the Hyde Park Agreement of last April, but it may be roughly put at \$300 millions, and the same figure can, by an even rougher estimate, be assigned to the drafts on domestic capital (chiefly consisting of unutilised depreciation provisions). The effect of these figures can be broadly stated as follows: the increase in governmental expenditures (i.e., roughly the cost of the war effort) between 1938 and the present fiscal year is, in real terms, about 40 per cent of the 1938 national income. Of this, about 22 per cent has been provided by an increase in the output of the community, about 12 per cent by drafts on capital, external and domestic, and the remaining 6 per cent by reducing the expenditure (consumption and private investment) of the public. In other words, Canada has been able to provide for a very large programme of war expenditure without restricting consumption (the 6 per cent drop would be more than accounted for by the restriction of private construction and by the enforced economies of the wealthy), partly because, in the state in which the war found her, she was able very substantially to increase her total output by re-employing the unemployed margin of

resources, and partly because she has been able to draw on the deep reservoir of the United States.

To say that Canada's war effort does not absorb so large a proportion of the resources of the community as Great Britain's, and to establish that it has not yet gone far enough to necessitate any serious reduction in the popular standard of living, must not be taken as in any way a criticism of its magnitude. For one thing, there is a great deal of increase yet to come and the recent announcement of far-reaching measures for the control both of wages and of commodities indicates that the stage of shortages, both of labour and of goods, is at hand. Furthermore, there are certain physical and psychological hindrances to the intensification of the war effort in a country like Canada. The people of Great Britain are perhaps inclined to take credit for what was in fact forced upon them. The difficulty in economic mobilisation is not to curtail the spending of the rich, which is easily contrived, but to reduce the expenditure of the wage-earners without pushing anybody below the starvation line. In this country, the problem has been largely solved as a by-product of the shortage of imports, which has compelled the restriction of the necessities of life almost before the luxuries. The alternative of guns and butter does not present itself in nearly so clear-cut a fashion in Canada, and economic mobilisation must await the growth of the war industries. Canada's largest industry is agriculture, but so far from there being a need for expansion in the production of wheat, there is rather a need for meeting the difficulties of vanished markets, which have led the Dominion, for the first time, to impose quantitative limitations on the crop. As for manufacturing industry, there has been, and still is, a very rapid increase. But Canada is not a wholly autonomous manufacturer; many of the basic raw materials, such as coal, iron ore and steel, have to be imported from the United States, and there is virtually no Canadian machine tool industry. Even when there was capacity to spare in the United States, increased imports of these necessities raised a difficult question of foreign exchange. Now that shortages are increasingly common across the border, any large expansion of Canada's industry faces additional difficulties.

These difficulties have led many Canadians to question whether the manpower policy that has hitherto been followed is the right one. It has been based, more or less consciously, on the doctrine that the greatest service that Canada can render is to provide munitions rather than soldiers. But the need for soldiers has grown since the defection of France, while the growth of a large American munitions programme possibly limits the expansion of the Canadian industry. There is, of course, much more to the current conscription issue than such a simple comparison of objectives. If the resistance to conscription lies in politics, in Mr Mackenzie King's unwillingness to flout the emphatic views of the Province of Quebec, the advocacy of it also springs from the same source, from the Conservatives' desire to embarrass the Government and from the desire of a certain element in Ontario to confound the French Canadians of Quebec. This is a question on which the outside commentator would do well to forbear from judgment—not merely out of courtesy, but because of the difficulty of ascertaining the governing facts. It is Mr Mackenzie King's task to ascertain whether any compromise solution on the lines of provincial option is possible and, if it is not, to determine whether the imposition of conscription or its avoidance runs the greater risk of provoking national disunity.

All through Canada's war effort there runs the constant thread of its likely effect on her relations with the United States. In its industrial aspects, this has already been alluded to; the interconnection is great, and has been increased by the series of joint measures for furthering integration, of which the latest has been announced from Washington this week. In the political sphere, the possibility of unfortunate consequences flowing from the fact that Canada is at war while the United States is not, always very small, can now be virtually dismissed. But there are financial complications, which will be examined in a second article.

Labour in the Colonies

INDUSTRIAL disputes, sometimes leading to riots and bloodshed, have been common enough in the colonies in recent years to give some argument to the discreditors of British imperialism. This was particularly true of the West Indian disturbances of 1937-38; but when the host of lesser troubles in other parts of the colonial empire are considered as well, anyone could be pardoned for jumping to conclusions about exploitation of cheap colonial labour in the British Empire and the repression of its attempts to secure better conditions.

How far any such picture is from the truth is shown by a memorandum on labour conditions in the colonial empire, which the Colonial Office prepared for the ILO Conference in New York. The very years when labour troubles were most rife—1937-40—were the years of enlightened labour legislation and the development of a much closer supervision by colonial governments of labour conditions. The trade union movement has made considerable progress, and there are now about 160 unions registered under the various colonial laws, while the laws themselves have, where necessary, been amended to bring them into line with United Kingdom legislation. Minimum wage laws have been passed in forty territories, and, to supplement them, in fourteen the Governor has been given power to refer trade disputes to an arbitration tribunal, subject to the consent of both parties to the dispute. Workmen's compensation laws, though admittedly somewhat limited in scope in most cases, have been enacted in twenty-five colonies.

And yet, in spite of all this and other legislation, colonial labour is, generally speaking, at the best discontented and at the worst wretched and apathetic. There is a current dispute in Jamaica and other West Indian islands over the building of naval bases for the United States, not so much over the actual wage-rate, which is considered by the progressive paper *Public Opinion* to be not unreasonable, as over the refusal of the American and British authorities to allow trade union representation in the wage negotiations. This dispute presents a picture of labour clamouring for the recognition of its rights. But the other aspect of colonial labour conditions—the picture of the West Indian living with his ever-increasing family in a single ten foot square room, inadequately fed and prone to all the diseases which spread from malnutrition and slum life—is even more prevalent, and it is not confined to the West Indies.

Simultaneously with the publication of the Colonial Office's memorandum, there appeared the report of its adviser, Major Orde Browne, on labour conditions in West Africa (Cmd. 6277). This is not such a depressing document as his earlier report on the West Indies, for it does not give the impression of the same squalor and wretchedness. But there is the same overcrowding in the employment centres, the same malnutrition, the same prevalence of disease, and the same discontent. Rarely, indeed, do we get a glimpse of a happy working population—although the normal African has an essentially happy temperament—comfortably settled with its wives and children near the place of employment.

In pursuit of this happiness, the usual labour legislation is of very little use—and may even do harm if it is not satisfactorily related to local conditions. According to the Colonial Office memorandum, 95 per cent of the colonial labour disputes of recent years have turned on the question of wages. There is, therefore, a strong case for using the minimum wage machinery, which has so far only been put into effect in nine territories, although, as has already been stated, the necessary legislation exists in forty. But, as Major Orde Browne points out in his report on the West Indies, the wage rate by itself is no indication of poverty or prosperity because employment is so very intermittent, and this is true also of West African labour. In such circumstances, which are com-

mon throughout the colonial empire because much of the employment is agricultural and therefore seasonal, minimum wage-fixing is no cure. Moreover, in the West African towns, according to the Orde Browne report, the cost of living is greatly influenced by high rents. An increase in the wage will, therefore, merely lead to an increased demand on the very inadequate supply of the better type of house, which will push rents up even further. There is, too, the added complication that an African's household frequently consists of far more than his wife, or wives, and children. If he is in permanent employment, he is expected, and willingly agrees, to support a whole range of sisters, cousins and aunts as well; and the more prosperous he is, the more dependants he will maintain. This traditional African hospitality has persisted in the West Indies, and, in conjunction with the rising birth rate there, it adds to the complexities, not only of deciding an adequate wage rate, but also of introducing any sort of a system of family allowances.

The conclusion is inevitable that present policy should not concentrate so much on the introduction or extension of labour legislation as on the all-round improvement of colonial standards of living, which alone will make the legislation effective and give trade unions the chance to flourish. Trade unions should, of course, be officially encouraged wherever they are feasible and show signs of developing. Otherwise, as happened in the early days of unionism in the West Indies, the movement will fall into the hands of irresponsible leaders who will only exasperate any antagonism between employers and employed. There are many other parts of the colonial empire—for instance, Palestine, Hongkong, Malaya and certain mining areas of Africa—where there is a settled industrial population which must have the right to state its wants. But in other territories, official policy has hardly decided whether it wants to industrialise the native or not, and the introduction of trade unionism would consequently be premature. The result of this indecision, however, is that employers are not encouraged to undertake large expenditure on providing suitable permanent accommodation for a fluctuating labour force; and labour itself suffers all the hardship of the long trek from the village to the employment centre, frequently arriving there sick and starving to find no work available. The unsettling effect of an unsettled industrial population was exposed after the strike in the Northern Rhodesian copperbelt last year, even though living conditions for the labour force there compare very favourably with those they have left behind in their native villages. Similarly, in the Gold Coast, Major Orde Browne found in the principal diamond mine conditions which he describes as "distinctly good. . . . The community as a whole gave the impression of being well cared for and contented, the women and children looking healthy and happy." But for every African who is happily settled and employed, there will be another who has died on the way or arrived "in too enfeebled a condition to work."

Permanency of employment cannot, of course, be achieved merely by the adoption of a policy of industrialisation. The economic prosperity of the colonies, as the sugar industry of the West Indies has so tragically shown, is too often dependent on world markets for workers to be given any security of employment under present conditions. It is quite impossible to expect private employers or private enterprise to shoulder indefinitely the burden of an unemployable labour force, which the sugar plantations have had to do, and the Colonial Development and Welfare Fund should be used for the necessary resettlement schemes and the relief of distress. In the operation of the Fund, in fact, lies the best immediate prospect for the improvement of labour conditions. A small but useful start has already been made by Sir Frank Stockdale's schemes for the West Indies, and Lord Moyne has

promised that elsewhere the Fund will operate so far as wartime conditions permit, even to the extent of establishing secondary industries.

Thus, official policy has at last admitted the possibility of a permanent industrial population—even in Africa. But it has recognised, too, the heavier responsibility for improving labour conditions that this reversal of policy will involve. The Colonial Development and Welfare Act provides that a colony shall not be granted funds for the execution of any works unless its law allows reasonable facilities for the establishment of trade unions. It also provides for the payment of a fair wage to the labour engaged on the works in question and forbids the employment thereon of children under 14 years of age. But a much more comprehensive supervision of labour is ensured by the full-time labour officers who have been appointed in thirty-three colonies. The war has inevitably slowed up the process of establishing labour departments to serve these officers; nevertheless, Northern Rhodesia—to take one example—which at the time of last year's riots had no labour officer on the copperbelt, has now created a labour department. These departments and officers should have a dual function. The primary one is the improvement of labour conditions; the secondary one is the guidance of the trade union movement where conditions favour it, and with this secondary function in mind the Colonial Office has appointed experienced trade unionists from Great Britain to serve as labour officers in Trinidad and the Gold Coast, while other similar appoint-

ments will be made in the near future. The chief gap in the machinery for supervising labour conditions is to be found at the centre. The West India Royal Commission recommended the establishment of a labour department within the Colonial Office and the appointment of a labour advisory committee; but no action has yet been taken on these recommendations, although the extraordinary measures necessitated by the war, such as the prohibition of strikes in some colonies, has surely underlined the need for special care on the part of the Colonial Office—the conditions of work on the naval bases in the West Indies are obviously a case for central supervision.

But though official supervision can improve a colonial labourer's working conditions and trade unionism give him an outlet for his grievances, they are no solution to the real problem, which is how to raise the standard of living of the colonial peoples as quickly as possible. Beside this problem, all the measures that have been adopted in recent years to improve conditions in the colonies—and they are an undoubted advance—relapse into mere palliatives. Unfortunately, because it is such a big problem, and because there is no ready solution apparent, there is a danger that official policy will rest upon these palliatives and ignore the main issue. It is certainly very necessary to provide every colony with efficient social services, to house and feed its inhabitants adequately and to give them the right to political, social and economic advancement. But even after all these steps have been taken the central problem will remain.

NOTES OF THE WEEK

A New Offensive

The frost has come on the Moscow front, and from its onset until the beginning of the heavy snows, the Germans have one more opportunity of launching an effective attack on Moscow. The roads are hardening, and once again conditions are favourable for mechanised warfare. There is evidence that the German High Command do not intend to let the opportunity slip. The imminence of an offensive has been loudly proclaimed, and its line of advance—through Volokolamsk, Mozhaisk and Maloyaroslavets—predicted. Indeed, the indications have been too precise, and, although an attack is certainly in progress, its heaviest weight is probably concentrated in the Tula front, while the opening of a new sector at Kursk suggests that the Germans are planning a new encircling movement to embrace Moscow in a wide sweep from the south. If this is the new line of advance, the difficulty of co-ordinating the move with a similar attack in the north must greatly diminish its danger to the Russian defenders. The Leningrad front is occupying all Von Leeb's resources and it is doubtful whether more reinforcements can reach the advance German guard at Kalinin. Here the Russians even claim to have recaptured some ground, and there is for the time no sign of the Germans retaking the initiative. Nevertheless, the position in Moscow is grave. The Germans are bombing the capital heavily, and the first reports of the new attack indicate that its intensity is comparable to any of the earlier offensives. Nor does it exhaust the list of Germany's operations. The Moscow attack has a subsidiary purpose of preventing the despatch of reinforcements to Marshal Timoshenko in the harried south. Here the advance is continuing steadily across the Donetz basin and at some points, in spite of vigorous Cossack counter-attacks, the river has been crossed. Rostov still stands, but the Germans are reported to be within fifteen miles of the city. And should the Crimea and the Kerch peninsula fall, an enveloping movement across the Straits of Kerch and up the east coast of the sea of Azov becomes a menacing possibility.

The Crimea in Danger

The Russians' stand in the Perekop peninsula has at last been broken. A German break-through has carried two columns down into the peninsula, one striking through

Simferopol towards Sevastopol, the other following the railway towards Kerch. The Russian forces in the north of the Crimea may still have sufficient reserves and strength to close the gap behind the advancing Germans, but the threat to the whole peninsula is very grave. Its loss would revolutionise the position in the Black Sea. So far, the Russian Black Sea fleet, though small—it consisted at the outbreak of war of a battleship, five cruisers, some twenty destroyers and about fifty submarines and motor torpedo-boats—was more than a match for the few Bulgarian and Roumanian destroyers and submarines Germany could muster and the light craft which could be built in the Black Sea bases. The Germans have been unable to use the Black Sea for military operations, and their advance along the coast has been hampered—notably at Odessa—by Russia's control of the sea. Sevastopol, however, is the Red Fleet's chief naval base. It has docks, wharves, storage capacity, ammunition dumps, repair yards and all the other necessities of effective warfare. The port is already under fire from German dive bombers, and it is questionable whether it will be usable as a base even if the Russians are able to make of it another Tobruk. Other comparable bases do not exist. Batum is open to winter gales, Tuzupse is not fully equipped. Novorossisk will be threatened if and as soon as the Germans reach the Straits of Kerch. If the Crimea falls, the only alternatives before the Red Fleet would appear to be surrender, scuttling, internment by the Turks or escape, running the gauntlet of German bombing, through the narrow Straits.

Turkey's Dilemma

The fate of the Black Sea fleet concerns Turkey vitally, for Russia's only line of retreat lies through the Straits and the Dardanelles. Under international law, Russia's right to evacuate her fleet is regulated by the Montreux Convention, under which, even in time of war, so long as Turkey is not a belligerent, the vessels of war of a Black Sea Power may pass through the Straits, provided they go singly, after proper notification to the Turkish authorities. The situation is modified if Turkey is a belligerent. Then complete discretion rests with the Turks; and Article 21 of the Convention allows them the same discretion if they feel themselves in imminent danger of war. The opening here for German pressure is obvious. If the Russians seek

an exit, the Turks will be cajoled and threatened into declaring Article 21 to be in operation and into using it to pen up the Russian fleet in the Black Sea. Such a dilemma would clearly be of the most embarrassing kind for the Turks. President İnönü made it perfectly clear in his speech at the opening of the Kamutay that if Turkey were attacked, the country would resist to the last man. But Turkey's problem in recent months has been not to resist a direct threat, but to determine what measure of indirect pressure could be tolerated without loss of final independence. Thus a Pact of Friendship with Germany was combined with a firm reaffirmation of the alliance with Britain, and a trade agreement with Germany was accepted, but a barter of chrome rejected on the grounds that it would infringe Turkey's commitments to this country. The problem of the Straits offers almost insuperable obstacles to compromise. Either the ships go through or they do not. However, the Turks can by now have no illusions about the influence on German military strategy of the compliance or "obstinacy" of neutrals lying across Germany's path. If the Germans plan to attack, they will do so whether or not the Red Fleet has reached Alexandria.

Mr Bevin Treats Them Rough

The long and weary process of mobilising women for war work has reached yet another stage. We have now passed through the stage of appeal, the stage of exhortation, the stage of direction, and have arrived at last at the stage of semi-compulsion. At each stage much potential woman power has been lost. Mr Bevin has tempted them out of their homes, it is true; but in far too many cases the women thus tempted have, very naturally, gone into frequently more remunerative, and always more attractive, unessential occupations. The attempt to squeeze them out of these by the concentration of civil industry and the registration process has largely failed; in the first case, because Mr Bevin has allowed the women thus released to move into shops and hairdressers' establishments, from which it is far more difficult to extract them, and in the second because, to begin with, registration and interview merely confirmed a woman and her employer in their belief that because she was replacing a man she was *ipso facto* doing war work. There has thus been a tremendous turnover in the country's labour supply, with a consequent dislocation and loss of efficiency, but no effective mobilisation as yet. At last, however, there are signs that Mr Bevin is beginning to discard his gentle treatment. He has already decided to call-up shopgirls aged 20-25—though not from food shops and not where the plea of excessive hardship can be maintained—and last week-end he announced the extension of the Undertakings (Restriction on Engagement) Order to all women between 20 and 30 years of age. Hitherto this Order has been used—very ineffectively—to protect the labour supply of agriculture and coal-mining, and, by making all engagements take place through labour exchanges, to prevent employers in the engineering, civil engineering and building industries from poaching scarce labour. In its application to women of 20-30, it will be amended so that no woman in this age-group can obtain any job except through an employment exchange, and a would-be employer will have to prove to the exchange that the work is of national importance. Moreover, women in the same age-group who work in voluntary organisations are to be combed out. Unfortunately, these steps, though they may prevent a further waste of woman power, have been taken too late. What is still wanted is the transfer of large numbers of women from unessential work to real war work and the women's services. For this Mr Bevin will still have to rely on appeal and exhortation, unless—as is rumoured—he intends to proceed to the next and final stage—full conscription.

The Need for Fuel Economy

Five months ago, on May 28th, Mr Grenfell, Secretary to the Mines Department, pointed out in the House of Commons that the output of coal was then insufficient to meet current demands, that stocks only totalled 14 million tons, equivalent to little more than three weeks' output, and that the position would not be safe unless at least 20 million tons were added to reserves by the end of October. Although stocks in industrial centres, and especially at essential works and public utility plants, have been raised above the dangerously low level to which they had

fallen last spring, they are not nearly large enough. Indeed, it is no secret that Mr Grenfell's hopes have not been realised, that production has increased but little and that the amelioration in the supply position has been due, in no small measure, to the improvement in transport facilities. But winter has now set in again, and the coal-mining industry is faced, not only with the inevitable increase in the domestic demand for fuel, but with the problem of providing the coal for a vigorous expansion in industrial activity. Coal will soon be short again, and, unless rigorous economy is practised in industry and in the home, it may be desperately short in a few months, even for essential purposes. It is scarcely surprising, therefore, that the Select Committee on National Expenditure, which has previously drawn attention to the need for fuel economy, urges the importance of saving coal and its derivatives in its twenty-fourth report of the 1940-41 session. The committee reports that "insufficient has been done throughout these months to impress upon the public the need for this economy," and that its own recommendations have "apparently not been in any substantial degree implemented." It recommends that greater efforts should be made by the Mines Department and the gas and electricity industries to secure voluntary saving by non-industrial users, that suggestions for the restriction of broadcasting should be examined, but that, while it might be prudent to have ready a rationing scheme for gas and electricity, the costs of administration and the practical difficulties of enforcing it should be carefully considered by the Mines Department before imposing it. Moreover, the committee invites the reconsideration of the question of the release of miners from the fighting forces or other employment. The administrative difficulties of ensuring a fair distribution of coal and its derivatives are considerable. But since a coal shortage can hardly be avoided this winter, these difficulties must be faced if the nation's health is to be maintained and the output of the goods of war increased.

Points for Tins

An important extension of rationing will take place on November 17th when tinned foods are to be distributed by the point system (pastes, soups, vegetables other than beans, and fruit are to be exempted). The expenditure of 16 points a head monthly on tinned meat, fish and beans will follow exactly the same principles as those governing the expenditure of clothing coupons. That is to say, the consumer is not required to register at any one shop and is allowed freedom of choice within the new group of rationed goods, within the retailer's stocks and within the point pricing schedule laid down by the Ministry of Food. It is understood that a high proportion of the supplies covered by the new order is represented by imports from the United States under the Lease-Lend Agreement. The importance of the new scheme lies, of course, in the prospect that it opens up of controlled distribution of all foods offered for sale. Once basic food rations have been

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distributed by the classic method, there is a strong case for bringing all other foods within the scope of a point scheme. The Ministry believes in pressing forward slowly, but once the point system has been applied to the distribution of food, it should be a simple matter to bring other comestibles into the scheme. The advantages include the restoration of competition in the retail trade, a deficiency which in recent months has given rise to a notable deterioration in the quality of service; the removal of a severe handicap on workers whose shopping facilities are inferior to those of the leisured classes; and the elimination of a source of inflationary pressure on the price level resulting from unduly strong competition to buy. All these advantages are not achieved simply by point-rationing canned goods, but many of them could be attained, outside the sphere of the basic foods, by an extension of this method. It is to be hoped that comprehensive extension will be delayed no longer than is necessary to attribute point-prices to the goods in question. There is only one disadvantage—that the scheme involves the possession of a new ration book, a pink 'un, making, with the margarine page still in use in some quarters, four books in all. Let us hope that in the next rationing period they will be bound in an omnibus volume.

Winter Shortage

The winter milk shortage has officially begun. From Sunday last, all retail milk sales (except those by producer-retailers in towns of less than 30,000 inhabitants) must be cut by 5 per cent compared with the week ended October 25th. At the same time comes news of the first distribution of rationed condensed milk, which is due to be delivered by dairymen about the middle of the month. It is difficult to estimate precisely how heavy is the average cut which must be imposed on consumers outside the priority classes (whose consumption is not to be disturbed) in order to produce a general 5 per cent cut. It will probably range between 7 and 10 per cent, but since it will vary in each district with the proportion of priority customers served by the roundsman, its calculation can be no easy task. The solution will probably be to stop one or two days' milk from each non-priority customer, a practice which, as was abundantly demonstrated last spring, penalises the customarily frugal consumer. Unless, for each total cut, a minimum supply per head is worked out for non-priority consumers, the position is bound to recur in which the household normally taking one pint a day for four people suffers disproportionately to the household which normally takes one pint a day for two persons. The scheme as it stands contains a further anomaly, that the evacuation areas containing a low proportion of priority consumers will suffer relatively to the reception areas, so that treatment of the non-priority consumers is likely to differ not only within each area but more seriously between different districts. It is true that surpluses are to be directed to areas of shortage, but how is a surplus likely to present itself if sales are only to be curtailed in response to the seasonal decline in the supply of milk which is stated to be the prime cause? It is highly important to get the distribution of milk on to a satisfactory footing from the beginning. Unless more specific measures are taken to ensure fair distribution outside the priority classes, satisfactory results are out of the question.

America and the Torpedoes

The sinking of the American destroyer *Reuben James* was a more serious incident than any that had gone before, since for the first time there is a long death roll. Yet, paradoxically, at first sight, it has produced less of a reaction. The reason is, of course, that the action considered by the American public and government to be appropriate to Nazi attacks on the American navy has already been put in hand by the President's order to the Navy to shoot and by the introduction into Congress of a resolution to amend the Neutrality Act. The passage of this resolution in its wider form has been assured by the *Reuben James* incident. But the next step awaits evidence of some new aspect of the Axis offensive against America. This, in fact, is one of those pauses between the successive developments of policy which are becoming briefer and briefer. There is a pause, too, on the domestic labour front. Mr Lewis has sent his miners back to work for a fortnight while the issue of a closed shop is referred to the National Defence Mediation Board.

But nothing has been settled. In this field, as in that of American foreign policy, further developments can be awaited very soon.

Hitler's Mercenaries

The strength and staying power of the German attack on Russia, both in time and space, are staggering. It would be even more so if it were a question of German manpower and German resources only. But in a sense it is all Europe that is waging war on Russia. The continent's resources feed the German war machine. The workers of France, Scandinavia and the Low Countries, the migrant labourers of Italy, the peasants of the south-east, are all working for a German victory. Italy, Finland, Hungary and Roumania—together with a few odd remnants scratched together to form "legions" in France and Spain—are participating directly in the fighting. Italy's contribution is difficult to assess. To the Russian front proper probably not more than four divisions have been sent, but wherever the Italian army is engaged—in Greece or Libya or on policing duties—it is releasing German manpower. The other three belligerents have provided some 30 divisions. The Finns, with about fifteen, have borne the brunt of the fighting from Murmansk to Leningrad. The Roumanian divisions, about ten of them, wore down Russian resistance at Odessa. The Hungarians are also fighting in the south, but they have been very hesitant about their help and would very probably have abstained if the Roumanians had not clamoured for the return of Transylvania in recompense for the shedding of Roumanian blood in the German cause. The direct assistance of these three Governments is an integral part of the German war plan, and nothing could be more reasonable than Russia's request that Britain should formally declare war upon them. In the case of Finland there must, of course, be hesitation and regret. A gallant people has been blinded by its hatred of Russia, for which it has had such recent justification. If the Finns had taken advantage of the United States' initiative of August last and made a separate peace, Britain would have felt nothing but relief and satisfaction. This would still be the general reaction if Mr Cordell Hull's warning of this week that unless the Finns withdraw from the fighting they will incur the hostility of the United States, were by some miracle to bring Finland out of the war. The Finns' dilemma is, of course, a painful one. They could make peace if they wanted to, but they might have to use their fifteen divisions against the Germans to secure it. But the dilemma is of their own making, and if they, along with the Hungarians and Roumanians, fight on, then in logic and loyalty Britain must declare war on them.

East European Bloc

The delegations sent by Poland, Czechoslovakia, Yugoslavia and Greece to the ILO Conference have signed a declaration, announcing their countries' intention to act together as the nucleus of a confederation of nations stretching from the Baltic to the Aegean. If this declaration of policy proves to be the first step towards the creation of a strong and united bloc of powers in Eastern Europe, it may be that the date of its signing and the library of Columbia University, where the signing took place, will be marked up as milestones in the long, hard road to European peace. This strip of territory from Baltic to Aegean has long been the debatable land of Europe. In 1914 it was in dispute between Austria-Hungary and Russia. In 1939, control of it was clearly seen to be a German stepping-stone to world domination. Marching to east and west with two of the most powerful states in the world, it must constantly come under pressure—or suspicion of pressure—from one or other of them as long as it is divided and weak. At the same time, it is geographically so remote from the English-speaking centres of world power that to rely entirely on their support is to court disaster. The only alternative is the creation of a strong and independent bloc in which internal frictions have been overcome and which, as a political, economic and military unit, can hold its own and even act as a buttress of European peace. But there should be no illusions about the difficulty of the task. What is to be the rôle of Hungary, Roumania and Bulgaria? The delegates express their determination to invite these states to join the Confederation. This is statesmanlike, but on what terms? It will require great magnanimity and great political courage to distinguish in the hour of victory between quivering governments and

the peoples they betrayed. The form of the Confederation, too, must, if it is not to repeat the fiasco of the Little and Balkan Ententes, prepare for the centrifugal pressures to which such a bloc would be submitted. The declaration talks of the preservation of "sovereignty." If this means sovereignty in the full nationalist sense of the early twentieth century, then the Confederation is already doomed. In the turbulent circumstances of Eastern Europe, "freedom from want" demands a measure of unified economic planning and "freedom from fear" a concentration of military power which only a federation more centralised than any so far recorded in history can provide. This does not condemn the efforts of these states to futility from the start. It is a challenge to them to set their goal sufficiently high.

Agricultural Wages and Prices

The minimum wage of agricultural labourers has been raised from 48s. to 56s. a week—with the prospect of a further rise to 60s. The farmers did not oppose the increase; they are assured of a rise in the fixed prices of their produce to compensate them for the higher wages, which may be of assistance to them in lessening the agricultural worker's desire to move into another industry. It is safe to say that no one in the country begrudges the farm worker a higher standard of comfort. Nevertheless, the near-doubling of agricultural wages in less than two years raises some very awkward problems. Immediately, it increases the pressure for higher wages for those grades of unskilled industrial work that have always competed with agriculture for their labour supplies—and through them, an inflationary impulse may be imparted, from the bottom, to the whole wage structure. This complication, it is true, may be avoided; but the more distant perplexities cannot. The higher the costs of production of British agriculture are allowed to become, the less able will it be to compete on equal terms after the war with supplies of overseas food, and the higher will be the price that either the British taxpayer or the British consumer (or, most probably, both) will have to pay for the survival of any agriculture at all in this island other than the production of milk and vegetables. It is all very well, in the artificial vacuum of wartime, to raise costs of production in this spirit of blithe unconcern for the consequences. But the reckoning will come when virtually unlimited supplies of good imported food are again available at prices far below those to which the British farmer has now raised his ambitions. How much is the rest of the community expected to pay in direct or hidden subsidy to the farmer? £200 millions or £400 millions a year? There is surely a point beyond which the public will not be prepared to mulct itself for the privilege of having its food home-grown. The higher costs are pushed now, the smaller may be the post-war agricultural industry.

Habeas Corpus

Regulation 18B has for the first time come before the House of Lords. The lower courts have already dealt with several cases in which the person detained has applied for a writ of *habeas corpus*. In those cases the court has held that an affidavit by the Secretary of State that he had reasonable cause is a good answer to the application for the writ, although in the case of Captain Budd the application was granted because of a technical irregularity in procedure. In one of the cases that have now been decided by the House of Lords, the appellant was appealing against a refusal to grant him a writ of *habeas corpus*. In the other the appellant, Mr Robert William Liversidge, was appealing against a decision in the Court of Appeal that the Secretary of State need not produce particulars showing why he believed that Mr Liversidge should be detained. In both cases, however, the point at issue was substantially the same. Can the Home Secretary's action in ordering the detention of persons without trial be challenged in a court of law? The answer turned on the phrase "If the Secretary of State has reasonable cause to believe . . ." which Mr Liversidge contended must mean "if there is in fact reasonable cause for believing"—and therefore be subject to proof. By a majority of four to one, their lordships held, however, that the matter is one for the exclusive discretion of the Home Secretary; so long as he acts in good faith he alone can say that on the information in his possession the person in question is covered by the terms of the regulation. Obviously, this is an objectionably wide power to be given to

the Executive—too objectionable in the opinion of Lord Atkin, the dissenting judge—and it can only be justified by the principle that the safety of the commonwealth transcends the liberty of the subject. But if each case of detention were to be reviewed by a court, it could only be held, whether in camera or in public, with an incomplete disclosure of evidence, or it would involve the revelation of military secrets—which would defeat the whole purpose of the regulation. Moreover, the question at issue is one of reason, not of law. The only safeguard that a suspected person can have—apart from the appeal to the advisory committee whose decision the Home Secretary is not bound to follow—is the vigilance of Parliament. In this matter as in others affecting the liberty of the subject, the House of Commons has shown on several occasions that it is not prepared to tolerate a regulation unless it is wisely and justly administered. And there must be no weakening in the determination that, once the safety of the commonwealth is assured, this whole apparatus of arbitrary powers must be swept away.

The Match Shortage

Once again an essential commodity is being allowed to disappear because steps have not been taken soon enough to ensure fair distribution all round. The supply of matches, according to the Parliamentary Secretary to the Board of Trade, is now about half pre-war consumption, and production cannot be materially increased except at the expense of direct war needs. But the only step taken to alleviate this situation is to place upon the market an unrestricted supply of mechanical lighters; the cost of these—5s. wholesale—will be prohibitive to most people suffering from the present exasperating shortage of matches, even if they can be relied upon to work. It appeared to come as a shock to the President of the Board of Trade and his Parliamentary Secretary to learn that the shortage exists; yet, the—by now—well-known practice among retailers of holding back supplies for most-favoured customers, and the scouring of shops by would-be hoarders, are widespread. Evidence of uneven distribution is provided by the Post Office's warning that matches must not be sent by post. Even street sellers are, understandably, reserving their few boxes for those who spared their coppers when matches were plentiful—some are wily enough to keep their trays covered, so that the hopeful purchaser approaching with pennies does not know whether he will get in return matches or a mere trinket. Obviously, the only remedy is some form of rationing, and it is odd that the Board of Trade, which dared to tackle clothes rationing, should shy at matches. There are difficulties: a large part of the retail trade is in the hands of tobacconists, and consumption is very uneven as between one person and another—though this could be got over by allowing the retailer to sell any surplus off the ration, as is to be allowed in the case of milk. The point is that rationing is the only way of checking hoarding and ensuring a minimum quantity per head. It is absurd for the Secretary for Mines to appeal for economy in the use of fuel when the lack of a match is the best possible incentive for keeping the home fires burning.

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Vichy's Contraband

While Germany shoots the people of France in batches of fifty, Vichy is not only maintaining its close economic collaboration with the Nazis but is developing it in new spheres. The British Government has long known that of the foodstuffs and raw materials arriving in Marseilles from North Africa anything up to 80 per cent is requisitioned for the Axis, but, in part perhaps to give Vichy the benefit of the doubt, in part because of the strategic difficulty of preventing this contraband traffic, the Navy has apparently received no orders to intervene. Vichy has therefore been encouraged to carry the policy a step further, and is despatching convoyed merchantmen from Madagascar and the east to France. One of these convoys was intercepted by the British Navy off the coast of South Africa. In the normal exercise of belligerent rights the British commander requested the convoy to put into port for examination. Not only was the request refused, but the crews of three of the five merchantmen attempted to scuttle their ships when the British boarded them. The attempt was unsuccessful and the ships will now be submitted to the usual examination, but the whole incident is a very disagreeable example of the manner and mentality of the men of Vichy. They claim the advantages of neutral status, yet they refuse to accept the obligations of neutrality, which include acceptance of the right of search. They claim the privileges of independence, yet, quite apart from the policy of scuttling, the mere fact of their proceeding unmolested in Axis-infested seas is proof of their subservience to Germany's desires. And easily the most repellent aspect of the whole episode is their description of the incident to the French people as a British attempt to prevent Madagascan food supplies from reaching the starving people of France. At this moment, a shipload of £250,000 worth of milk, medicine and vitamins for the children, for whose despatch from the United States the British Government has given its consent, is only awaiting an Axis safe conduct to sail. It is not so much the larger villainies of Vichy that are distasteful. It is the incredible meanness and spite of these little men.

* * *

Putting on the Heat

The Government of General Tojo is clearly determined not to go to war for the sake of other people's "new orders." The Triple Alliance has fallen into the background, and Berlin's attempt to paint the sinking of American ships as an American attack upon Germany, calling into operation Article 3 of the Alliance, has had a blandly indifferent reception in Tokyo. But Japan is almost equally clearly committed to the possibility of general war for the sake of its own "new order." When the Diet assembles in extraordinary session on November 15th, it will be presented with a programme of even greater economic mobilisation and regimentation to prepare the nation for an extension of the war. Indirect taxation has been heavily increased. Increases in direct taxation will be proposed and undoubtedly approved by the Diet, but it is doubtful whether new measures of economy can offset the damage done by the blockade (the position is discussed on page 563). Japan is using the new stringency as an excuse and a threat. The United States need not think, so the Japanese press maintains, that economic sanctions will keep Japan from fulfilling its plan of Co-prosperity. On the contrary, the embargo makes it essential for Japan to hasten the programme and impose the benefits of Co-prosperity on the Dutch East Indies, Indo-China and Malaya without much more delay. It is the old story. Collective defence is encirclement. Economic sanctions make aggression at the expense of others inevitable. Although the despatch of Mr Kuru to assist the negotiations in Washington may be interpreted as a conciliatory gesture, the Tojo Government threatens to set a time limit to the Washington talks. The Americans can afford to be unperturbed. They can eliminate the risk of war in the Pacific only by handing the whole ocean over to Japan, and this they have never accepted as a possible solution. The difference between war now or war next year or war in ten years' time is that, with each conquest and each consolidation of victory, Japan will be by so much more powerful. The recapture of Chengchow by the Chinese is a reminder that in the China "incident" there is still no victory and little consolidation, and it does not take much wisdom to see that it is better to face the Japanese now with an unfinished war on their hands than wait until Co-prosperity is an accomplished fact.

Another Australian Budget

Mr Curtin has made his choice. The Budget which his Government introduced last week shows very little sign that he realises the financial measures that are necessary before Australia's potential war effort can be achieved. It is not exaggerating to call it an electioneering Budget. The estimates of war expenditure are about £A4½ millions higher than Mr Fadden's estimates, at £A221,485,000, of which £A59 millions will be spent overseas, and total expenditure is about £A5½ millions higher at £A324,965,000. These increases are mainly due to higher service pay and allowances and higher invalid and old-age pensions, which might be spared the charge of vote catching on the grounds of hardship. But there can be no excuse for the refusal to increase direct taxation on incomes up to £A1,500, even though there are a few increases in indirect taxation and postal charges, estimated to bring in another £A6,800,000 in a full year. Mr Curtin has, in fact, placed no additional direct tax on 80 per cent of the national income, and by refusing to lower the exemption limit for income tax below £A200, he is allowing over 300,000 wage earners to make no direct contribution at all. Of the £A160 millions extra wanted this year, only £A22 millions will be provided by new taxation, and this will mainly come from heavy taxes, amounting to 16s. 8d. in the pound, on incomes over £A2,500 and from severe company taxes. The remainder, £A138 millions, will be borrowed, an increase in borrowing of £A72 millions over last year. Mr Curtin's only attempt to check inflation is by the control of bank advances and the compulsory deposit of the trading banks' excess funds with the Commonwealth Bank. He has not, however, grasped that, under his financial policy, if there is no inflation, his war estimates will almost certainly be underspent, with a consequent detraction from Australia's war effort, while if there is inflation it will fall most heavily on the very people he has spared in his Budget and whose votes he is trying to attract.

* * *

The Balfour Declaration

On its twenty-fourth anniversary General Smuts declared that the Balfour Declaration was not dead. It "is not a mere accident, a mere eccentricity of the Great War, but in its large historic setting is one of the great acts of history." The course of the war, with the consequent spread of Nazi persecution and the establishment of new ghettos which "in their misery and despair out-rivalled the record of the Middle Ages," has made the case for the Balfour Declaration "overwhelmingly stronger. Instead of the terror of new ghettos in the twentieth century let us carry out the promise and open up a national home." General Smuts is perfectly right in stating that the case of the Jews has become one "for the conscience of mankind." It is also true that with the possibility of a large Arab confederation in the Middle East, the prospect of establishing a national home is brighter than when it was a question of dividing up Palestine between Arabs and Jews. But it has never been contended that Palestine alone was big enough to solve the Jewish problem. And although the Jewish genius turned the country from a land of refuge into a land of promise, it is probably true to say that the majority of Jews who went there still regarded it as a refuge and that those who did not go would rather stay in their own homes if they were allowed to. It is not by a revival of the Balfour Declaration alone that the Jewish problem can be solved, but by securing such a peace that racial persecution is effectively stopped and the Jews allowed to live unmolested with full rights of citizenship in whatever country they have made their home.

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Shorter Note

Lord Beaverbrook's appeal for 100,000 tons of waste paper for making shells and cartridge cases appears to be having encouraging results. The paper situation is serious, and readers of *The Economist* are urged to give the campaign their utmost support. But it is not enough to turn out waste paper and insist on its being collected. Although people may soothe their consciences when wasting paper by thinking that it will ultimately be salvaged and turned into munitions, their first object should be the strictest economy in the use of paper. This will be the most effective means of saving shipping space.

THE WORLD OVERSEAS

Sanctions on Japan

(From Our Shanghai Correspondent)

September 17th

JAPAN has been badly hit by the United States-British-Netherlands freezing and is desperately struggling somehow to maintain as going concerns her civilian economy. For the first three weeks after the freezing action, the Japanese press denied any adverse effects of any importance. The Tokyo papers pretended that Japan was prepared for the shock, had plenty of supplies, would easily readjust her production and trade by closer co-operation with other yen bloc areas; and that the democracies were affected at least as badly as, if not worse than, she was. But in the middle of August the Tokyo Cabinet Information Board reversed their orders to the press. Ever since, the Japanese papers have been flooded with complaints about the losses suffered from the freezing measures, and the simultaneous publicity of the alleged effectiveness of Japanese counter-measures carries little or no conviction with the Japanese people.

Anti-Japanese freezing does not coincide with complete anti-Japanese trade embargoes. The Japanese continue to trade outside the yen bloc—carrying goods in ships of their own—not only with Latin American countries and French Indo-China and Thailand, but to a certain extent with the British Empire, the United States and the Netherlands Indies as well. From the latter three they still secure, though in heavily reduced volumes, certain war essentials such as mineral oils and various non-ferrous metals, as well as other important commodities such as wheat and wool. Some of these shipments to Japan are undoubtedly outright appeasement. Nevertheless, Japan's trade with the three democracies has been curtailed by at least 75 per cent. Since this section of her foreign trade prior to freezing accounted for 80 per cent of Japanese trade outside the yen bloc, the curtailment of that trade through sanctions amounts to almost two-thirds. It generally affects Japanese exports more severely than imports. The total effect on the three democracies, on the other hand, is but slight. Of Japan's present non-yen bloc trade, about half continues to be transacted with the three democracies, while the latter turn over with Japan little more than 1 per cent of their foreign trade.

The Japanese are trying various measures of relief and circumvention. They attempt to use the leading ports of Thailand, French Indo-China and South America as transit centres for Japanese imports and exports. They export Japanese products camouflaged as Chinese goods, while trying to purchase supplies through screens of neutral firms. At Shanghai, they hastily built up an apparatus of such firms through which they hope to secure some of the new imports financed by the Chinese Currency Stabilisation Fund. They buy with Chinese national currency, which they obtain through the release here, against such currency, of Chinese goods, such as silk, which previously they proposed to export themselves. In French Indo-China, they force the Banque de l'Indo-Chine to grant them ever larger piastre credits. In Thailand, on the other hand, similar attempts recently met with reluctance on the part of the Thais to subsidise Japanese trade, and the Yokohama Specie Bank had to sell £2,250,000 worth of gold bullion to the Thai National Banking Bureau in order to obtain additional local credits.

Huge Business Losses

All these measures, however, amount to little compared with the damage done to Japan by the anti-Japanese freezing. Semi-official Japanese papers estimate at £30 millions the minimum total of compensation which the Tokyo Government would have to pay Japanese private business on account of freezing losses. This sum does not include the request of Yokohama and Kobe silk exporters for state purchases of £5,000,000 worth of raw silk, which it is now impossible to export. The official Foreign Trade Promotion Company, immediately after the freezing, promised to buy

all Japanese goods which were ready for export at the time of the freezing. On the first day of applications for such state purchases, Osaka alone filed over 4,000. The Promotion Company thereupon had to announce that no state purchases of blocked export goods could be effected in the near future and advised business men to try to help themselves.

Although in the weeks preceding the anti-Japanese freezing the Japanese tried to liquidate as much as possible of their assets in the democracies, they held on to their trade with those countries to the last minute, and consequently had almost their whole foreign trade working capital frozen. As a result, a great many Japanese foreign trade firms are suddenly confronted with a complete lack of ready funds, which makes readjustment to the new conditions still more difficult. Japanese state finance, already badly strained, sits tight and offers little help. A large number of Japanese enterprises—especially those of small or medium size, but also large cotton importers, shipping firms and banks—in British Malaya, British India, the Philippines, the Netherlands Indies and the United States see their funds blocked and Tokyo unable to grant emergency help. A great many of such enterprises have had to close down, including tin mines and rubber plantations in Malaya. Particularly strict is the application of freezing to Japanese interests in the United States, where even the biggest Japanese firms and banks find themselves almost paralysed. The Mitsubishi Trading Company has had to close down even its important Los Angeles office.

The diversion of the blocked exports to Japanese domestic consumption meets with great complications. The bulk of the goods in question, especially the textiles, either may not be sold at all in Japan or only within very narrow limits owing to Japanese anti-luxury legislation. The release of these goods to domestic consumers threatens to upset the entire anti-luxury legislation. Moreover, such a release would call for substantial additional expenditure on the part of civilian consumers in Japan, and thereby would run counter to the intricate system of thrift and savings regulations which strictly limit the budget of every Japanese household. Increased civilian expenditure would mean smaller savings and, thereby, smaller opportunities for placing governmental bond issues.

The Tokyo brain trust's general scheme is further to curtail, in line with the heavy reduction in imports of raw materials as a consequence of freezing, all Japanese industrial production for civilian consumption. In cotton spinning, mill activities are to be cut in half, that is to little more than 25 per cent of capacity. The consequent further severe decline in the domestic output of peacetime industries is to be made good temporarily through the gradual release of blocked export goods. Working capital set free by such a curtailment of production is to be diverted to the financing of war industries; unemployed labourers are to migrate to the armament industries or the countryside; the idle machinery of medium-sized plants to be closed down is earmarked for transfer to Manchuria. How all this will work out even Tokyo's German advisers do not dare to prophesy. Japan's fighting forces absolutely refuse to release, even temporarily, for civilian purposes any of the vast supplies they have accumulated for future war emergencies. Foreign experts agree that the country's army and navy may be able for some time to come to maintain their present volume of supply stocks. Imports still being maintained are believed to cover approximately their current consumption of foreign materials, while Japanese home production of war essentials need not yet decline, though it is unlikely to register further advances to any marked extent.

The economic resources of the other so-called yen bloc countries—Manchuria and Japanese-occupied areas of China proper—cannot render additional help to Japan in the present emergency. Already Japan extracts from these countries the maximum of supplies they can possibly yield to the conqueror. The mobilisation of any new economic

resources in Japan's continental sphere of power will have to be a long-term process, requiring vast investment taking the form of capital goods and other supplies, of which Japan now has less than ever to spare. For Japan proper, Tokyo propagates as relief measures further advances in the so-called "planned economy" after the German pattern. Important new steps in this direction are recent ordinances fully invoking the National General Mobilisation Law; the enforcing of complete state control over key industries and shipping; and the tightening of capital control. But as things are in military-controlled Japan, such measures are important on paper only, while in fact they have no effect on the volume of supplies actually available, either in the form of accumulated stocks or through future production.

Inflation Fears in America

[FROM OUR NEW YORK CORRESPONDENT]

October 3rd

IN recent days there has been a marked emphasis on the danger of inflation. This correspondence mentioned Secretary Morgenthau's Boston address of three weeks ago. His speech was followed by the announcement that on November 1st the Federal Reserve Banks would raise reserve requirements by one-seventh to the legal maximum. This in turn was followed by an appeal by the Department of Agriculture to farmers not to plunge themselves into speculative debt, and yesterday Secretary Morgenthau again spoke in Chicago to the meeting of the American Bankers' Association. In this address he urged bankers to limit loans for non-defence projects. The probable reason for this sudden emphasis on inflation is the sharp rise in consumer prices this autumn.

The increase in reserve requirements will lift required reserves by about \$1,500 millions, or, put the other way, will reduce excess reserves by that sum. Excess reserves remaining will still be between \$4,000 and \$5,000 millions. Nevertheless, large as these are, the commitment to finance the public debt in two exclusive compartments—one for the public and the other for institutions, both at very low rates, but the latter lower than the former—suggests the advisability of some husbanding of credit resources, if something in the nature of credit rationing is to be avoided.

This concentration of interest on prices has not been without sequels or concomitants. In the past fortnight the long and sharp rise in primary agricultural products was arrested and even turned into a fall. But it must be remembered that the preceding rise in agricultural prices was mostly the consequence of action by Government agencies, not of markets or of consumer demands; and the stabilisation or reversal may mean principally that these agencies have attained their immediate objective. Except in food, the price rises in consumer goods this autumn, although perceptible, are less pronounced than the unavailability of an increasing number of items.

On October 1st new excise taxes went into effect on a long list of "luxuries"; the immediate consequence was that the closing days of September saw a great rush of trading in shops, as consumers hastened to supply themselves with these goods before the taxes took effect.

Some idea of the spread of consumer buying near the end of September may be gained from the following table.

DEPARTMENT STORE SALES

Compared with corresponding week of 1940
Week ended September 27th.

Boston	+32%	Chicago	+26%
New York	+11%	St. Louis	+28%
Philadelphia	+17%	Kansas City	+25%
Cleveland	+50%	Dallas	+12%
Richmond	+3%	San Francisco	+26%
Atlanta	+13%		

Of course, a good deal of this rise is increased price rather than increased volume. The table also illustrates the scatter of the boom. Some of these cities reflect very little in the way of change from last year—New York, for example—and Dallas, Richmond and Atlanta, all of which might have been expected to reflect the high price of cotton. Cleveland on the other hand is a visible centre of the armament boom. It is this dispersion that makes analysis so difficult, observation so undependable, and generalisation usually so specious.

Discontent in Roumania

[BY A CORRESPONDENT]

October 21st

THE enthusiasm worked up in Roumania on its entry into the war against Russia has soon died down and is giving place to discontent. At the outset, General (now Marshal) Antonescu could play on a traditional anti-Russian feeling, mingled with fear of Communism and on the recovery of the lost territories. When, however, the reconquest of Bessarabia and Northern Bukovina was achieved and the Roumanian troops had to fight on, with mounting losses, these sentiments rapidly waned.

To justify the continuation of the war, an irredenta had to be invented in the shape of "Transnistria"—the territory beyond the Dniester, the Moldavian Republic of the U.S.S.R.—which was declared legitimate Roumanian *Lebensraum* owing to the Roumanian minority living there. Meanwhile a full-dress war of nerves is developing between the co-allies, Roumania and Hungary, over the Transylvanian question, which neither party accepts as closed by the Vienna award.

Dissatisfaction inside Roumania is mounting. Ever since June there have been daily arrests for sabotage, "Communist activities" and other vague charges. More dangerous for the regime, however, is the growing body of open and influential opposition. It is rallying around some of the former political leaders, notably Maniu, the peasant leader, who went so far as to send a strongly-worded memorandum to the "Conducatorul" calling on him to stop the war. The fact that he has not been placed under arrest bears testimony to the immense popularity Maniu still enjoys with the peasants.

Short Supplies

The harvest has been generally good, with an average wheat yield of one ton per hectare and an estimated export surplus of 600,000 tons. Nevertheless, the supply situation is becoming more and more critical. Quite apart from the effect of the heavy demands made by Germany, producers refuse to deliver at the official prices fixed by the Government. There is a general complaint that official prices, although about double the pre-war prices, do not cover present production costs. Black market dealings are almost more common than the regular market.

The financial situation, already strained before the Russian war, has further deteriorated. The Reintegration Loan, issued for financing war expenditure, has met with only a moderate response, composed largely of institutional subscriptions. The note circulation is steadily expanding and points, among other things, to large-scale hoarding by the population.

Oil production continues to decline, as may be seen from the following table:—

	Jan.-June 1939	Jan.-June 1940	Jan.-June 1941
Output (tons)	3,100,000	3,045,000	2,600,000
Export "	2,200,000	1,800,000	1,500,000

Foreign trade figures for the first half-year show exports at 16,000 million lei and imports at 9,200 million lei; 66 per cent of the exports went to Germany, with Italy in the second place, followed by Switzerland and Turkey.

Co-operation with Germany is furthered by all available means. A special organisation has been created for the purpose, with the participation of all the more important professional associations. In July, discussions were held between various German and Roumanian industrial groups. German interests have now direct control of the entire heavy industry, three of the leading banks and many other enterprises. A number of mixed German-Roumanian companies have been formed, especially for the development of agricultural industries.

Hungary at War

[BY A CORRESPONDENT]

October 21st

THE fog which enveloped Hungary's entry into the war has not lifted. On June 27th, four days after a "non-belligerency" announcement by the Government, a bewildered public was told that, as a retaliation for a raid by "three disguised Russian planes," Hungary had declared war on

Russia. Hungarian troops attacked at once, while the accompanying anti-Communist propaganda was launched. The two main events of the war, so far as Hungary is concerned, have been the summoning of Admiral Horthy to Hitler's headquarters—when, undoubtedly, more troops were demanded—and the replacement of the Hungarian Commander-in-Chief, General Werth. On neither was the Press allowed to say anything except the brief official communiqué. Meanwhile the Press, by now entirely Nazi-communiqué, indulges in abuse of Russia, the Allies and the Atlantic Charter, as well as in boasting of Hungarian unity.

In truth, however, the Hungarian home front is far from united. There is a criss-cross of undercurrents, much un-easiness and heart-searching. Hungary's involvement in the war has brought home, even to some former Government supporters, the dangers of its situation. There are, again, those who think the time ripe for pressing forward new revisionist claims. Other elements feel alarmed at Hungary's growing isolation from its small neighbours. A powerful influence is exercised also by the strong Hungarian community in the United States, now unreservedly on the side of the democracies.

Another source of discontent in the country is the deteriorating economic situation, and especially the growing food shortage. The bringing in of the harvest—which has been a mediocre one, after disastrous crops last year—has relieved an impending bread famine, but bread rationing has had to be maintained and even extended. There is an acute shortage of fats and a dearth of dairy products. Milk supplies have declined by 30-40 per cent. Among consumption goods, kerosene, soap and shoes are the most marked shortages.

The lack of raw materials has resulted in hold-ups in many industries. The textile and clothing industry, normally employing over 200,000 hands, works at one-third capacity. The agricultural situation, too, is deteriorating. After the military call-up a serious labour shortage developed on the land. Despite the rise in agricultural prices, the real income of the farming population declined during 1940 by 15 per cent. The difficulty of collecting taxes from the farmers has been officially admitted. Foreign trade is increasingly monopolised by Germany. A new trade agreement was signed on July 31st, but details were not published.

The de-industrialisation policy previously pressed by Germany has apparently been dropped, in line with Germany's revised economic plan for the *Suedo-Ström*. The new formula for Hungary's economic structure is "agricultural westward, industrial eastward." On the other hand, Clodius, roving salesman of the new order, has expressed Germany's "desire" to participate in Hungary's industrial expansion. There are signs that this desire is being fulfilled.

Inflationary Trends in Egypt

[FROM OUR ALEXANDRIA CORRESPONDENT]

September 15th

SINCE the beginning of the summer, inflation has gathered considerable momentum. Up to that time the steepest rise had been in the price of imported goods, mostly manufactured; local foodstuffs were plentiful and relatively cheap, thus allowing for stable conditions in the labour market. The situation is now reversed, and many local products for domestic consumption are in the forefront of the advance.

The official index of the cost of living, applying to the lower middle-class, has moved as follows:—

	April	May	June	July
1939	130	128	128	128
1940	137	137	138	138
1941	164	165	172	178

For food the figures read thus:—

	April	May	June	July
1939	113	109	109	110
1940	115	114	113	114
1941	135	134	142	150

The above indices do not convey a full picture of the present situation as a fresh sharp rise has occurred recently. Furthermore, food looms very large in the total expenditure of the fellaheen and town labourers, so that appreciable economies on other items are scarcely possible.

The presence of inflationary factors has been discernible for a long time past. The note circulation has steadily expanded from £E20,712,000 on June 30, 1939, to £E42,257,000 on June 30, 1941, with a contra-seasonal advance during the latter month. The expenditure of the British and Imperial forces in Egypt now exceeds the value of the country's exports. Up to a few months ago, however, inflationary factors had been partly counteracted by other influences, of which the chief was the tendency to hoard notes. With the consolidation of the British front in the Middle East, and the outbreak of hostilities between Russia and Germany, a feeling of much greater confidence pervaded the whole country. Actually, the bullish impulse was imparted by the boom in wheat prices that started after April owing to a short crop. The general rise gathered further momentum when the heavy bombardments of Alexandria last June, and the subsequent large-scale exodus of the population, affected production for a while, and disorganised the distribution of consumption goods. Had the new Anglo-Egyptian cotton deal raised the price of this commodity too steeply, the inflationary movement might have got out of hand.

The general improvement in the Middle East has gone hand in hand with a boom in securities which may not have spent itself as yet. In the majority of cases prices both of fixed interest securities and of equities are at a higher level than last winter after the Italian defeats in Albania and Cyrenaica.

The New Cotton Deal

Although the purchase by the British Government of last year's cotton crop at a remunerative price spared Egypt a major economic crisis, no energetic measures were taken during the subsequent months to curtail the acreage under cotton and to encourage wheat growing. The result was not only a short cereals crop, which has necessitated a recourse to imports, but also quite a large cotton crop. The British Government, which is still burdened with a great part of last year's purchases, is prepared to take but half of the new production and only at last season's price. The other half will be taken by the Egyptian Government. Owing, however, to the rise in production costs, and to the strong pressure exerted by Parliament, where landowners are largely represented, the Egyptian Government will pay out an extra two tallaris per kantar (1d. per lb.) on all cotton bought by either of the two Governments. It is proposed to obtain the necessary funds from an increase in the National Defence Tax, and from budget economies. For the financing of the cotton purchases a short-term loan of £E17½ millions will be floated, and should local capitalists fail to subscribe the whole amount, the British Treasury will take up the balance. This time, however, British help is made conditional on the curtailment of cotton acreage to about 25 per cent of the total cultivated area of Egypt. Effective measures will also have to be taken to make the country once again self-sufficient in cereals.

Shorter Notices

"Butterworths' Emergency Legislation Service." (London) Butterworth and Co., 37 Essex Street, W.C.2. New Impression. £10 10s. net.

Messrs. Butterworth and Co. are rendering valuable service by means of their *Emergency Legislation Service*. The *Service* covers all emergency war legislation, arranged in a form suitable for quick reference. It is divided into two sections, one covering Statutes and the other Statutory Rules and Orders. The first section is kept up to date by the issue of supplements, which now number ten. The second is a loose-leaf volume in four binders and containing four parts: a survey of Regulations, Rules and Orders issued in connection with the present emergency; a digest of cases arising under the provisions, showing their effect upon the law and upon previous cases; a note-up on the cumulative system which, issued periodically, shows changes and additions to the material already contained in the *Service*. The fourth part was a cumulative index, but this has now been discontinued. A new index is in preparation which, it is hoped, will facilitate quicker and easier reference. Though the *Service* is primarily designed for the use of the legal profession, it has been found to be of greatest value to commercial concerns, whatever their interests. As a work of reference in which any point can be looked up with the minimum amount of trouble, it would grace the shelves of any library.

German Europe

Capital Markets.—During the first six months of 1941, total capital issues amounted to roughly Rm. 12,000 millions, against Rm. 8,673 millions in the whole of 1938. Approximately 85 per cent of the total were public issues, a percentage which has hardly varied since Hitler came into power. Share issues during the first half of 1941 amounted to Rm. 1,640 millions, an increase of 100 per cent compared with the corresponding period of 1940. The issue of industrial debentures, however, decreased during the same period from Rm. 611 millions to Rm. 128 millions. More than half of the total share issues were used for financing new companies. Prominent among them were the new subsidiaries of the *Reichswerke H. Goering*, the *Kontinentale Oel AG*, and mining and steel works in incorporated territories. The remainder of the share issues were capital increases, used for financing the acquisition of interests in other companies or for adjusting the capital to greatly increased industrial or financial activities.

The decline in the issue of industrial debentures is easily explained by the abnormal financial liquidity of German companies. During the first six months of the war, capital issues were almost exclusively used for financing an actual expansion of industrial capacity. Since the occupation of almost the whole of the Continent, private capital issues are used chiefly for the expansion of financial interest in all parts of Europe.

A characteristic feature of the new share issues was that only a very small part was offered to the investing public, which suggests that they were largely used in the reorganisation of companies. The growing influence of the state in this reorganisation is shown by the fact that the greater part of the shares were issued by the *Reichswerke AG H. Goering*. The percentage of shares dealt in on the German Bourses is very small. At the end of 1939 total share capital amounted to Rm. 20,330 millions, but only Rm. 7,760 millions, or 38.2 per cent of the total, were dealt in on the Berlin Bourse.

It is thus small wonder that the excessive financial liquidity, which has developed since the beginning of the war, has caused a persistent rise in share prices, whose index increased by 57 per cent from August, 1939, to September, 1941. The demand for shares greatly exceeds the supply in spite of the huge public issues of capital. Neither increased taxation nor the dividend and profit stop, after the model of the price and wages stop, have been enough to check the advance of share prices. The casual observer must assume that the general public tries to invest capital in shares as a safeguard against a possible inflation. Yet there are strong indications that the joint stock companies, as distinct from the general investor, have been accumulating shares and paid for them out of their greatly increased liquid reserves. This is certainly true of the banks. The Big Five Banks, for example, increased their investment in shares from Rm. 53 millions at the end of 1939 to Rm. 212 millions at the end of 1940. The president of the Reich-Group Industry, Dr Zangen, has exhorted industrial concerns and companies to refrain from investing their surplus reserves in shares; but it is quite obvious that everybody in Germany, private investors and companies alike, is trying to cash in on the possible profits accruing from increased war work. The general public, however, looks upon the increasing share prices as an indication of substantial war profiteering. The capital adjustments of the undercapitalised companies, now in full swing, have had hardly any influence on share prices. Most of the adjustments were nominal. From July to the beginning of September, 72 companies increased their capital from Rm. 495 millions to Rm. 875 millions by converting reserves into capital. There is no doubt that these adjustments will continue for a long time, but they will not alter the conditions of supply and demand on the capital markets.

The capital market situation has become a controversial subject among the economic administrators in Germany. Some of them who are concerned with the control of agricultural marketing have suggested the abolition of the Bourses, arguing from the analogy of their abolition of the agricultural commodity markets. At the Vienna Bourse a share price stop was introduced after the model of the price stop, but it did not work. At the same time, the financial Press violently opposed any scheme of abolition or marketing. Recently share prices have been falling because the government has ordered an investigation of

the investment portfolios of all companies. Meanwhile, speculative investments acquired recently may be disposed of. The idea is to restrict the purchase of shares by companies. The matter cannot rest there, and there is a demand for greater publicity in annual reports. It is felt that, in the public interest, the investment portfolios of companies should be specified instead of being shown as a total of investments. Lastly, there is the threat of increased taxation, and in the last resort of prohibiting dealing in shares outside the Bourse. The excessive liquidity of the companies is, however, bound to continue, and this root cause can hardly be checked by the usual control measures.

Clothing Cards, 1941-42. The new clothing cards for the third year of the war have been issued. They are valid for the period from September 1, 1941, to December 31, 1942. The total number of points, or coupons, has been reduced to 120, which must last for 16 months. The actual reduction in the monthly average works out at about 40 per cent. The cut has been made after a careful inventory of the available stocks of raw materials. These have decreased, especially those of cotton and wool. The *Wehrmacht* demanded greater supplies, and the number of workers available for the manufacture of civilian textile goods is much smaller. The total ration now may be judged by the fact that a suit requires 80 coupons, or two-thirds of the total coupons for 16 months. This cut, coming after the requisition of substantial stocks in occupied countries, suggests that there has been some check to the expansion of the manufacture of artificial textile fibres. The supply situation in Italy seems also to have deteriorated. On September 30, 1941, sales of textile goods were suspended for a fortnight to enable shops to make an inventory. It is expected that clothing cards will shortly be introduced.

Substitute Motor Fuel. A short time ago Major-General von Schell, the special commissar for motor industry and motor transport, announced that 180,000 motor vehicles, mainly lorries, were running on generator gas in Germany and the German occupied countries. That is almost half the number of lorries on the roads in the Old Reich at the beginning of the war. Von Schell estimated that roughly 648,000 tons of liquid fuel can thus be saved annually. An increasing number of barges and other craft used in inland shipping is also being converted for the use of generator gas. Special credits are granted for fitting Diesel engines with generators. The special commissar aims at saving annually at least one million tons of petrol and fuel oil, or roughly one-seventh of the total oil supplies of Greater Germany in 1938. There are, however, difficulties in the supply of suitable wood for generators. Experiments are being carried out with the use of coal, lignite and peat. No progress has been reported in manufacturing a generator capable of burning any kind of wood. Two leading companies engaged in processing and distributing wood were recently merged with the purpose of centralising the supply of wood for generators through a network of filling stations.

Industry and Banking in the Protectorate. Representatives of the mining section in the Central Industrial Organisation of Bohemia and Moravia reported that coal output in 1940 was 6.5 per cent greater than in 1939. Lignite output increased by 19.4 per cent, and the output of iron ore by 10.4 per cent. It is clear from the annual reports of the leading industrial concerns that during 1940 capacity was fully employed, mainly on war orders transferred from German concerns. The total turnover of the *Poldi Huette AG* increased during the year by 25 per cent. Plant and factories of the concern were fully employed on war orders. The famous *Skoda* works, now a subsidiary of the *Reichswerke AG H. Goering*, report an increase in capital. The *Verein fuer Chemische und Metallurgische Produktion Prague* increased production considerably. All the principal concerns increased their capital expenditure. The total deposits of nine banks increased from Kr. 11,873 millions on December 31, 1939, to Kr. 16,301 millions on March 31, 1941. Advances, on the other hand, decreased from Kr. 9,100 millions to Kr. 7,790 millions. The banks invested a considerable part of their financial resources in German Treasury bills and Treasury bonds. The bill portfolio covering these investments increased from Kr. 1,447 millions to Kr. 5,329 millions.

THE BUSINESS WORLD

Oil in American Defence

THE advantages possessed by the democratic Powers in their command of oil supplies have been greatly exaggerated in popular discussion; but they are none the less real. Given the necessary transport facilities, Britain can obtain an abundance of oil from any of the world's exporters, while America is far and away the largest producer of this essential raw material. The latter's 1940 output of 1,352 million barrels (say 185 million tons) was, indeed, equivalent to 63 per cent of the world total. The importance of oil in war was underlined by the President earlier this year, when he appointed Mr Harold L. Ickes, Secretary of the Interior, to be Federal Petroleum Co-ordinator for Defence; and the lesson was driven home to every citizen when Mr. Ickes proceeded to impose restrictions on the use of motor fuel in the Eastern States. Despite the fact, recorded in a Note in last week's *Economist*, that these restrictions—necessitated by the loan of tankers to Great Britain—have been removed now that some of the borrowed vessels are being returned to their owners, a general realisation of the crucial importance of the petroleum industry remains.

Though not so directly affected by rearmament requirements as, for example, steel, petroleum products proper, as well as certain of the industry's chemical by-products, have been in steadily increasing demand. With the steep rise in general business activity in the United States there has been a marked advance in the demand for industrial fuels and lubricants, while steadily mounting pay-rolls have naturally been reflected—in a country which possesses well over 30 million motor vehicles—in a sharp rise in petrol consumption. Following a remarkable increase in domestic demand for the principal petroleum products in 1940, a further rise of over 10 per cent occurred in the first six months of the current year. As compared with the same period of last year, domestic requirements advanced as follows:—Motor fuel from 279 to 309 million barrels; lubricating oils from 12 to 15 millions; gas oil and distillate fuel oil from 85 to 93 millions, and residual fuel oil from 169 to 188 millions. Despite a sharp reduction in exports, due mainly to the loss of European outlets—total shipments of the principal products fell from 41 to less than 29 million barrels over the year—total demand for all oils thus registered a considerable advance in the period under review. And the pace has shown no sign of slackening since the close of the half-year.

The expansion in demand has naturally been reflected in an upward trend of prices. But Mr Henderson, chief of the Office of Price Administration and Civilian Supply, has taken steps to check any inflationary advance in the price of petroleum products. First came the stabilisation (at the end of July) of Gulf prices for petrol for domestic shipment, a maximum of 6 cents a gallon being laid down for 72-74 octane material; but an increase to 6½ cents is now possible owing to the intervening rise in costs. For the principal grade of Pennsylvanian lubricating oil a ceiling of 33 cents a gallon has been decreed, while restrictions have been placed on increases in the price of crude oil. Finally, filling station prices for petrol have been fixed in 40 eastern cities. These measures, though naturally not very popular in the oil industry, certainly seem wise in the light of British experience; for in the United States prices of petroleum products enter into industrial and transport costs at many points. To hold in check the upward tendency in this important sector will therefore contribute materially to the avoidance of inflation in the economy as a whole.

Hitherto supplies of the majority of bulk products appear to have kept pace fairly well with the increasing demand. According to the A.P.I. statistics, stocks of petrol amounted to 83,343,000 barrels on October 25th, against 80,891,000 barrels on the corresponding date of 1940. Those of gas oil

and distillate fuel oil rose from 48,893,000 to 53,183,000 barrels in the same period. These increases in stocks, however, have hardly done more than keep pace with rising demand, and in some important special varieties stocks are running down. Thus in residual fuel oil there was a marked decline—from 108,475,000 to 95,205,000 barrels—but this was almost entirely confined to California, stocks east of the Rockies having gone down by no more than 1,647,000 barrels. Lubricating oil stocks are also much lower, stocks of viscous neutral in the Pennsylvania and Mid-Continent regions having fallen from 608,000 barrels in August, 1940, to 368,000 barrels in July, 1941. Finally, stocks of crude petroleum have been reduced over the year from the high figure of 262,098,000 to 243,605,000 barrels. A year ago there was a widespread tendency to regard stocks as excessive. And representing, as they do, something like five months' domestic requirements of the principal liquid products, they still appear, in general—though not in some special varieties—adequate for present needs.

But if requirements continue to grow—and in the absence of Government intervention this may be taken for granted—will the oil industry be in a position to deliver the goods? An unqualified answer is not so easily given as might be supposed, for the issue is not dependent upon the petroleum industry alone. Owing to the stringent position in the steel industry, difficulties have lately been encountered by certain oil companies in securing supplies of essential equipment. In the case of plant for the manufacture of highest quality aviation petrol, high priorities have, it is true, been granted. But from both the producing and refining sections there has recently come a chorus of complaints that proper recognition of the industry's great importance has not been manifest in the decisions of the Supply, Priorities and Allocations Board. But on the assumption that there will be no serious lack of steel tubes and other necessary drilling equipment, the position of the producing section of the industry appears reasonably assured. Although the output of crude oil has risen from a daily average of about 3,500,000 barrels in January to a present level of around 4,100,000 barrels, there is still a considerable "shut-in" capacity. This means that an immediate increase in output—up to perhaps 4,600,000 barrels daily—could be secured simply by operating the flowing wells at capacity; and an acceleration of drilling work would ensure a further increase in a few months. Production of high-grade Pennsylvanian crudes, from which the finest lubricating oils are manufactured, cannot be expanded easily at short notice. But there are plentiful supplies of other crudes which, when subjected to modern methods of treatment, yield lubricants of only slightly inferior quality.

In the refining branch, however, the position is much less favourable. The available statistics certainly suggest that the active capacity of the 500-odd refineries in the United States is around 4,600,000 barrels a day, against a present daily throughput of only about 4,100,000 barrels. But such figures may be misleading. The capacity now idle may not be capable of turning out products conforming to stringent present-day specifications, while a refinery, in contrast with a flowing oil well, cannot be operated for 365 days a year. Much of the spare capacity is in inland regions or on the Pacific Coast, and its use would intensify the transport problem. Only a small proportion of it, perhaps equivalent to some 110,000 barrels a day, is in complete plants. That the refineries are, in fact, now working fairly near the practicable limit of their capacity was recently suggested by Mr R. K. Davies, who—though guilty a few months ago of making an unduly alarmist statement of the East Coast supply position—as Mr Ickes' deputy co-ordinator should know the facts of the present situation. New refineries are, of course, always being constructed in the United States, technical

progress in this branch being exceptionally rapid. But it may be necessary to speed up such construction work—and to guarantee the materials for the purpose—if an adequate margin of refining capacity is to be maintained.

In general, therefore, the American oil position is one that requires careful watching, but no alarmism. There is still a margin of capacity over and above present consumption. But the margin is small, the demand is rising—it might rise very rapidly if a vast war of movement were to begin—and additions to refining capacity are likely to be slow. Moreover, rising demand for, and growing dependence on, other varieties of oil, such as fuel oil and residual oils (used in domestic heaters), make it difficult to increase the proportion of crude going into motor and aviation fuels. But there is, of course, one enormous cushion against rising needs. The domestic consumption of motor spirit and lubricating oil, though not much more than half the total output of the American oil industry, is something like seven or eight times the total supplies of German Europe. Mr Ickes's recent attempts to restrict consumption on the Eastern seaboard were ill-conceived and unsuccessful. But private consumption could be reduced if the need arose, and a comparatively small cut would supply the needs of a very large army.

Petroleum cannot, however, be treated as a single homogeneous commodity, and in some of the more specialised branches of the industry the position is by no means so reassuring. There may be a severe shortage of lubricating oil (so often forgotten in oil calculations) in prospect. In the case of 100-octane aviation fuel the need for increased capacity is officially recognised. The capacity of the existing plants for the manufacture of this highest-grade fuel is officially estimated at 40,000 barrels a day, or well over 1,500,000 tons a year. Though this is adequate for the needs of the moment, a rapid increase in requirements must be provided for. Only last month the United States Secretary for War announced plans for almost trebling the Army Air Force to 400,000 flying cadets and enlisted men by the end of next June, and, if possible, to 500,000 after that. The latest OPM schedule calls for an output of some 4,000 aircraft a month by next July—about double the existing

rate of production. To these rapidly growing American requirements for aviation petrol must be added some part of British and Russian needs.

In anticipation of increased home requirements, the Administration placed certain restrictions on the export of aviation fuels as long ago as July, 1940, and later made arrangements for the accumulation of emergency reserves equal to "100 days' requirements of a full war basis." The target figure has naturally never been disclosed, but stocks of all aviation petrols have steadily advanced to a present level of over 7,000,000 barrels. The next step was to withhold from general use all blending agents needed for the manufacture of highest quality aircraft fuels. Finally—and most important of all—plans have been drawn up for trebling existing capacity for the production of 100-octane petrol at a cost of approximately \$150,000,000. Though work has apparently not yet been started on many of these new plants, Mr Ickes has offered front-rank priorities to refiners building new plant or expanding their existing capacity. A daily output of 120,000 barrels of aviation fuel would be sufficient to keep some 66,000 fighter aircraft in the air for one hour a day throughout the year—which suggests that Mr Ickes' aims are none too high. If the necessary basic stocks and blending agents are obtainable at short notice—and this seems to be reasonably certain—it is to be hoped that nothing will be allowed to interfere with the speedy fulfilment of the programme.

It may be literally correct to say—as Mr Sumner Welles said in public last week-end—that "the western hemisphere's petroleum problem has ended" or that "the current requirements of each country in this hemisphere can be met one hundred per cent" and still to feel some anxiety about the future position. However, if remedial action is sufficiently drastic and timely, the American oil industry should be able, given the necessary materials and equipment, to meet all reasonable demands for its products. And in the event of a sudden and unforeseen jump in military needs it would always be possible by a proportionately slight cut in non-essential uses (especially of petrol) to free large quantities of petroleum products.

ments is reflected in the latest Bank return, which shows a drop of £3,191,000 in public deposits, and a corresponding rise of £3,052,000 in bankers' deposits, carrying the latter to the comfortable level of £120,013,000. The feature of the return is its revelation of another rise of £6,622,000 in the note circulation, carrying it to within £51,000 of the £700,000,000 mark. The movement is counter-seasonal, and leaves a mere £30,292,000 of unissued notes in reserve. At this rate another increase in the fiduciary circulation will have to be made before the end of the year. The authorities are going out of their way to prevent this increased circulation from affecting the credit position, and during the week to last Wednesday a further £8,350,000 was added to the Bank's holding of Government securities—thus more than neutralising the contractionist effect of the net withdrawal of notes.

Expenditure Record

The Exchequer return for last week is noteworthy for its revelation of a rate of Government expenditure previously exceeded in one exceptional period only, namely the final nine days of the last financial year, when the customary accounting adjustment brought the apparent figure of expenditure to a level well in excess of the true Exchequer outlay. No such reservations, however, attach to the latest weekly figure which reveals an expenditure for that period of £122,195,429 or equal to an annual rate of over £6,350,000,000. Last week's total was swollen to the extent of £18,484,716 by National Debt charges, but even allowing for this the rate of expenditure revealed is of the magnitude of about £5,400,000,000 per annum, or about £1,450,000,000 in excess of the estimated expenditure for the year (deducting, for purposes of true comparison, the National Debt charge from the budget estimate). The total ordinary expenditure in the first seven months of the current financial year (i.e., in 58.3 per cent of the year) amounts to 64 per cent of the estimate for the twelve months. As the rate of expenditure has been accelerating, it is now a foregone conclusion that the expenditure estimates for the year will again be comfortably exceeded. The tradition of

timid budgeting, so solidly established since the outbreak of the war, is thus in no danger of being broken this year.

Revenue Prospects

The redeeming feature of this budgetary pusillanimity is that by underestimating expenditure, the Chancellor underestimated the likely growth in the monetary national income and, therefore, in the yield of taxation. It is already evident that the estimated revenue of £1,786,360,000 for the year will be appreciably exceeded. Of that total, some 51 per cent had been collected by the end of last week, while at the corresponding period of last year the revenue collected was only 40 per cent of the total amount which was received by the Exchequer for the full year 1940-41. There is every likelihood of the customary acceleration in the flow of revenue being greater in the current year than it was last. The greater part of the £253,000,000 increase in the estimated yield of income tax will be compressed in the final five months of the financial year. The income tax yield to date is already £97,000,000 in excess of what it was at this time last year, and given the normal seasonal spurt in the collection of this tax, it should yield more than the estimated £756,000,000 by the end of next March. The acceleration in question should become particularly evident from now onwards, for schedule E income tax now deducted at source on salaries and wages begins this week to bear the higher rates imposed last April. Wage envelopes handed out at the end of this week will have been the first to reflect the impact of the last change in taxation and to affect the hundreds of thousands of new wage earners brought within the taxpaying class by the last Budget. Similarly, it is at the end of this month that salary earners paid monthly will be first made to feel the additional burden they will henceforth be called upon to bear. It will be interesting to note how far the reduced pay envelopes will find their reflection in a reduced flow of small savings to Government loans. Some immediate reaction seems inevitable. It will be up to the National Savings Campaign to minimise both the severity and duration of its impact. From this point of view, the launching of the Warships Weeks campaign is well timed, for its appeal is aimed as much to the small saver as to the institutional investor whose participation in Government issues is less directly affected by fiscal considerations than that of the individual.

Check on Bank Notes

Acting on instructions from the Ministry of Food, the joint-stock banks have begun to keep a record of the distinctive numbers of bank notes issued at certain of their branches and, in particular, of notes withdrawn by drawings on accounts largely or mainly operated in this manner. The intention is to keep a check on the issue of currency which may serve one or other of the "black markets" in food-stuffs and by following the circulation of such notes to

obtain additional evidence on the location of these markets and on the identity of the persons engaged in them. Most of the black market operations involve payments in notes, though diamonds have also been used for this purpose. The general practice is for the invoice at the authorised price to be paid by cheque in the normal way and for the illegal excess to be settled in cash. The chances of detection are thus minimised and all evidence of the illegal part of the transaction can be eradicated. It is believed that this use of currency in black market operations has reached appreciable dimensions, and that it represents a by no means negligible factor in the unexpectedly severe expansion in the note issue over recent months. It may well be questioned why so obvious a piece of detective work should be as widely publicised as it has been. The answer probably is that more good may be achieved by the deterrent effect of the new precautions than by the actual discovery of some of the black market operators which greater secrecy might have achieved.

Bank Charges

There has recently been evidence of a fairly widespread tendency among the clearing banks to increase the charges made to keep current accounts. This is a matter in which local branch managers are left considerable discretion; but the manner in which that discretion has been used suggests that it has not been altogether devoid of guidance from the centre. There would be ample justification for such guidance in the heavy pressure on bank costs brought about by the war. If the banks are unduly oppressed by increased staff, ARP and other charges it is far preferable that they should recoup themselves by charging more for the services they render than by switching their assets from shorter into longer and comparatively high-yielding Government loans. Recent experience in Eire should, however, have taught the banks to tread warily along this path of increased charges. In Eire, the initiative was boldly taken by the Irish Banks Standing Committee at the end of last August, when a fixed scale of bank charges was announced. This was to be ros. 6d. per half-year for accounts not exceeding 50 transactions, and a further ros. 6d. for each completed 50 transactions up to a maximum fee of 15 guineas. During September hardly a day passed without bringing one or more petitions and resolutions from commercial and public bodies in Eire, each vying with the others in the terms of outraged protestation with which it attacked the proposal. The Minister for Supplies was compelled to take cognisance of this nation-wide clamour and on September 29th, two days before the new scale of charges was due to come into operation, he requested the banks to postpone the increase pending an inquiry by his department into the reasons for the proposal. More than a month has passed, and the findings of this inquiry are still being awaited.

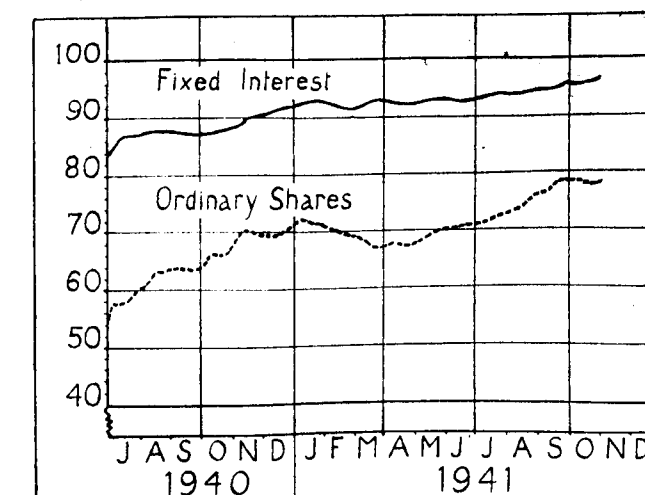
Investment

Recovery Yields

Another month has passed without bringing any development of major importance to the stock market. As was already evident a week ago, fixed interest securities have risen relatively to industrial equities, and, in fact, are up on the month, while ordinary shares show a very slight decline. The rise in the former class has occurred in second and third line securities, and in medium-dated Government securities. The irredeemables are comparatively neglected, while the "shorts" are held back by the conditions explained in *The Economist* of October 25th. The fall in equities is, according to *The Actuaries' Investment Index*, the smallest movement for many months, and it is to be noted that, once again, it fails fully to reflect the reduction in dividend payments, the yield on the total of 159 industrials being lower, although by very little. Among 15 groups of industrials proper, six show rises and eight falls, but the only substantial improvement is in electrical manufacturing, one of the very few sections which enjoys both good current results, and an upward secular trend. The other rises among industrials are in shares which had been for one reason or another out of favour, but it cannot be said that the movements reflect a very definite outlook. It seems reasonable to suppose that the intensity of the struggle in Russia, and the publicity given to the need for

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

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further expansion of output, both here and in the United States, might have impressed upon the investor the probability that the post-war recovery, of which he appeared to be thinking in the early summer, is still a very long way off. He may well have reached this conclusion, but it finds no reflection in prices. The only groups yielding less than 4 per cent are cotton, oil and building materials, the ones giving over 6 per cent are iron and steel, coal, railways and aircraft manufacturing. The position of coal is not very clear, but, otherwise, the first group are recovery industries, and the second those where there is danger of substantial excess capacity once the war regime is ended. The remaining eight groups give yields ranging from 5.54 for breweries—some decline in employment is discounted—to 4.38 for stores and catering. The weighted average of these eight is 4.86, against 5.22 for the whole list, and 4.85 for twenty concerns in the miscellaneous group.

* * *

A New Pattern

It can scarcely be said that such yields are handsome, even when compared with 3 per cent on long-dated Government securities. This is especially so when it is remembered that the end has not yet been seen of the combined effects of EPT at the full rate, and war damage payments, which are due to increase progressively unless the absence of bombing continues long enough to make possible a substantial revision of the basis of contribution. None the less, it is probable that prices will not remain indefinitely as stable as they have been in recent weeks. Apart from military developments, whose long-term effect has usually been slight, there seem three main directions from which fresh movements may be stimulated. The South African vesting of next month, and the Indian operation which is likely to

follow it, are certainly not the last shots in the Treasury's locker in the battle of low interest rates. There may be a further rise of some importance in the general level of all securities for this reason. The forces which have already reduced the margin between the yield on 2½ per cent Consols and industrial equities to less than half the level of a year ago, may carry the movement still further. Finally, there are new developments. A minor instance affecting current earnings is the institution of point rationing for certain foodstuffs, coupled with freedom of choice to buy these rationed goods where one will. As the system is extended, it may have the effect of restoring a more competi-

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Index— (Dec. 31, 1928 = 100)					Yield	
	Oct. 1940	Oct. 1941	Oct. 1941	Oct. 1941	Oct. 1941	Oct. 1941	Oct. 1941
Fixed Interest							
2½% Consols (10)	135.1	137.1	136.1	136.1	5.35	5.05	3.05
Home Consols (4)	125.2	132.4	138.0	138.0	5.72	5.38	3.36
Debs. Ind. Dist. (20)	98.5	109.5	107.1	108.7	4.41	4.05	5.99
Ordinary Shares							
Banks (10)	88.2	95.0	93.4	100.8	5.16	4.56	4.50
Invest. Trusts (9)	31.8	35.7	34.7	34.9	7.44	6.74	6.65
Building Mats. (6)	54.0	55.8	64.0	66.7	6.52	3.17	5.87
Coal (8)	70.5	67.5	82.5	80.6	8.92	6.32	6.49
Eleo. Mfg. (13)	97.9	112.8	125.5	126.9	6.57	6.05	4.91
Iron and Steel (18)	44.0	46.1	54.4	55.6	7.87	6.15	6.24
Total (Productive) (90)	48.9	51.7	61.9	60.6	7.51	5.37	7.42
Home Rails (6)	35.9	31.0	38.5	37.5	9.47	7.16	5.36
Breweries & Dist. (20)	85.2	88.6	105.6	101.5	7.19	5.47	5.54
Industrials all classes (159)	46.4	48.1	58.4	58.2	7.08	5.25	5.22

tive element to retail trading. Much more important is the fact that there is a growing realisation that, if chaos is to be avoided, and the best made of the opportunities which reconstruction will offer, much must be planned in advance. As the general shape of the post-war world emerges from the tug-of-war of divergent opinions regarding aims and methods, varying estimates will inevitably be made of the fortunes of industrial groups. The position of the export industries is a very obvious case in point, and others are not lacking. It is thus possible to look forward to the possibility of both a general movement in values and adjustment between various classes, but both movements are likely to be at a tempo much less than that of the general recovery which has been the main feature of the past fifteen months.

* * *

Argentine Bonds and Sterling

The news of a scheme to convert some of the internal loans of Argentina to a lower interest basis has been seized upon by a section of the market as the prelude to possible action with regard to the sterling portion of the debt. Of the £30 millions odd of Argentine Government debt outstanding in London, almost two-thirds are subject to redemption by sinking funds which can be increased at will, so that all questions of anticipating redemption rights by more than a very short period are beside the point, except as concerns the remaining loan, the 5 per cent stock of 1933. It might be attractive to repay this early as it carries the highest rate of interest. It would appear, however, that there is no reason at present to look for any large scale operation. Balance of payments figures for recent years are, evidently, not available, but the following table gives the state of the balance of physical trade for the first eight months of this year and last.

ARGENTINE TRADE Millions of pesos				
	United Kingdom 1940	1941	Total 1940	Trade 1941
Exports to				
Market value	427	520	1,117	969
Imports from				
Tariff value	158	93	775	505
Market	*222	*136	1,091	741
Favourable balance	*205	*184	26	228

* Estimated.

There is, thus, a favourable balance with this country of some £11 millions, which is less than that on the corresponding period of 1940, and, although the world balance on current trade is much better than at that time, it is still modest. The sterling resulting from the trade with this country goes to a special account set up under the trade

agreement and no information is available as to any special restrictions upon its use, although these may exist. But in any case, the net amount available is greatly inferior to the usual pre-war figure. This is only to be expected in view of the difficulties which Argentina experiences as a result of the closing of markets for her cereal produce. These difficulties have been lightened, but not removed, by the agreements of this country to take large quantities of meat and of the U.S.A. to buy wool and hides. It will be surprising if, in these circumstances, any major operation is undertaken, although it is not impossible that such surplus as remains, after meeting the normal sinking fund and interest service on the debt and other necessary payments, will be devoted in part to increasing sinking fund purchases. As to the internal debt conversion, this reflects in all probability the increased control given by a closed economy rather than any positive improvement in the status of the Government as a creditor, for large and increasing funds have to be found to finance purchases of grain and other products for which there is no sale.

* * *

The Montreal Dispute

In view of the haste now necessary after the long delay, the Committee for General Purposes of the Stock Exchange, London, has itself taken in hand the matter of securing organised representation for British bondholders of the City of Montreal. The actual machinery so far established is the creation of a sub-committee, including, among others, the chairman and deputy-chairman of the Committee for General Purposes, which is already getting in touch with the larger holders of the bonds in this country, and hopes by this means to establish a working body to handle the matter. This appears to be the first time that the Stock Exchange Committee, as such, has undertaken this kind of task, although it has on at least one occasion made representations to a company that an attempt to force through a scheme of reconstruction could only be followed by official action. There is so far little further information as to the actual position in Montreal. The Quebec Municipal Committee, a body appointed some years ago to deal with cities

whose finances were entangled, is participating in the reconstruction in some way, but the secrecy which has surrounded the whole matter envelops the activities of this body, and it has been impossible to discover whether it is effectively in charge of Montreal's finances. In fact, there is a disgraceful lack of information in this country on every point of importance, and it is a relief to learn that certain influential quarters are already showing interest in the formation of a bondholders' committee which will really represent British interests. There can be little doubt that, in this matter of protecting the rights of bond and shareholders, there is more experience in this country than in America, and if it can be mobilised in wartime for a job which admittedly makes no apparent, direct contribution to the war effort, there is still a good chance that a reasonable scheme can be substituted for that which now holds the field.

* * *

Company Notes

Horden Colliery Accounts

Total profits of Horden Collieries were reduced from £413,139 to £395,968 in the year to September 30th last while charges against earnings remained approximately stable. Thus, equity earnings are down from £114,301 to £112,042, representing 7.46 against 7.71 per cent. Tax provision absorbed £160,000 and war damage contribution £15,000, against £190,000 for tax and contingencies in the previous year. The repetition of the 7½ per cent dividend involves a small draft on the carry forward, which is reduced from £79,232 to £78,775. War damage contribution is not mainly provided out of revenue, a further £20,000 being transferred from reserve for contingencies. The balance sheet shows a rise in the total of current assets from £755,551 to £828,642, accompanied by a drop of some £45,000 in the total of fixed assets, which now stand at £2,350,150. The increase in liquid assets is concentrated on a jump in cash holdings from £83,285 to £267,811 and in debtors from £156,182 to £260,660. Stocks are nearly £80,000 lower at

Consolidated Main Reef Mines and Estate, Limited.

(Incorporated in the Union of South Africa.)

Extracted from the Annual Report for the Year ended 30th June, 1941.

Capital, £1,247,602 in £1 shares, all issued, fully paid.

DIRECTORATE.

DR. H. PIROW (Chairman). R. S. G. STOKES.
G. CARLETON JONES. MAJOR C. S. GOLDMAN.
A. G. PETYT. A. A. AURET. W. H. A. LAWRENCE.

Tonnage Milled, 2,472,000.

	£	s	d	Per ton milled,
Total Working Revenue	£3,273,278	14	6	£1 6 6
Total Working Expenditure	2,473,371	7	8	1 0 1
Working Profit	£793,907	6	10	£0 6 5
Total Profit for the Year	£804,325	8	9	
Balance unappropriated at 30th June, 1940	358,717	16	11	
Forfeited Dividends Account	267	1	11	

This amount has been dealt with as follows:
Expenditure on Capital Account for the year £64,620 8 9
Miners' Phthisis—Provision on account of Outstanding Liability as at 31st July, 1940 1,586 4 0
Taxation 363,711 13 10

429,918 6 7
Dividends declared during the year:
No. 62 of 15 per cent., and No. 63 of 12½ per cent. 343,090 11 0
Leaving a balance unappropriated of £390,301 10 0

The available ore reserve has been re-estimated, and is as follows:

	Tons.	Value Dwt.	Width, Inches.
Main Reef	1,093,400	3.5	59.1
Main Reef Leader	3,476,700	4.1	53.2
South Reef	2,577,600	3.9	49.5
Bird Reef	3,416,300	2.8	79.5
Total	10,564,000	3.6	59.0

In addition there are 1,622,600 tons of payable ore valued at 3.9 dwt. per ton contained in shaft and safety pillars not at present available for stoping.

Compared with the previous year, the available reserve shows a decrease of 134,000 tons, the value is 0.1 dwt. lower, and the estimated stoping width 1.1 inch greater.

The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO., No. 4 London-wall-buildings, London, E.C.2.

NEW MODDERFONTEIN GOLD MINING COMPANY, LTD.

(Incorporated in the Union of South Africa.)

Extracted from the Annual Report for the Year ended 30th June, 1941.

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

DIRECTORATE.

DR. H. PIROW (Chairman).
G. CARLETON JONES.

R. S. G. STOKES.
R. W. PFENNELL.
MAJOR C. S. GOLDMAN.

JOHN MARTIN.
S. C. BLACK.

Tonnage milled, 2,383,000.

	£	s	d	Per ton milled,
Total Working Revenue	£2,901,399	5	2	£1 4 4
Total Working Expenditure	1,863,585	16	1	0 15 7
Working Profit	£1,037,813	9	1	£0 8 9

Total Profit for the Year £1,046,977 6 1
Balance unappropriated at 30th June, 1940 241,847 11 8
Forfeited Dividends Account 1,017 12 6
£1,289,842 10 3

This amount has been dealt with as follows:
Expenditure on Capital Account £1,728 13 0
Miners' Phthisis—Provision on account of Outstanding Liability as at 31st July, 1940 5,748 8 0
Taxation 555,945 1 9

563,422 2 9
Dividends declared during the year—No. 69 of 20 per cent. and No. 70 of 15 per cent. £726,420 7 6
Leaving a balance unappropriated of 490,000 0 0
£236,420 7 6

The Ore Reserve was re-estimated as at 30th June, 1941, and is as follows:

	AVAILABLE.			UNAVAILABLE.			TOTAL.		
	Tons.	Value Dwt. Per Ton.	Width, Inches.	Tons.	Value Dwt. Per Ton.	Width, Inches.	Tons.	Value Dwt. Per Ton.	Width, Inches.
South Reef and Marker	1,343,900	2.5	46.0	178,400	3.8	44.6	1,522,300	2.6	45.8
N.A. 6 and 7	567,500	2.4	40.8	133,900	5.4	42.4	701,400	3.0	41.1
N.A. 3, 4 and 5	236,300	2.4	41.8	95,900	2.7	44.3	332,200	2.5	42.5
N.A. 1 and 2	2,083,600	2.9	48.8	218,900	3.8	48.5	2,302,500	3.0	48.8
Main Reef Leader	996,000	4.2	50.9	127,200	4.8	60.3	1,123,200	4.3	51.8
Total	5,207,300	3.0	47.1	754,300	4.1	47.3	5,961,600	3.1	47.1

Compared with the previous year's estimate, the total reserve shows a decrease of 958,300 tons, the value and width being lower by 0.2 dwt. per ton and 0.4 inches, respectively.

As the remaining undeveloped areas, in which payable ore can be expected to occur, are steadily declining the time is approaching when the ore reserve will be insufficient to supply the full tonnage for both mills. In these circumstances it has been decided to mine the reef left in the pillar supporting the north mill. This work will be spread over several years. No serious reduction in tonnage is anticipated during the current year.

The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO., 4, London-wall-buildings, E.C.2.

£156,648, while investments are reduced from £246,377 to £109,977. The net change in near liabilities is insignificant, a fall in taxation and contingencies from £376,130 to £296,014 being accompanied by the provision of £33,610 for war damage payments and a rise in creditors from £63,636 to £84,567. General reserve is unchanged at £240,000. The directors state that since the end of February last demand has revived and now exceeds the capacity to supply it, a fact which is indicated by the depletion of stocks and rise in cash and debtors. It is welcome news that the management has arranged for the erection of canteens at each of the company's collieries. There is a reasonable possibility that the maintenance of demand in the current year will provide higher net earnings provided that no acute labour shortage is allowed to develop. The £1 ordinary stock, at 22s. 6d., yields £6 17s. 11d. per cent.

Leach's Argentine Estates

Total profits of Leach's Argentine Estates declined in the year to March 31 from £230,000 to £177,331, mainly on account of the lower price obtainable for the sale of sugar. Depreciation claimed £51,499 against £49,940, other expenses were a trifle higher than in 1939-40, but taxation required only £10,000 against £30,000. None the less, earnings for dividends amounted to only £83,664 against £117,723, permitting the fixed cumulative 6 per cent dividends on preference and ordinary stock to be covered and the balance of £17,692 against £51,796 to be placed to general reserve in accordance with the company's usual practice. Exchange losses were heavy, although lower than in the previous year, amounting to £19,752 against £22,331. The yield of sugar per ton and the tonnage milled by the company both increased, and production reached a new record at 35,250 against 32,054 tons. Consumption in general was also higher, so that the lower selling price, coupled with the relatively stable exchange losses, was the sole cause of the setback. The proportion of earnings drawn from sugar fell from 88 to 78 per cent, due to the higher yield of citrus crops. The company has continued its practice of transferring sums from general to exchange reserve to cover the excess of trading assets over liabilities in Argentina, exchange reserve rising in the current year by £8,500 to £69,000. General reserve, after this deduction and the transfer from current profits, stands at £386,447 against £397,007. The balance-sheet also shows a decline in both creditors, including taxation, and bank overdraft from £239,982 to £190,289 and from £54,213 to £30,796 respectively. Bills payable, £127,611 of which are secured on stocks of sugar, are up from £203,923 to £247,157. Among liquid assets, cash holdings are some £3,000 higher at £28,243, and stocks of sugar and alcohol over £14,000 higher at £177,308. Stores are reduced from £158,425 to £131,072, and debtors from £239,873 to £229,613.

Conditions in the Argentine sugar industry remained substantially unchanged throughout the company's year. The national sugar law remained on the shelf and there was no change in the Convenio agreement. It seems probable, therefore, that the growth in production meant that an even larger proportion of the total crop had to be exported than in the preceding year and that the less satisfactory results are partly to be attributed to this fact. Since the end of the financial year, the hopes of a new Convenio agreement have been realised, and it may be assumed that this will have the effect of bringing production into closer relationship with internal demand. The company has always been favourably placed as compared with many other British concerns operating in Argentina in that it had an assured market for much of its produce. This factor is likely to be of increased importance in the

future, but prosperity is, of course, dependent upon securing a really remunerative price in the local market. The 10s. ordinary shares stand at 7s. 6d., giving a yield of some £8 5s. 7d. per cent, while the £1 6s. per cent participating preference are quoted at 18s. 9d.

Burma Corporation Results

The decline in total profits of Burma Corporation from £1,043,044 to £924,263 in the year to June 30th last is due both to a moderate fall in metal sales from £2,310,911 to £2,228,927 and to a slight rise in operating costs from £1,244,310 to £1,298,234. There was no exchange loss and depreciation absorbed £35,411 against £40,433. Tax liability, provided at the current rate in each year, rose from £489,410 to £495,380. This, however, takes no account of the supplementary provision for 1939-40 transferred from general reserve to meet the subsequent increase in the standard rate of income tax. Thus, the apparent decline in net profits in Indian currency from Rs. 68,12,359 to Rs. 52,46,295 is modified to the extent of Rs. 10,00,000 transferred to taxation reserve in 1940-41. Equity earnings are down from £510,927 to £393,472, narrowly covering the tax-free dividend reduced from 4.86 to 4.16 per cent, but permitting an increase in the carry forward from £63,366 to £75,978.

	Years ended June 30,		
	1939	1940	1941
Metal sales, etc.	2,310,911	2,310,911	2,228,927
Operating expenses	1,350,739	1,344,310	1,298,234
Total profit*	941,087	1,043,044	924,263
Depreciation (& excl. loss)	56,599	42,707	35,411
Taxes and duties	561,681	489,410	495,380
Shares (tax free):—			
Earned	522,807	510,927	393,472
Paid	571,290	444,537	380,860
Earned % †	5.7	5.6	4.3
Paid % (approx.) †	6.25	4.86	4.16
Carry forward	\$Dr. 3,221	65,366	75,978

* After deduction of general expenses and fees and addition of other income.

† Excluding £67,500 transferred direct from general reserve in 1938-39, and £75,000 in 1939-40.

‡ Free of Indian, Burmese and British income tax.

§ After £41,250 to tax reserve.

As in the previous year, no details of output are available, but the directors state that sales of silver to the Indian Government, and the British Government demand for lead, played a preponderant part in maintaining revenue. Stocks of metals were reduced last year from £145,909 to £82,501, while stores and plant stand at £355,940 against £404,637. The year's expenditure in the smelter division amounts to £56,254 against £62,963. Cash holdings are up from £967,497 to £1,140,108 and investments by some £23,000 to £179,757. Debtors have risen ahead of creditors, while the decline in general reserve from £111,887 to £36,887 through transfer to tax reserve is accompanied by an increase in the latter fund from £888,027 to £1,055,187. Despite higher costs and taxation, and transport difficulties, Burma Corporation remains a prosperous and solid concern. The 13s. 6d. (Rs. 9) ordinary shares at 6s. 3d. ex dividend yield £8 19s. 9d. per cent.

Singer Motors Improved Results

The full accounts of Singer Motors show total profits after tax of £266,793 for the year to July 31st last, against £206,385 for the previous sixteen months. This improvement is an indication that a significant revival of business activity took place last year, and the directors state that it was necessary to make provision for EPT as well as income-tax, whereas no provision for EPT was made in the previous year. Charges against profits are generally higher than in the previous period, maintenance of plant requiring £51,351 against £28,527, and ARP and war damage contribution £30,695 against £14,587 for the former. Since total charges rose only by £33,547, while revenue rose by £60,408, net profits are up from £58,648 to £85,509. The whole of this total is placed to the carry forward, thus converting a debit of £60,242 into a credit of £25,267. The directors have purchased and cancelled £7,113 against £7,720 of debenture stock, and have decided to redeem the remaining 4 per cent Income Notes to a total of £13,314. Unfortunately, the realisation of a creditor carry forward for the

first time since the reorganisation of the company in 1936 is somewhat marred by the inclusion of an unexplained suspense item of £25,349 among floating assets. The company, despite last year's improvement in earnings, is still painfully devoid of reserves, and a long way from making a payment on its ordinary capital. The balance-sheet shows important increases in debtors and creditors from £105,823 to £239,799, and from £80,518 to £233,395 respectively. The decline in stocks from £200,351 to £189,090 is to be accepted with caution, since both figures are based on estimates unsupported by stocktaking—the management being unwilling to interrupt output for this purpose. Cash holdings are substantially higher at £167,130 against £21,907, but additions to fixed plant during the year amounted to only £1,105 against £25,548 in the previous sixteen months. The earnings of the past year represent a considerable rate on the ordinary capital after meeting the preference dividend. If they are maintained, the latter should be met and a payment on the former is possible, although only the most modest equity payments should be made before building up the reserve position. An unfortunate EPT standard must considerably impede the growth of profits. The 5s. ordinary shares stand at 3s. 7½d. and the 8s. 7 per cent preference shares at 6s. 3d.

Peruvian Corporation

It was unfortunate for Peruvian Corporation that the improved results earned in terms of the sol, in the year to June 30th last, should be nullified by exchange movements. In fact, the average value of the sol against sterling declined from 10½d. to 9½d. in the year in question. Thus, while net receipts in Peruvian currency rose from S. 3,272,246 to S. 3,835,993, the improvement in terms of sterling amounted to only £8,680 at £151,841. Since there was an exchange loss of S. 8,040 against a credit item of S. 8,230; since the Perene colonisation loss was some £1,600 higher at £2,642, and since interest on arrears of debenture service was some £7,000 higher at £69,268, the net deficit on the year is up from £200,695 to £214,911. As in each year since the debenture moratorium scheme was initiated in January, 1933, £261,765 has been charged on account to debenture holders, while the actual payment remains at 3 per cent. The transfer of £3,000 for depreciation of Lake steamers which has been appropriated in the four previous years is maintained. Unfortunately, last year's exchange reverse raises the accumulated deficit to the carry forward, which has increased each year since 1931-32, to the considerable total of £1,925,660. Since arrears of the debenture service from 1933 are cumulative under the terms of the moratorium and since there seems little prospect of substantial improvement, at least until the

conclusion of the war, it is difficult to attach any value to the preference and ordinary stock. The most favourable factors in the position, as pointed out by the chairman, Mr Oliver R. H. Bury, in his statement, are the decisions of the Peruvian Government to frustrate German penetration—a decision which included the suppression of the German air service—and, from the economic standpoint, to foster the development of an iron and steel industry through the creation of a Mineral Bank with a capital of S. 50,000,000. The transport of anthracite for smelting would provide valuable freight for the Chimbote Railway, and the contemplated industrialisation could hardly fail to have a revivifying effect on transport receipts generally. The 6 per cent first mortgage debenture stock stands at 34.

Tube Investments Dividend

The reduction in the final dividend of Tube Investments from 13½ to 10 per cent for the year to October 31st, making a total of 20 against 23½ per cent, appears to have been totally unexpected by markets and stockholders alike. The general impression that the rate of payment would be maintained derived partly from the stability of ordinary distributions over the past four years, during which total dividends have remained unchanged at 23½ per cent, while earnings have risen from 27.9 to 35.2 per cent in 1939-40, and partly from Mr Arthur Chamberlain's surmise at the last general meeting that dividend rates would probably be maintained in the future. Since there is every reason to suppose that the necessity for making the reduction could not be foreseen a year ago—despite the advent of heavy bombing two months earlier—the most reasonable explanation is the adoption of a new standard of financial prudence deriving from the combined effect of increased tax and costs. The preliminary statement indicates that income from subsidiaries, which represents the major part of Tube Investments' revenue, is lower than in the previous year, when it declined from £840,860 to £804,368. War contingencies reserve receives £200,000 against nothing a year ago. It remains to be seen what appropriations compare with £150,000 to general reserve and £100,000 to reserve against investments at that time. An important feature of the reduction is the influence which it will exert on the Stewarts and Lloyds' revenue from the £500 liaison deferred shares, on which the gross payment will be reduced by £18,750, or about ¼ per cent on the deferred capital of that company. Market disappointment was reflected in a drop in the price of Tube Investments' £1 ordinary shares from 93s. 3d. to 87s. 6d., at which price they yield £4 11s. 11d. per cent. Stewarts and Lloyds' £1 deferred declined in sympathy from 46s. to 45s. 9d.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

THE tone throughout all sections of the market both before and after the week-end has been distinctly firm, although current uncertainty regarding the situation on the Russian front and in the Far East resulted in a reduced volume of business. In the absence of any marked buying or selling, price movements were slight. The decision of the Argentine Government to convert the internal loans attracted considerable support to the sterling issues in the early part of the current week, while in the industrial market both brewery and textile issues advanced on persistent buying.

Activity in the gilt edged market was slight, but prices were generally well maintained before the week-end, when gains of ¼ and ½ were registered by 4 per cent Victory Bonds and the 2½ per cent Funding, respectively, while 3½ per cent Conversion Loan improved ½. The current week opened with losses of ¼ for 2½ per cent Consols, 3½ per cent Conversion and 3 and 3½ per cent War Loan, while 2½ per cent National War Bonds 1945-47 and 1946-48 both declined ¼. The following day, however, quiet trading

left prices unchanged. Later prices continued firm in an inactive market. Interest in the foreign bond market was centred on Argentine issues, the news of the internal conversion giving rise to reserved support of Sterling issues. Thus, on Monday, 3½ and 4 per cent Conversion both rose 2 points, while 4 per cent "Roca" and 3 per cent "C" Trust repeated the previous Friday's gain of 1 point. The following day witnessed a further advance of 3 points for 4½ per cent Conversion, while the 3½ per cent BA (Prov) loan jumped 3 points on Monday, when Brazilian and Chilean bonds were generally easier. Japanese issues were dull, the 5 per cent loan of 1907 and 5½ per cent, 1930, losing 1 and 1½ points respectively on Monday.

Complete lack of interest accounted for the low turnover in the home rail market, where GW ordinary reversed an earlier gain of ¼ and Southern deferred declined ½ on Monday. The following day GW ordinary suffered a further loss of ¼, while Southern deferred dropped ½, but senior issues remained steady throughout. Apart from a fall of ¼ in Southern preferred prices in midweek were unchanged. In a quiet foreign rail market, San Paulo was prominent, the

ordinary stock gaining one point before and after the week-end. On Tuesday, a general improvement in Argentine rail stocks included gains of one point for BAGS 4 per cent debentures and C. Argentine 4½ per cent preference. Elsewhere Canadian Pacific ordinary gained ¼ on Tuesday.

Quiet conditions in the industrial market were relieved by selective buying of brewery shares and support for textile and shipping issues. In the brewery group, Distillers rose 1s. 9d., and Bass, Benskins and Ind Coope 1s. before the week-end. Further small gains were realised this week, although Distillers reacted on Tuesday. In the aircraft and motor group, Napier was prominent with a rise of 1s. on Tuesday, but Parnall declined on the dividend cut, but in mid-week Tube Investments more than lost an early recovery on announcement of a reduced dividend. A jump of 1s. 6d. in Courtaulds at the close of last week stimulated a general improvement among textile issues, in which Patons and Baldwins improved ½ on Tuesday. Shipping issues were supported before the week-end when Furness Withy gained 9d., but later prices moved irregularly. There was little business in the tobacco group and in the early part

(Continued on page 577)

NORANDA MINES, LIMITED

DIVIDEND NOTICE.

Notice is hereby given that an interim dividend of One Dollar (\$1.00) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines, Limited, payable December 15, 1941, to shareholders of record at the close of business, November 20th, 1941.

By Order of the Board.

J. R. BRADFELD, Secretary.

Toronto, October 31st, 1941.

Industry and Trade

Non-Axis Shipping Pool

The adoption, by the American Congress, of the Senate Foreign Relations Committee's recommendation that the Neutrality Act should be amended, not merely to permit the arming of merchant vessels, but to allow them to enter the war zones, would bring an immediate and appreciable improvement in the Allied shipping position. The effect of the amendment, if enacted, would be twofold. First, a good deal of time would be saved if American vessels were to carry supplies direct to this country; secondly, it would be possible to use the ships under Allied and American control more advantageously. Indeed, it is reported from the United States that the removal of the restrictions on the movement of its merchant ships might be followed by the pooling of the Allied and American merchant fleets under an international committee. The constitution of such a pool would facilitate the distribution of vessels for the purposes for which they are best suited. Since America's merchant fleet (excluding lake vessels) totalled some 9 million gross tons before the war, the economies that could be achieved are likely to be considerable. Their significance, however, lies in the fact that they would be immediate. True, the expansion of shipbuilding in the United States is making rapid headway, but, while next year's output may exceed 3½ million gross tons, the gross tonnage launched this year is not expected to exceed one million.

Economy in Food Transport

The success of the Ministry of War Transport's drive to economise transport by the elimination of cross-hauls and by the curtailment of long-distance traffic must depend largely on the enterprise of the Ministries concerned, i.e., the Ministry of Food, the Board of Trade, the Ministry of Works and Buildings and the Supply Departments of the fighting forces. A good deal has already been done to curtail unnecessary movements of goods, but the scope for further economies appears to be quite appreciable. Last week the Ministry of Food issued an Order enabling it to control more closely the transport of food and animal feeding stuffs. By this Order the Minister may prohibit the movement of supplies, determine the method of transport, the route which must be followed, and the time of conveying specific consignments from one part of the country to another. Individual schemes will as a rule be drawn up with the agreement of the food trades concerned, and compulsion will be used only when this is necessary to ensure the compliance of traders. This Order, if efficiently carried out, should result in an improvement in the distribution of food and feeding stuffs as well as in a saving of transport.

Coal Traffic

Cross-hauls and long-distance hauls, which are to be reduced by the Ministry of War Transport's new scheme for economising transport, are characteristic of railway coal traffic. In the last war a belated effort was made to reduce them by an Order compelling customers to draw their supplies from the nearest coalfield, and regulating traffic as far as possible in well-defined directions along the main trunk lines. When that scheme was brought into operation in September, 1917, the prospective saving was estimated at about 700 million ton-miles per annum, or approximately 7 per cent of the ton-mileage of the coal, coke and patent fuel conveyed. Since the scheme subordinated peacetime competitive considerations affecting the distribution of coal to the speeding-up of transport, both producers and consumers welcomed its abandonment after the war. But it undoubtedly secured economies in the use of locomotives and wagons, and contributed to a general improvement in transport. But its revival in the greatly changed conditions of to-day is regarded as improbable. The regional and national control now exercised by the Government over the sale and supply of coal is far more complete and effective than that improvised for the purposes of the Transport of Coal Order of June, 1917.

The quantities, grades, destinations, as well as the prices of coal, are subject to the direction of the Mines Department through its coal supply officers. Moreover, a considerable measure of success has been achieved in the allocation and clearance of wagons through the co-operation of the newly appointed coal traffic inspectors of the Mines Department and of the officers responsible for coal supplies and railway operation, by the grouping of coalfields on a regional basis for purposes of distribution, the organised allocation of wagons to collieries by the Central Wagon Control, the movement of coal in trainloads or in blocks of wagons, the re-grading of domestic coals and other expedients. These measures may have left many faults unremedied; it is even complained that in some directions new difficulties have been created by the extension of Government control. But on the whole they have regard to the suitability of coals to meet the specialised and varying requirements of consumers as well as to railway operational needs, and since last spring they have been very largely responsible for the exceptional freedom of the industry from temporary stoppages due to lack of wagons. The problem of long hauls has been complicated by the fact that the increase in coal consumption since the outbreak of war has been accompanied by a substantial reduction in the volume of coast-wise shipments. To meet these needs a weekly service of special coal trains has been organised from the producing areas of Northumberland and Durham, and the Midlands and South Wales, to the South of England; and in the House of Lords on October 1st, Lord Templemore announced that provision had been made for an additional thirty or more trains per week from the North-east Coast to deal with an expansion in output.

Labour Shortage in Cotton Mills

The unsatisfactory output of yarn is causing concern in the cotton industry, and the Cotton Board and the Cotton Control are now jointly making an organised effort to increase production to the capacity of the running spindles. The Service Departments have larger cloth contracts to place, but considerable difficulty is being experienced by manufacturers in securing adequate supplies of yarn, and negotiations are in abeyance. The shortage of yarn has been accentuated by the growing demand for textiles for Russia. It appears that the difficulties are largely due to the depletion of the industry's labour force. Efforts are being made by the Cotton Board, with the support of the Government, to recruit additional female labour for the nucleus spinning mills. The appeal will be directed particularly to those operatives, estimated at some thousands, who, having been formerly employed at mills now closed down under concentration, did not seek other employment when their factories were stopped. The campaign will be run in close consultation with the trade unions and the Ministry of Labour, and it is understood that the Ministry of Information will make use of various forms of publicity, such as posters and films. Mr George Tomlinson, M.P., Joint Parliamentary Secretary of the Ministry of Labour, regards an increase in the production of cotton yarn as of urgent importance, and his Ministry will co-operate with the Cotton Board in measures to restore the industry's labour force.

British Lumber Camps

The twenty-third report of the Select Committee on National Expenditure (Session 1940-41) which deals with conditions of employment in the production of home-grown timber is a document to bring shame to leisured young women. There are girls working, and working efficiently, in timber camps in Scotland where hot water for washing is not to be had, where the recreation huts contain no facilities for recreation, and where the girls, though in many cases very much farther from their homes than members of the Land Army, get no free passes for their holidays. These camps, set up by the Home Timber Production Department, are largely worked by Dominion labour, consisting mainly of the Newfoundland Forestry Unit and the Military Forestry Units from Canada, Australia and New Zealand. The Select Committee recommends that, in order to expand the employment of women, they should be organised

on the lines of the Women's Land Army, with status and privileges of a similar kind. The men are often on piece-work, and it is suggested that the introduction of piece rates for the girls would be an advantage. The Committee also urges, very rightly, that the improvement both of recreation facilities and of hygienic conditions should be speeded up. It seems a very modest suggestion that each camp should be provided with a stove to heat the water, and that blankets (in the absence of sheets) should be washed "with reasonable frequency." Another aspect of the timber production problem mentioned in the report is the use of waste products. Quantities of slab wood and sawdust, potentially valuable material, are accumulating at the camps, and the problem of its economical disposal has not yet been solved; but "active steps" are being taken to investigate the question. It is not an easy matter to resolve, in view of the shortage of transport and the temporary nature of the output.

White or Brown Bread?

The fortified white loaf is still not generally obtainable and the policy of the Ministry of Food seems to have veered in the direction of a more determined attempt to popularise the wholemeal loaf. This policy is severely criticised by Dr Norman Wright in an article in the August 23 issue of *Chemistry and Industry*. Briefly, Dr Wright's thesis is that the parts of the wheat grain which are included by 85 per cent extraction but are removed from white flour have more food value when converted into milk than when eaten in the wholemeal loaf. Assuming that about six million tons of wheat are milled annually, the raising of the rate of extraction from 75 to 85 per cent would increase the output of flour to 5,100,000 tons. White flour contains roughly 11½ per cent of protein and wholemeal flour at least 12 per cent, but recent researches suggest, though their results are not universally accepted, that the protein of white flour is 89 per cent digestible and that of wholemeal flour only 81 per cent. Both kinds of flour were, until recently, supposed to have the same energy value, but results have been published which suggest that white flour gives 380 calories per 100 grammes and wholemeal only 346, and further, the digestibilities of the energy appears to be 92 per cent and 87 per cent respectively. On the basis of these figures, the gross savings in protein and energy can be tabulated as follows:

GROSS SAVINGS OF PROTEIN AND ENERGY
(000's omitted)

Millions Standard	Flour Produced (tons)	Protein		Calories	
		Total (tons)	Digestible (tons)	Total (millions)	Digestible (millions)
85%	5,100	612	496	18,560	16,150
75%	4,500	547	460	16,380	15,070
Saving	(600)	(65)	(36)	2,180	1,080

Thus if the theory of the difference in digestibility is sound, it means that the apparent economy from intensified extraction is more than halved. Against this economy is to be offset the reduction in milk output which would follow the diversion of 600,000 tons of wheat feed from animal fodder to direct human consumption. There would be a further loss, owing to the reduction in the amount of wheat milled, of over 100,000 tons of bran, and the total of 700,000 tons of wheat feed represents between 300 and 400 million gallons of milk. According to Dr Wright's calculations this would mean a net loss of 18,500 tons of protein and a net gain of 35,000 calories. Moreover he points out that milk protein as vitamins are concerned, he reaches the conclusion that the diversion of wheat feed to direct human consumption would greatly increase the amount of vitamin B₁ in the nation's diet, but this is the vitamin which would be added in "fortifying" white bread. It would, on the other hand, reduce the vitamin B₂ content enormously. The B₂ contribution of wheat directly consumed would be only about one-fifth that of the equivalent amount of milk. A final point in favour of white bread is the difficulty of adding calcium salts to the loaf. As milk is one of the best sources of these, the maintenance of the milk supply would, in Dr Wright's view, render this unnecessary. This argument would be more convincing if the consumption of milk were more evenly spread. As things are, calcium salts are more likely to reach all classes if embodied in bread than in milk. Moreover, Dr Wright does not discuss the possibility that

the shipping space saved on wheat, if extraction were more complete, might be used for alternative feeding stuffs. Still, as a matter of long-term policy, and assuming a steady rate of shipping losses, his thesis has much to recommend it, and this is probably recognised by the Ministry of Food in not insisting upon a more rapid increase in the rate of extraction.

Poultry Prices

The new schedule of prices for poultry, which came into force on November 3rd, is simplified by the omission of distinctions based on the place of origin in the size of turkeys. It is, on the other hand, complicated by more differentiation according to the amount of processing the birds have undergone. The price list is as follows:—

MAXIMUM PRICES OF POULTRY

	Live Birds	Rough- plucked, Undrawn and Untrussed	Drawn and Trussed (including Giblets)	Parts of Drawn Birds other than Giblets	Cooked Birds	Parts of Cooked Birds
	per lb. s. d.	per lb. s. d.	per lb. s. d.	per lb. s. d.	per lb. s. d.	per lb. s. d.
Turkeys:						
First-hand	2 2½	2 6	3 8	...	...	...
Wholesale	2 3½	2 7	3 9½	...	...	...
Retail	2 6	2 10	4 2	4 6½	5 2	5 5
Roasting chickens, Boiling fowls, Domestic ducks & Domestic geese:						
First-hand	1 4	1 6	2 3½	...	...	...
Wholesale	1 5	1 7	2 5	...	...	...
Retail	1 7½	1 10	2 9½	3 0½	3 4	3 6

Poussins, which are defined as young chickens weighing, rough-plucked, undrawn and untrussed, not less than 1 lb. and not more than 1½ lb., are controlled at 3s. per bird first hand, 3s. 2d. wholesale and 3s. 6d. retail, for rough-plucked birds. Cooked birds may be retailed at 3s. 4d. per lb., or 3s. 6d. per lb. for parts of cooked birds. There is also a schedule for kosher poultry, which ranges from 1½d. per lb. dearer than ordinary poultry in the case of rough-plucked turkeys, to 3d. per lb. dearer for parts of drawn chickens and ducks. This new price schedule appears at first sight more complicated than its predecessor, but actually it is approximately the same. Naturally, the loss in weight in the process of drawing varies considerably between individual birds according to their age, sex and condition, but on the average it is fairly represented by the price differential.

Higher Tea Quota

On October 31st the International Tea Committee decided to increase the export quota for the season ending March 31, 1942, from 100 to 110 per cent of the agreed standards. This is the third upward revision since February, whereas the quota has never before been revised more than once in one season. This shows the uncertainty from which the international tea market has been suffering in the past six months. Europe, an area which absorbed between 85 and 100 million lbs. of tea per season before the war, is now cut off from supplies. The Ministry of Food has acquired about 500 million lbs. of tea this season, while before the war the rest of the world never consumed more than 375 million lbs. of tea per season. Reports from the chief consuming countries outside the United Kingdom indicate that consumption there is running at about the peace level; world absorption of tea this season may therefore be estimated at about 875 million lbs. This quantity would have been roughly covered by the original 90 per cent quota, provided that exports from the non-agreement countries, chiefly China and Japan, including Formosa, had remained normal. In recent months, however, two factors have upset all calculations.

FAMOUS SINCE 1795

OTARD'S
COGNAC BRANDY

tions. On the one hand, Japan's exports fell substantially in the summer, and, on the other hand, the continued threat of a Pacific war and its inevitable effect on shipments to North America and Australia have stimulated the accumulation of stocks in the United States, Canada and Australia. The desire of the International Tea Committee to satisfy this demand and prevent soaring prices in the producing countries has been responsible for the three successive quota increases in May, August and October. The new quota permits exports this season from British-India, Ceylon and the Dutch East Indies at a rate of 889,271,000 lb., to which the carry-over of unused licences from the last season at a

rate of 35,260,600 lb. must be added. Total exports from non-agreement countries this season will probably reach about 100 million lb.; on this basis world supplies would reach 1,025 million lb. If the Far Eastern political position remains unchanged, the new releases should have a normalising effect on the market. On the other hand, in the event of an extension of hostilities in the Pacific, accompanied by shipping difficulties, they would have a depressing effect on prices in the producing areas. The Tea Committee is well aware of this risk, but accepted it in order to allow the United States and the British Dominions to secure as much tea as possible before it may be too late.

COMMODITY AND INDUSTRY NEWS

Tin prices were again low in the later part of last week and early this week. Wednesday's price for standard cash was £256-£256 10s. per ton, against £255 10s.-15s. a week ago. This is the highest price quoted since October 3rd. Three months tin was £259 15s.-£260 5s. per ton, compared with £259 10s.-15s. The outstanding commodity market event of the week was the raising of the tea export quota from 100 to 110 per cent. This is discussed in a Note on page 575.

Tin Statistics.—The Tin Research Institute's Statistical Bulletin estimates world production of tin in September at 19,400 long tons, compared with 21,300 tons in August, and 21,800 in September, 1940. Production so far this year amounts to 185,900 tons, against 165,400 tons in the corresponding period last year. United States deliveries totalled 12,715 tons in September, against 13,625 tons in August. For the first nine months of the year deliveries were 119,287 tons, compared with 81,814 tons in the corresponding period of 1940. Consumption in the United Kingdom dropped slightly to 2,079 tons in August, from 2,418 in July; in August, 1940, consumption was 2,322 tons. World stocks of tin, including smelters' stocks and carry-over, decreased by 4,135 tons during September to 46,729 tons at the end of the month, compared with stocks of 52,824 tons at the end of September, 1940.

Cotton and Labour.—Great pressure for the supply of goods continues, and in practically all sections of the industry output does not meet the requirements of customers. To an increasing extent, the Government and Russia are given prior claim upon production; further orders have been placed in heavy materials for the Forces and in miscellaneous fabrics for the essential home services. Every endeavour is being made to send larger quantities of cloth to Russia, and efforts are being made to get more operatives into the mills. There have been rumours that the Controller may consent to a few stopped mills being reopened if the necessary labour can be found, but the object at the moment is to provide running mills with a larger number of workpeople. Fair miscellaneous cloth transactions have been put through for export, these being chiefly for Java, South America, West Africa and the Dominions. Spinners of yarn remain well sold, and most of them, owing to having twelve weeks' order lists, can only sell each week's production as it comes round. A satisfactory feature is that raw cotton supplies are more plentiful than for some time back.

Ex-Services Trucks.—At the outbreak of war the mechanical transport of the armed forces was supplemented by commercial vans and trucks. Now that these can be replaced by vehicles built for the purpose they are to serve, some of the commercial vans are being released from duty with the armed forces. They are now being reconditioned, and will be available for purchase by operators, who

may apply for the necessary certificate from their Regional Transport Commissioners.

Export Control.—The export, except under Board of Trade licence, is prohibited, from November 13th, of a number of electrical goods, gas apparatus and appliances, office machinery and transparent cellulose wrappings, to all destinations, and of card cloth to certain specified destinations. Licences will also be required for the export of sanitary towels, including substitutes, and articles manufactured wholly or mainly of cellulose wadding, but licences for these goods will not normally be granted.

Food Control.—The rationing of certain canned foods is discussed in a Note on page 559. The expected seasonal decline in the supply of milk has begun, and dairymen are required to curtail their total sales by 5 per cent. Non-priority consumers may find their supplies cut by more than 5 per cent, since priority consumers are guaranteed a certain minimum under the Milk Supply Scheme. The first allocation of American unsweetened condensed milk will provide for one tin for each adult consumer. The maximum wholesale price of this condensed milk is 30s. 6d. per case of 48 tins, and the retail price 81d. per tin. The National Vegetable Marketing Company, Limited, is now the sole purchaser of carrots grown on more than one acre of agricultural land, except carrots sold for stock feed or planted after October 1, 1941. The normal allowances to catering establishments for certain rationed foods are increased for canteens providing school meals for children. The control of tomato prices, which was due to end on October 31st, has been extended until December 31st. Prices are raised slightly, varying from 1s. 2d. to 1s. 5d. per lb., according to district. The Ministry of Food has announced the names of certain egg and fruit juice substitutes which have been licensed for sale after November 10th. The release of dried fruits is to be doubled this month to 12 oz. per sugar registration. Maximum prices for leeks were fixed at 5d. per lb. from November 7th. Agreements for the supply of about one million tons of meat from Argentina, Uruguay, New Zealand and Australia have been reached.

Engineering Wages.—Details are not yet available of the reply made on October 29th by the engineering employers to the case for a wage increase presented by the unions. The request of the AEU and the foundry workers for an increase of 4d. an hour, and of the other unions for an increase of 10s. a week, was, however, rejected. It is expected that the unions will now carry their case before the National Arbitration Tribunal, whose decisions are binding upon both parties. The Tribunal is likely also to have the rejected wage claim of the shipbuilding unions brought before it in the near future.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From (1000 quarters)	Week Ended		From Aug. 1 to	
	Oct. 18, 1941	Oct. 25, 1941	Oct. 25, 1940	Oct. 25, 1941
N. America	495	532	4,132	6,035
Argentina, Uruguay	184	197	2,764	2,261
Australia	...	...	...	...
Russia	...	...	...	...
Danube and District	...	...	182	...
Other countries	...	...	...	...

* Unobtainable.

Source: The Cape Trade Notes

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From (1000 quarters)	Week Ended		From Apr. 1 to	
	Oct. 18, 1941	Oct. 25, 1941	Oct. 25, 1940	Oct. 25, 1941
Argentina	88	95	5,828	769
Atlantic America	93	86	1,947	1,035
Danube region	...	...	678	...
S. and E. Africa	...	...	1,112	...
Indo-China, etc.	...	...	91	...

* Not received.

† Incomplete.

Source: The Cape Trade Notes

"THE ECONOMIST" SENSITIVE PRICE INDEX

(1935=100)

	Oct. 30, 1941	Oct. 31, 1941	Nov. 5, 1941	Nov. 9, 1941	Nov. 12, 1941
Crops	113.6	113.6	113.5	113.5	113.6
Raw materials	170.4	170.5	170.5	170.5	170.6
Complete Index	139.1	139.2	139.1	139.1	139.2
	Mar. 31, 1937	Aug. 31, 1939	Nov. 5, 1940	Oct. 29, 1941	Oct. 29, 1941
Crops	147.9	122.2	102.1	114.6	113.6
Raw materials	207.3	92.9	165.5	170.4	170.5
Complete Index	175.1	106.4	130.0	139.8	139.2

* Highest level reached during 1932-37 recovery.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM

1927=100

	Mar. 31, 1937	Aug. 30, 1939	Nov. 5, 1940	Oct. 14, 1941	Oct. 28, 1941
Cereals and Meat	93.0	66.9	96.0	102.0	101.8
Other foods	70.4	61.1	84.8	99.8	100.0
Textiles	74.2	54.3	86.5	94.2	95.2
Minerals	113.2	95.4	127.5	129.8	129.8
Miscellaneous	87.0	77.6	105.5	113.0	113.0
Complete Index	87.2	70.3	99.7	107.4	107.2
1913=100	119.9	96.8	137.2	147.8	147.5

* Highest level reached during 1932-37 recovery.

COMPANY MEETING

CHUNGLOON RUBBER ESTATE (1932), LIMITED

The ninth ordinary general meeting of Chungloon Rubber Estate (1932), Limited, was held, on the 30th ultimo, in London, Mr W. E. Martin, J.P. (the chairman), presiding.

The following is the chairman's speech which was circulated with the report and accounts:—

The year under review has been a profitable year for Rubber Companies in so far as a high rate of export release and a good market price are concerned, but with the heavy taxation necessary to carry on the war to victory, the return to shareholders is limited. The profit for the year was £2,536, compared with £3,783 for the

(Continued from page 573)
of the week prices were unchanged. Elsewhere, Gaumont British advanced strongly on persistent buying, but reacted in midweek on profit-taking. Later subdued trading led to small but irregular price movements.

Slight buying coupled with a shortage of stock led to a firm close at the end of last week in the kaffir market. E. Geduld and Geduld both gaining. Conditions at the reopening were rather quieter, but, on Tuesday, Cape buying induced a general improvement in which Central Mining advanced $\frac{1}{2}$, Grootvlei $\frac{1}{2}$ and Western Holdings $\frac{1}{2}$. Far Eastern uncertainties led to dull conditions in the rubber and tin markets, and small declines were general, while on the news of the increase in royalties on Thai mines, Thai Tin fell 2s. 10d. on Tuesday. The oil market closed firmly at the week-end, but this week lack of demand occasioned small losses. Burmah and VOC declining $\frac{1}{2}$ on Monday, while the following day, Burmah, Anglo-Iranian and Shell all lost $\frac{1}{2}$. Later, interest centred on the Eagle issues, while elsewhere, kaffir issues continued to advance.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices	
			30 Ord. Share	20 Fixed Int.
Oct. 30	3,023	1,419	78.5	131.8
Nov. 3	2,901	1,551	78.9	131.9
Nov. 5	3,683	1,379	78.8	131.9
Nov. 7	2,897	2,083	78.9	132.0
Nov. 8	2,931	1,505	78.8	132.0

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941 highest, 79.7 (Sept. 12); lowest, 66.8 (Apr. 24). 20 Fixed Int., 1941; highest 132.0 (Nov. 5); lowest, 126.1 (Jan. 2).

New York

PENDING decisive developments, sentiment on Wall Street continues to be dominated by current war and labour uncertainties. Trading at the end of last week was restricted, prices moving narrowly and without trend. On Monday, however, the market opened more firmly, and, encouraged by good business results, more active trading led to slight improvements in oil, aircraft, steel and industrial issues. In midweek, after Election day, business continued to improve, and small gains were registered over a wide front.

The Iron Age estimates steel mill activity at 98.0 per cent of capacity, against 94.5 per cent in the previous week.

New York Prices

Total share dealings: Oct. 30, 550,000; Oct. 31, 640,000; Nov. 1, 240,000; Nov. 3, 600,000; Nov. 4, Election Day; Nov. 5, 930,000.

* Two-hour session.

previous year, but £6,596 has had to be reserved for taxation against £1,862 last year. We are pleased, however, to recommend the payment of a dividend of 10 per cent., less tax, the same as last year and in view of the substantial sum payable in respect of taxation, shareholders have the satisfaction of knowing they are doing their bit for the war effort.

A further 32½ acres have been replanted this year with the best budwood or clonal seeds. The release for the year averaged 87 per cent. of the quota and with the present release of 120 per cent., we shall be able to sell all that we can produce. The cash position is sound and we can, I think, look forward to another successful year. The f.o.b. cost this year was 3.00rd. per lb., compared with 3.024d. per lb. last year—a slight reduction, which is very satisfactory in view of generally increased costs.

The report and accounts were unanimously adopted.

Capital Issues

Week ending November 8, 1941
Particulars of Government issues appear on page 573.

Year†	Including Conversions	Excluding Conversions
1941	1,336,075,915	1,282,468,633
1940	1,232,893,786	879,637,753

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1941	1,278,192,498	4,206,135	70,000
1940	878,653,081	984,672	Nil

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1941	1,275,371,615	527,394	6,569,624
1940	863,548,217	1,561,005	14,528,531

* Includes Government issues to Oct. 28th only. Above figures include all new capital in which permission to deal has been granted.

Shorter Comments

Renong Tin Dredging.—Profit, year ending June 30, 1941, £94,412 (£118,541). Ordinary dividend 12 per cent (20 per cent). Carry forward £25,176 (£23,889).

Mozambique Company.—Profits £116,528 (£121,059). To reserve £5,826 (£6,053), State £2,913 (£3,026), amortisation £17,134 (£24,871). Properties and rights acquired £90,655 (£87,109).

Tankers, Ltd.—The directors of Tankers have agreed to accept the offer made by the United Molasses Company, Ltd., and strongly recommend its acceptance by the shareholders and funding certificate-holders.

Chrysler Corporation (\$000s.)—Nine months' net earnings \$29,461 (\$30,706), equal to \$6.77 (\$7.06) per share. (Continued on page 579)

THE STANDARD BANK OF SOUTH AFRICA LIMITED

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

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

Head Office: 10, CLEMENTS LANE, LOMBARD STREET, and 77, KING WILLIAM STREET, LONDON, E.C.4.
London Branch: 63, London Wall, E.C.2.
West End Branch: 9, Northumberland Avenue, W.C.2.
New York Agency: 67, Wall Street.

OVER 350 BRANCHES, SUB-BRANCHES AND AGENCIES IN SOUTH, EAST AND CENTRAL AFRICA.
BANKING BUSINESS OF EVERY DESCRIPTION TRANSACTED AT ALL BRANCHES AND AGENCIES.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended Nov. 1, 1941, total ordinary revenue was £49,657,000, against ordinary expenditure of £122,196,000, and issues to sinking funds of £97,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £1,778,201,000 against £1,441,821,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	April 1 to Nov. 2, 1940	April 1 to Nov. 1, 1941	Week ended Nov. 2, 1940	Week ended Nov. 1, 1941
ORDINARY REVENUE					
Income Tax	756,000	135,379	232,341	7,887	14,373
Sur-tax	80,000	14,510	16,294	1,260	500
Stamp duties	82,000	47,686	52,437	2,339	997
Stamps	14,000	8,008	7,771	480	100
N.D.C.	210,000	12,647	12,029	260	410
E.P.T.	32,347	129,315	2,775	6,500	...
Other Ind. Rev.	1,000	240	217	...	10
Total Ind. Rev.	1143000	250,817	450,394	14,992	22,890
Customs	310,700	175,689	206,422	5,034	4,906
Excise	266,660	104,301	190,940	10,572	19,868
Total Customs & Excise	577,360	279,990	397,362	15,606	24,774
Motor Duties	39,000	11,179	111,012	581	633
P.O. (Net Receipts)	3,300	8,150	7,850	Dr. 700	...
Crown Lands	1,100	650	610	...	...
Receipts from Sundry Loans	2,600	787	2,778	...	...
Miscell. Receipts	20,000	14,748	42,365	18	1,360
Total Ord. Rev.	1786360	566,321	912,371	30,497	49,657
SELF-BALANCING P.O. & Broadcasting	99,346	47,550	56,500	2,100	2,900
Total	1885706	613,871	968,871	32,597	52,557

Expenditure	Estimate, 1941-42	April 1 to Nov. 2, 1940	April 1 to Nov. 1, 1941	Week ended Nov. 2, 1940	Week ended Nov. 1, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	158,593	180,391	15,329	18,485
Payments to Nat. Ireland	9,200	4,343	4,266	...	...
Other Cons. End. Serv.	7,800	3,703	4,063	261	12
Total	272,000	166,639	188,720	15,590	18,497
Supply Services	393,497	183,516	249,548	89,094	103,699
Total Ord. Exp.	420,697	200,185	268,416	104,684	122,196
SELF-BALANCING P.O. & Broadcasting	99,346	47,550	56,500	2,100	2,900
Total	430,633	204,935	274,066	106,784	125,096

NET ISSUES (£ thousands)	1940	1941	1940	1941
P.O. & Telegraph	150	...	...	...
Overseas Trade Guarantees	45	...	...	...
Total	195	...	...	...
NET RECEIPTS (£ thousands)	1940	1941	1940	1941
Under War Damage Act	2,556	...	...	...
Tithe Act	165	...	...	...
Total	2,721	...	...	...

After decreasing Exchequer balances by £115,680 to £2,531,263, the other operations for the week (no longer shown separately) raised the gross National Debt by £69,993 356 to about £13,134 millions.

NET ISSUES (£ thousands)	1940	1941	1940	1941
P.O. & Telegraph	150	...	...	...
Overseas Trade Guarantees	45	...	...	...
Total	195	...	...	...
NET RECEIPTS (£ thousands)	1940	1941	1940	1941
Under War Damage Act	2,556	...	...	...
Tithe Act	165	...	...	...
Total	2,721	...	...	...

AGGREGATE ISSUES AND RECEIPTS

Aggregate Issues and Receipts from April 1, 1941, to November 1, 1941, are:	£ thousands
Ordinary Revenue	2,224,168
Gross Receipts	1,734,402
Sinking fund	2,297,500
Net Revenue	1,727,000
Miscellaneous Receipts	51,271
Dec. in balance	51,271
Total	2,683,150

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Bank of England	Total Floating Debt
1940				
Nov. 2	845.0	Not available	...	...
1941				
July 26	960.0	1491.7	174.3	2,225.0
Aug. 2	960.0	Not available	...	...
Sept. 6	970.0	1525.3	213.9	3,709.2
Oct. 4	970.0	Not available	...	...
Nov. 1	975.0	1558.9	241.8	3,775.7

TREASURY BILLS

Date of Tender	Amount	Average Rate of Allotment	Per Cent Allotted at Min. Rate
1940			
Nov. 1	65.0	147.3	65.0
1941			
July 18	75.0	146.8	70.0
Aug. 1	75.0	163.6	75.0
Sept. 1	75.0	165.2	75.0
Oct. 1	75.0	159.1	75.0
Nov. 1	75.0	151.8	75.0
Dec. 1	75.0	133.2	75.0
Jan. 1	75.0	148.6	75.0
Feb. 1	75.0	165.8	75.0
Mar. 1	75.0	165.0	75.0
Apr. 1	75.0	185.5	75.0
May 1	75.0	159.4	75.0
Jun. 1	75.0	161.5	75.0
Jul. 1	75.0	155.6	75.0
Aug. 1	75.0	148.1	75.0
Sep. 1	75.0	159.6	75.0

On November 1st 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. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury bills are being offered on November 7th. For the week ending November 8th 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% Defence Bonds	3% Savings Bonds	2½% War Bonds
Sept. 23	4,724	2,019	7,927	...
Oct. 7	4,706	1,914	6,398	...
Oct. 14	3,887	2,690	11,538	...
Oct. 21	3,638	2,537	10,520	31,170
Oct. 28	4,387	2,599	8,537	30,523
Nov. 4	4,313	3,081	11,939	19,673
Nov. 11	...	...	1,672	8,306
Totals to date	38,813	35,241	137,285	89,666

* 101 weeks. † 44 weeks. ‡ 4 weeks.
 † Including series "A," £88,971,645 to date.
 ‡ Interest free loans received by the Treasury up to Nov. 4th amounted to a total value of £40,265,582. Up to Oct. 25th, principal of Savings Certificates to the amount of £48,222,000 has been repaid.

BANK OF ENGLAND RETURNS

NOVEMBER 5, 1941

Issue Department	£ millions
Gold and silver	1,015,100
Foreign currencies	2,240,656
Other assets	2,297,500
Liabilities	516,744
Total	5,569,000

BANKING DEPARTMENT

Banking Department	£ millions
Gold and silver	1,015,100
Foreign currencies	2,240,656
Other assets	2,297,500
Liabilities	516,744
Total	5,569,000

THE WEEK'S CHANGES

Banking Department	Nov. 5, 1941	Nov. 4, 1941	Nov. 3, 1941
Gold and silver	1,015,100	1,015,100	1,015,100
Foreign currencies	2,240,656	2,240,656	2,240,656
Other assets	2,297,500	2,297,500	2,297,500
Liabilities	516,744	516,744	516,744
Total	5,569,000	5,569,000	5,569,000

COMPARATIVE ANALYSIS

Banking Department	Nov. 5, 1941	Nov. 4, 1941	Nov. 3, 1941
Gold and silver	1,015,100	1,015,100	1,015,100
Foreign currencies	2,240,656	2,240,656	2,240,656
Other assets	2,297,500	2,297,500	2,297,500
Liabilities	516,744	516,744	516,744
Total	5,569,000	5,569,000	5,569,000

OVERSEAS BANK RETURNS

NOTE. The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Melite Iran, of Nov. 23rd; Lithuania, of Nov. 30th, 1940; Egypt, of May 10th; Yugoslavia, of June 7th; Bulgaria, of Aug. 9th; Greece, of Aug. 23rd; Hungary, of Sept. 13th; International Settlements and Sweden, of Sept. 20th; Portugal, of Sept. 27th; Roumania, of Oct. 4th; Australia, of Oct. 25th; Switzerland, Federal Reserve Reporting Member Banks, Argentina, Reichsbank and Prague, of Nov. 1st, 1941.

U.S. FEDERAL RESERVE BANKS

U.S. Federal Reserve Banks	Oct. 25, 1940	Oct. 17, 1941	Oct. 10, 1941	Oct. 3, 1941
Assets				
Gold coin & bullion	444	444	444	444
Rupee coin	318	395	387	381
Reserves	382	604	589	592
Liabilities				
Notes in circulation	1,319	1,436	1,436	1,557
Deposits	490	765	765	685
Reserve ratio	68.4%	61.9%	62.9%	65.5%

BANK OF JAPAN

Bank of Japan	Oct. 25, 1940	Oct. 17, 1941	Oct. 10, 1941	Oct. 3, 1941
Assets				
Gold & Bullion	501.3	592.9	589.0	583.1
Foreign exchange	26.6	300.0	300.0	300.0
Liabilities				
Notes in circulation	316.8	398.7	384.6	386.9
Deposits	656.2	1,017.5	992.3	917.3
Reserve ratio	97.8%	31.9%	31.6%	33.4%

Rates Fixed for Payment at Bank of England for Clearing Offices

Bank of England	Oct. 25, 1940	Oct. 17, 1941	Oct. 10, 1941	Oct. 3, 1941
Spain, Peseta (25.22)	40.50	40.50	40.50	40.50
Italy, Lira (100.00)	71.25	71.25	71.25	71.25
Portugal, Escudo (100.00)	99.80	99.80	99.80	99.80
Manila, Peso (100.00)	8.09	8.09	8.09	8.09

Forward Rates

Forward Rates	Oct. 25, 1940	Oct. 17, 1941	Oct. 10, 1941	Oct. 3, 1941
United States, 1 cent pm. par.	...	...	...	...
Canada, 1 cent pm. par.	...	...	...	...
Switzerland, 3 cents pm. par.	...	...	...	...

MONEY RATES, LONDON

The following rates remained unchanged between Nov. 1st and Nov. 7th:—
 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%; 12 months, 1½%; Treasury Bills, 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1½%; Short Loans, 1½%. Bank deposit rates 4%.

Shorter Comments

Power Corporation of Canada.—Gross earnings year ending June 30th, \$1,067,506 (\$1,774,987). Expenses \$231,750 (\$248,928). Taxes \$48,772 (\$72,882), interest \$493,137 (\$514,895). Net profit \$833,847 (\$938,282). Common dividend 30 cents (60) per share, carry forward \$2,007,357 (\$1,907,418).
Industrial Mortgage Bank (Finland).—The Finnish authorities have forbidden

BANK OF CANADA

Bank of Canada	Oct. 25, 1940	Oct. 17, 1941	Oct. 10, 1941	Oct. 3, 1941
Assets				
Gold and silver	444	444	444	444
Reserves	318	395	387	381
Liabilities				
Notes in circulation	1,319	1,436	1,436	1,557
Deposits	490	765	765	685
Reserve ratio	68.4%	61.9%	62.9%	65.5%

RESERVE BANK OF INDIA

Reserve Bank of India	Oct. 25, 1940	Oct. 17, 1941	Oct. 10, 1941	Oct. 3, 1941
Assets				
Gold coin & bullion	444	444	444	444
Rupee coin	318	395	387	381
Reserves	382	604	589	592
Liabilities				
Notes in circulation	1,319	1,436	1,436	1,557
Deposits	490	765	765	685
Reserve ratio	68.4%	61.9%	62.9%	65.5%

BANK OF JAPAN

Bank of Japan	Oct. 25, 1940	Oct. 17, 1941	Oct. 10, 1941	Oct. 3, 1941
Assets				
Gold & Bullion	501.3	592.9	589.0	583.1
Foreign exchange	26.6	300.0	300.0	300.0
Liabilities				
Notes in circulation	316.8	398.7	384.6	386.9
Deposits	656.2	1,017.5	992.3	917.3
Reserve ratio	97.8%	31.9%	31.6%	33.4%

MONEY MARKET

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
 Oct. 30..... 23½
 Nov. 4..... 23½
 Nov. 5..... 23½

PROVINCIAL BANK CLEARINGS (£ thousands)

Provincial Bank Clearings	Week ended Nov. 2, 1940	Week ended Nov. 1, 1941	Week ended Nov. 2, 1940	Week ended Nov. 1, 1941
Working days	6	6	249	251
Birmingham	2,028	2,224	95,739	97,127
Bradford	2,895	3,291	76,172	94,992
Bristol	1,763	2,350	80,137	87,197
Hull	667	831	32,471	28,302
Leicester	1,187	860	33,152	35,290
Liverpool	4,295	4,182	244,028	236,677
Manchester	12,460	12,961	492,091	505,573

NEW YORK EXCHANGE RATES

3 cents pm.-par.	New York

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Debts Interest	Available for Distribution	Appropriation					Preceding Year	
						Prov. Div.	Ord. Div.	Rate	To Reserve	Profit in Carry forward	Total Profit	Net Profit
Breweries, &c.												
Catterall & Swarbrick	Sept. 30	211,553	2,915	61,182	86,958	6,020	33,250	25	10,000	11,912	125,608	65,381
Kemp Town Brewery	Sept. 30	164,117	6,000	86,072	103,247	30,000	25,000	10	30,000	1,072	133,978	67,789
Longmore (William) & Co.	Sept. 30	5,358	4,868	4,868	13,768		4,375	50		493	4,480	4,480
Rochdale and Manor Brewery	Sept. 30	22,857	...	5,715	18,859	1,580	2,625	5	...	1,419	15,609	4,691
Coal, Iron and Steel												
Fairfield Shipbuilding & Engineering	June 30	101,715	...	89,215	116,014	15,099	12,500	19	50,000	11,715	123,115	105,528
Horden Collieries	Sept. 30	395,968	45,000	112,043	191,275	...	112,500	71		457	413,139	134,301
Osborn (Samuel) & Co.	July 31	56,858	...	56,858	180,811	7,183	22,067	15	25,000	2,694	73,193	73,193
Financial, Land, &c.												
Associated London Properties	June 24	148,228	...	Dr. 693	19,217	...				533	166,043	14,373
Balkis Limited	Aug. 31	8,867	...	3,289	6,159	...	3,510	5		250	8,724	4,214
Leach's Argentine Estates	Mar. 31	177,331	51,499	77,692	77,692	30,000	30,000	6	17,692		230,004	111,796
Tecka (Argentinian) Land	June 30	195,941	...	19,558	37,412	...	18,000	9		1,558	82,585	20,725
Oil												
British Burnah Petroleum	Jan. 31	206,642	62,284	Dr. 15,149	119,395	...	...			15,190	258,274	123,172
Rubber												
Anglo-Johore	June 30	29,208	972	3,183	3,771	...	3,109	71	...	74	22,476	7,998
Bernam-Perak	June 30	14,209	...	5,815	7,733	...	5,670	10	...	145	9,009	3,830
Bukit Selangor	Mar. 31	23,806	101	8,020	16,969	...	6,993	6	1,000	27	22,751	7,592
Federated (Selangor)	June 30	17,531	490	4,633	8,812	...	3,468	10	...	1,165	13,456	6,319
Gadiah	Mar. 31	12,419	1,000	4,651	9,973	...	2,411	5	...	2,240	8,478	4,913
General Ceylon	Dec. 31	17,575	...	2,341	21,570	...	15,315	5	5,000	92	46,291	9,232
Juru	Mar. 31	13,253	...	2,059	3,294	...	1,564	15	...	495	12,525	3,255
Sumatra Anglo-Dutch	Dec. 31	18,970	...	1,040	7,559	...	1,420	5	...	703	15,732	4,782
Tebing	Mar. 31	12,365	1,000	5,196	9,731	...	4,493	5	...		10,038	6,861
Tea												
Jokai (Assam)	Dec. 31	179,732	29,909	65,553	115,540	6,000	57,818	10	...	1,735	211,245	66,351
Textiles												
Foister (M. C.), Clay & Ward	June 30	133,984	15,495	23,136	50,769	22,500	...	...	...	836	103,480	26,859
Trusts												
Cedar Investment Trust	Sept. 30	35,969	...	21,330	51,767	5,940	11,595	5	...	3,835	41,382	35,207
Colonial and General Investment	Sept. 30	13,624	...	6,459	14,366	4,486	815	11	...	1,158	13,608	7,061
Other Companies												
Carroll (P. J.) & Co.	Aug. 31	40,657	...	40,657	71,782	15,700	13,738	7	10,000	1,219	68,004	41,005
Chambers Wharf & Cold Stores	June 27	27,733	...	21,277	27,135	13,555	6,833	10	2,215	1,325	26,294	25,573
Ferranti Limited	June 30	172,155	79,437	79,282	147,482	35,000	18,000	67	20,000	6,282	141,693	78,159
Fillerys Toffees	July 26	15,480	...	8,478	25,930		4,000	8		4,478	14,952	10,861
Goulding (W. & H. M.)	June 30	36,093	2,218	39,875	56,945	6,875	18,900	5	5,000	9,100	35,526	29,526
North of Scotland Milling	Sept. 30	24,059	...	2,059	3,294		1,564	15		495	12,525	3,255
Simons & Co.	June 30	Dr. 11,423	...	Dr. 4,510	3,000	2,953				7,463	7,741	6,141
Tebbit Brothers	June 30	23,277	1,542	4,933	7,811		4,370	61		563	22,660	7,148
Transvaal Mattress & Furnishing	June 30	45,119	...	33,370	36,091	8,250	18,750	121	4,500	1,870	38,557	28,500
Totals (£000's)												
Week to Nov. 8, 1941	No. of Cos.	2,531	290	898	1,660	211	464	...	180	43	2,527	1,149
Jan. 1 to Nov. 8, 1941		1,709	335,492	26,814	155,204	239,844	36,846	95,212	15,130	7,716	323,274	175,633

† 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	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year
INSURANCE														
Guardian Assurance	50*	...	Dec. 31	50*	Sengat Rubber	...	...	...	...	Leach's Argentine Estates	...	...	...	...
Pioneer Assurance	1/-ps*	...	Nov 29	1/- ps*	Singapore Para Rubber	...	10	...	10	London Maritime Invest.	...	21	...	...
MINING														
H.E. Proprietary	5*	...	...	5*	Aeroplane, &c., Castings	...	15	...	15	Manley & Regulus	5*	...	...	...
Lake View and Star	25†	50	Dec. 9	50	Alexander Shipping	91†	121	...	121	Marconi International Marine	21*	...	Nov 29	...
Meru Tin	14†	...	...	14†	Beaumont Furniture	71*	...	...	71*	Marconi's Wireless Telegr.	31*	...	Nov 29	...
Nigel Van Ryn Reefs	5	...	...	5	Blackburn (Thomas)	...	6	...	6	Massey's Burnley Brewery	...	31	...	...
Noranda Mines	11ps	...	...	11ps*	Bristol Brr. (Georges & Co.)	112†	118	...	118	Meters Limited	4*	...	...	...
North Broken Hill	20*	...	...	20*	British Alkaloids	12*	...	...	12*	Parnall Aircraft	...	5	...	...
Rahman Hydraulic Tin	5†	...	...	20*	British Bedaux	22*	...	...	22*	Rochdale & Manor Brewery	...	5	...	...
United Exploration	...	71	...	Nil	British Match Corporation	22*	...	Nov 17	22*	Sanitas Trust	5*	...	...	...
TEA AND RUBBER														
Caledonian (Ceylon) Tea &c.	...	5	...	6	British Piston Ring	15†	20	...	20	Scottish National Trust	...	4	...	...
Ceylon Proprietary Tea	21*	...	...	21*	Burt, Boulton & Haywood	2†	4	...	5	Second Scottish Nat. Trust	...	31	...	...
Ceylon Tea Plantations	21*	...	...	21*	Cerebos Limited	10*	...	...	10*	Settle Lines	2†	4	...	...
Chubwa Tea	5*	...	...	5*	Fairfield Shipbuilding	...	10	...	6	Smethwick Drop Forgings	12†	5	...	...
Consolidated Tea and Lands	21*	...	...	21*	Fillerys Toffees	...	8	...	8	Southbrook Potteries	21*	...	...	...
Dickella (Ceylon) Rubber	5*	...	...	21*	Folland Aircraft	3*	...	...	6*	Ste. Madeleine Sugar	...	4	...	...
Itakhoili Tea	5*	...	...	21*	Glenfield & Kennedy	5*	...	...	5*	Sum Cycle and Fittings	...	71	...	...
Kanan Devan Hills Produce	3*	...	...	3*	Hecht Levis & Kahn	71†	121	...	10	Tilbury Contracting	...	121	...	...
Kota Tinggi Rubber	8†	10	...	6	Henley's (W. T.) Telegraph	5†	...	...	5*	Timber Fireproofing	...	15	...	...
Do. 1941-1942	21*	...	...	2*	Migson's Brewery	6†	10	...	8	Viking Tanker	15†	25	...	...
Nuwara Eliya Tea	4*	...	...	4*	International Nickel	50 cts.	...	...	50 cts.	Waihi Investments, &c.	...	4	...	...
Scottish Tea & Rub. Trust	21*	...	...	2*	Kalgoorlie Electric Power	3*	...	...	3*	Weardale Steel, Coal (Def.)	3*	6	...	...
					Laporte (B.)	5*	...	...	5*	Williamson's Limited	...	121†	171	...
										Yates's Castle Brewery	21*	...	...	...
										Yorkshire Amalg. Collieries	12†	...	...	...

† Free of Income Tax.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1941	+ or -	1941	+ or -
B.A. and Pacific	17 Oct. 25	11,290,000	+ 200,000	21,660,000	+ 2,646,000
B.A. Gt. Southern	17 .. 25	12,232,000	+ 305,000	35,504,000	+ 3,883,000
B.A. Western	17 .. 25	19,221,000	+ 231,000	13,843,000	+ 3,160,000
Canadian Pacific	18 .. 31*	7,461,000	+ 1,568,000	180,035,000	+ 41,386,000
Central Argentine	18 Nov. 1	11,877,800	+ 526,700	33,101,950	+ 8,037,900
San Paulo (Brazil)	43 Oct. 26	32,250	- 7,275	1,588,470	+ 27,371

* 10 days.

† Receipts in Argentine pesos.

UNIT TRUST PRICES

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

Name	Nov. 4, 1941	Name	Nov. 4, 1941	Name	Nov. 4, 1941
Second Brit. Inv. Ltd.	21/41-22/41	National D. Century	11/10-12/10	Key. Gokl.	8/6-9/9
New British Inv. Trust	8/11 x d bid	Scottish	12/10-13/10	Br. Ind. 4th	12/6-14/10
Bk. Insur.	9/10-10/10	Univ. 2nd	10/9-11/9	Elect. Inds.	14/3-15/9
Insurance	15/3-16/9	Inv. Flex.	13/10-14/10	Met. & Min.	10/6-12/10
Bank	15/3-17/10	Inv. Gen.	9/9-10/9	Cum. Inv.	6/11-7/11
Scottish	11/3-12/3	Key. Flex.	13/7-14/7	Producers	5/3-6/10
		Key. Conv.	11/10-12/10	Dom. 2nd	5/3-6/10
			10/4-11/4	Orthodox	7/61

* Free of commission and stamp duty.

† Bid and offered.

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.

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for foreign bonds.														
Prices, Year 1940		Prices, Year 1941		Name of Security	Price, Oct. 28, 1941	Price, Nov. 4, 1941	Yield, Nov. 4, 1941	Prices, Year 1941		Last two Dividends	Name of Security	Price, Oct. 28, 1941	Price, Nov. 4, 1941	Yield, Nov. 4, 1941
High	Low	High	Low					High	Low					
British Funds														
77	681	821	761	Consols 2½%	821	821	10 0	27/101	21/-	15 b	Iron, Coal, &c.—cont.	26/101	27/-	8 6 6
1117	1031	1121	110	Consols 4% (after 1957)	1121	1121	3 0 6	17/3	11/-	14 a	Hadfields Ord. 10/-	16/3	16/3	6 15 3
981	981	1001	981	Conv. 2½% (after 1957)	991	991	2 1 3	49/44	42/6	12 c	Powell Duffryn Ord. 11/-	25/-	25/-	4 16 0
1004	981	1001	981	Conv. 2½% 1944-49	1001	1001	2 10 0	48/11	41/3	12 c	South Durham Ord. 11/-	45/-	45/-	5 17 9†
103	971	1031	971	Conv. 2½% 1948-53	103	103	2 12 9	34/11	24/1	12 c	Staveley Coal Ord. 11/-	46/6	46/6	5 2 8
1031	94	1061	1021	Conv. 3½% after 1961	1061	1061	3 5 6†	24/1	19/9	24 a	Stewarts and Lloyds 11/-	33/9	33/9	6 0 0
112	1071	1081	1041	Conv. 5% 1944-64	1051	1051	3 5 6	17/6	14/3	6 b	Hunter Steel Ord. 11/-	22/9	23/-	6 19 0
921	861	951	911	Funding 2½% 1956-61	901	901	2 15 6	8/-	2/9	Nil c	Vickers Ord. 10/-	16/6	17/3	5 16 0
981	92	1001	971	Funding 2½% 1952-57	1001	1001	2 18 3	5/4†	3/-	Nil c	Textiles	6/6	7/7	Nil
991	95	1011	981	Funding 3% 1959-69	1141	1141	2 19 6	38/-	27/6	34 a	Bradford Dyers 11/-	4/101	5/-	Nil
112	1051	1161	1111	Funding 4% 1960-90	1001	1001	2 26 6†	35/3	26/9	54 b	British Celanese 10/-	37/6	37/6	5 6 6
102	981	1011	100	Nat. Def. 2½% 1954-58	1011	1011	2 16 3	29/4†	22/9	74 c	Coats, J. & Co. 11/-	33/9	34/9	4 12 0
1001	100	1001	991	War Bonds 2½% 1945-47	1001	1001	2 9 6	22/6	15/-	74 c	Courtauld 11/-	27/6	27/6	5 9 0
...	...	1001	100	War Bonds 2½% 1946-48	1001	1001	2 9 9	53/11	45/-	104 c	Lancs. Cotton Corp. 11/-	21/6	21/9	6 19 3
1121	1051	1131	1101	Savings Bds. 3% 1955-65	1001	1001	2 18 6	44/9	38/3	10 c	Patons & Baldwins 11/-	46/101	46/101	2 2 6†
101	98	1011	1001	Victory Bonds 4%	1131	1131	2 18 0	91/6	78/9	15 b	Electrical Manufactg.	43/9	43/9	4 11 9
931	931	1061	1021	War Loan 3% 1955-59	1051	1051	3 6 10†	74/24	58/3	10 b	Associated Electrical 11/-	92/3	93/3	4 7 6
831	801	1061	1021	Local Loans 3½% aft. 1952	951	951	3 2 9	20/6	17/6	124 b	British Insulated 11/-	20/-	20/-	4 1 3
101	971	101	931	Local Loans 3% 1986-96	981	981	3 0 6	36/9	28/3	10 c	Callenders Cable, &c. 11/-	36/3	36/3	5 10 6
711	591	801	76	Redemption 3% 1933-53	101	101	3 0 0	84/3	77/-	20 c	Crompton Park 'A' 5/-	77/6	77/6	4 10 6
971	821	1001	96	Austria 3% 1933-53	781	80	3 2 6	55/11	42/6	74 b	English Electric 11/-	55/-	55/-	5 8 5
1071	101	1051	1031	India 2½%	991	991	3 10 4	38/3	33/6	5 b	Johnson & Phillips 11/-	37/6	37/6	4 5 3
1051	100	1061	1031	Dom. & Col. Govts.	104	104	4 0 0	36/3	29/6	5 b	Clyde Valley Electric 11/-	35/-	35/-	4 11 3
1161	104	1081	106	Australia 5% 1945-75	104	110	3 16 0	28/4†	23/6	24 a	County of London 11/-	33/6	33/6	4 5 3
85	78	93	84	Nigeria 5% 1950-60	104	104	4 4 0	14/11	9/3	4 c	Edmundsons 11/-	33/9	33/9	4 8 0
941	871	97	1001	New Zealand 5% 1950	107	107	3 8 9	36/-	28/-	5 b	Gas Light & Coke 11/-	29/4†	29/4†	4 14 0
104	97	1001	1001	Corporation Stocks	93	921	3 4 10	30/-	25/6	44 b	Lancashire Electric 11/-	35/-	35/-	4 0 0
921	71	92	77	Birmingham 5% 1946-56	97	97	3 3 6	39/3	33/-	54 b	North-East Electric 11/-	38/11	38/11	4 4 0
351	21	20	47	Liverpool 3% 1954-64	104	104	3 4 0	40/3	33/9	3 a	Northmet Power 11/-	39/4†	39/4†	4 0 0
451	12	39	261	Midx. 3½% 1957-62	86	91	5 0 0	19/-	11/3	15 c	Motor and Aircraft	16/101	16/101	2 18 0
60	501	831	711	Foreign Governments	42	441	5 12 4†	23/3	16/-	6 a	Austin 'A' Ord. 5/-	22/9	22/9	6 12 0
25	121	20	91	Argentina 4½% Stg. Bds.	21	23	6 10 5†	11/9	9/-	4 a	Bristol Ord. 11/-	10/9xd	10/9	9 6 0
69	501	71	58	Brazil 5% Funding 1914	371	351	Nil	36/6	25/9	124 c	B.T.O. Aeroplane 10/-	36/3	36/3	6 18 0
59	371	45	27	Chile 6% (1929)	791	78	5 2 7	13/9	10/101	124 c	Fairley Aviation 10/-	13/3	13/-	7 13 9†
...	...	...	...	China 5% (1913)	131	131	Nil	25/-	11/3	174 b	For Motors 11/-	12/6	13/-	4 18 9
...	...	...	...	Coop. 6% Stab. Loan	301	271	20 0 0	14/9	57/6	20 b	Hawker-Siddeley (5/-)	70/-	70/-	2 17 3
...	...	...	...	Japan 5½% 1930	71	71	4 4 6	61/101	50/71	124 b	Leyland Motors 11/-	60/-	60/-	5 0 0
...	...	...	...	Portuguese 3%	341	341	11 11	32/9	24/6	110 a	Lucas (Joseph) 11/-	31/101	31/101	2 14 6†
...	...	...	...	Spanish 4%	81/101	70/71	16/3	10/3	25 c	15 c	Morris Motors 5/- Ord.	80/-	80/-	5 0 0
...	...	...	...	...	...	...	...	...	...	...	Rolls-Royce 5/-	15/9	15/9	4 15 3
...	...	...	...	...	...	...	...	...	...	...	Standard Motor 5/-	...	...	...
...	...	...	...	...	...	...	...	...	...	...	Shipping	...	...	...
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...	...	...	...	...	...	...	...	...	...	...	Furness, Withly 11/-	22/6	23/6	5 2 0
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...	...	...	...	...	...	...	...	...	...	...	Royal Mail Lines Ord. 11/-	28/-	29/-	5 3 6
...	...	...	...	...	...	...	...	...	...	...	Union Castle Ord. 11/-	17/6	18/9	5 6 9
...	...	...	...	...	...	...	...	...	...	...	Tea and Rubber	...	...	...
...	...	...	...	...	...	...	...	...	...	...	Allied Sumatra 11/-	8/9	8/11	9 16 3
...	...	...	...	...	...	...	...	...	...	...	Anglo-Dutch of Java 11/-	16/9	16/-	7 10 0
...	...	...	...	...	...	...	...	...	...	...	Johani (Assam) Tea 11/-	32/6	31/3	6 8 0
...	...	...	...	...	...	...	...	...	...	...	United Asiatic Rbr. 2/-	2/101	2/101	7 0 0
...	...	...	...	...	...	...	...	...	...	...	Rubber Plant. Trust 11/-	28/-xd	27/9	7 4 0
...	...	...	...	...	...	...	...	...	...	...	United Serdang Rbr. 2/-	2/4†	3/3	8 0 0
...	...	...	...	...	...	...	...	...	...	...	Oil	...	...	...
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...	...	...	...	...	...	...	...	...	...	...	Apex (Trinidad) 5/-	27/6	28/-	5 7 0
...	...	...	...	...	...	...	...	...	...	...	Burmah Oil 11/-	59/4	58/9	5 2 0
...	...	...	...	...	...	...	...	...	...	...	Shell Transport 11/-	51/101	52/6	1 19 0†
...	...	...	...	...	...	...	...	...	...	...	Trinidad Landed 11/-	66/101	68/9	3 12 6
...	...	...	...	...	...	...	...	...	...	...	Miscellaneous	...	...	...
...	...	...	...	...	...	...	...	...	...	...	Assoc. P. Cement 11/-	50/-	48/9	3 1 9
...	...	...	...	...	...	...	...	...	...	...	Baker (John) 11/-	38/9	38/9	5 5 0
...	...	...	...	...	...	...	...	...	...	...	Boots Pure Drug 5/-	55/4†	55/4	4 10 0
...	...	...	...	...	...	...	...	...	...	...	British American 11/-	92/6	92/6	3 18 0†
...	...	...	...	...	...	...	...	...	...	...	Brit.-Amer. Tobacco 11/-	66/3	66/3	4 10 6
...	...	...	...	...	...	...	...	...	...	...	British Oxygen 11/-	17/6	17/6	4 5 6
...	...	...	...	...	...	...	...	...	...	...	Cable & Wyr. Hdg. Stk. 11/-	661	671	5 18 6
...	...	...	...	...	...	...	...	...	...	...	Carreras 'A' Ord. 11/-	105/-	105/-	5 1 6
...	...	...	...	...	...	...	...	...	...	...	Dunlop Rubber 11/-	36/6	36/9	5 10 0
...	...	...	...	...	...	...	...	...	...	...	Elec. & Mus. Ind. 10/-	13/-	13/3	6 17 9
...	...	...	...	...	...	...	...	...	...	...	Ever Ready Co. (G.B.) 5/-	24/-	24/-	7 10 0
...	...	...	...	...	...	...	...	...	...	...	Forestral Land 11/-	51	51	5 0 0
...	...	...	...	...	...	...	...	...	...	...	Gallagher Ltd. Ord. 11/-	22/6	22/6	5 10 0
...	...	...	...	...	...	...	...	...	...	...	Hestertree (D.) 5/-	41/xd	41	5 11 0
...	...	...	...	...	...	...	...	...	...	...	Harrisons & Cros. Def. 11/-	31/3	31/3	2 11 0
...	...	...	...	...	...	...	...	...	...	...	Harrods 11/-	32/9	32/9	4 16 0
...	...	...	...	...	...	...	...	...	...	...	Imperial Chemical 11/-	12/6	12/6	5 12 0
...	...	...	...	...	...	...	...	...	...	...	Imperial Smelting 11/-	6	6	4 17 0†
...	...	...	...	...	...	...	...	...	...	...	Imperial Tobacco 11/-	31	31	4 17 0
...	...	...	...	...	...	...	...	...	...	...	International Nickel n.p.	26/3	26/101	3 14 0
...	...	...	...	...	...	...	...	...	...	...	Lever & Unilever 11/-	51/3	50/-xd	4 0 0
...	...	...	...	...	...	...	...	...	...	...	London Bank 11/-	95/-	95/-	4 4 0
...	...	...	...	...	...	...	...	...	...	...	Mark & Spencer 'A' 5/-	36/-	36/-	4 17 0
...	...	...	...	...	...	...	...	...	...	...	Metal Box 11/-	34	34	4 10 0
...	...	...	...	...	...	...	...	...	...	...	Murex 11 Ord.	90/-	90/-	4 18 0
...	...	...	...	...	...	...	...	...	...	...	Pinchin Johnson Ord. 10/-	22/6xd	22/6	3 15 0
...	...	...	...	...	...	...	...	...	...	...	Ranks Ord. 5/-	16/-	16/-	5 0 0
...	...	...	...	...	...	...	...	...	...	...	Spillers Ord. 11/-	58/9	59/6	4 10 9
...	...	...	...	...	...	...	...	...	...	...	Tate and Lyle Ord. 11/-	46/3	46/3	4 6 0
...	...	...	...	...	...	...	...	...	...	...	Tilling, Thos. Ord. 11/-	27/6	27/6	3 12 6
...	...	...	...	...	...	...	...	...	...	...	Wall Paper Safe, Glass 10/-	24/4xd	25/3	3 4 0
...	...	...	...	...	...	...	...	...	...	...	Wall Investments 11/-	92/6	93/11	5 2 0
...	...	...	...	...	...	...	...	...	...	...	Turner & Newall 11/-	70/-	70/-	4 6 0
...	...	...	...	...	...	...	...	...	...	...	United Dairies 11/-	50/-	50/6	4 19 0
...	...	...	...	...	...	...	...	...	...	...	United Molasses 6/8	27/6xd	27/6	4 17 0
...	...	...	...	...	...	...	...	...	...	...	Wall Paper Deferred 11/-	54/4xd	55/9	5 10 0
...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
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them. It is now realised by American administrators that the plans and methods which have hitherto prevailed will not bring results at anything like the speed or on anything like the scale required. The United States is determined to deliver the goods.

In Germany, there may well be no more slack to take in. For a year, labour has been hard to find in Germany; and the two sources which have previously given elasticity to German war production, troops temporarily demobilised and pressed foreigners, can no longer bring about any appreciable expansion. After the former short campaigns of the war, it was always possible to hurry German soldiers back to the factories and the fields. The campaign in Russia has already lasted five months, without an end in sight. The accumulation of war material before the campaign was immense; but the wastage of material has been immense, too; and a vast number of soldiers will never return. There are still prisoners of war and foreign immigrants to work for the Germans; but, if they toil in Germany, they cannot be occupied in the factories of occupied and dependent Europe which are engaged on German account. In materials as well as in labour, the asset represented by the exploitation of German Europe has by now been fully booked, for there are no more stocks of imported raw materials to be seized and used. The productive capacity of German Europe is, of course, enormous. It has been, is, and will remain the strength of Germany that these resources are harnessed to the full by all the methods of rationing, concentration, pooling and rationalisation which the Germans have taught to the world. Over the whole field of war production and supplies, the enemy has still a long lead. In a solemn warning, Lord Beaverbrook has spoken of Hitler's "100,000 guns." But the pace of German war production is probably past its highest, while the output of the Allies is at last gathering its true speed. Always before, in spite of the Allies'

massive resources, the factories of Germany have made the running. Now they can probably go no faster.

It must be very strongly emphasised that to suggest that the German war effort has reached its peak, and that England and America are on the road to surpassing it, is not to say that the end of the war is in sight. The road must be a long one; and it would be truer to say that the real war is only just starting. Hitherto the problem has been to marshal our resources for making weapons. Now the solution is seen and is proceeding. The materials, the tools and the factories are assembled; the bulk of the available labour has been recruited; and the flow of finished supplies is encouragingly large. But, though the work is now in progress, it is still far from being complete. The task of making full use of manpower, and especially women, is very urgent indeed; and the need for improved efficiency at every point of production is more than ever pressing.

Nor will it be enough even to catch up with the enemy in accumulated supplies—and the time for that is still distant, even now. The battle must then be joined; the weapons made, the problem of using them must then be solved. We still stand on the defensive; and in the grand strategy of a war front stretching from the Atlantic life line to battered Russia, on to Japan and China and back again to North Africa and imprisoned Europe, the tremendous difficulty of turning defence into attack, and attack into victory, is plain enough. It will not be possible to cry that "all is over but the shouting" until the Nazi *Wehrmacht* has been, not only matched, but smashed. It is a comfort and an encouragement on the way to know for certain that, with resolution, patience and ingenuity, we are going to beat the Germans in production. But victory will still depend upon our ability to beat them in battle by using the weapons we are making. There is no short cut.

Far Eastern Front

IF the terms proposed by Japan as the agenda of the Washington talks are truthfully reported in a recent number of the *Japan Times and Advertiser*, then Mr Kurusu's mission is condemned to failure before he ever sets foot in the United States. Japan is said to be demanding—against an unspecified *quid pro quo*, possibly an undertaking not to go to war—the cessation of all military and economic aid to Chungking; American non-intervention in the settlement of a Sino-Japanese peace; an end to the military and economic "encirclement" of Japan; no interference in Japan's relations with Manchuria, China, Indo-China, Thailand, the Netherlands Indies and other states, and unequivocal acceptance of the Co-prosperity sphere; official recognition of Manchukuo; the unfreezing of Japanese and Chinese assets; the restoration of the trade treaties and the abolition of all restrictions upon Japanese trade. In other words, Britain and the United States are being pressed under the threat of war to abandon not only their own interests but those of all their friends and allies, in return for a promise of immunity. The Japanese say, in fact, "Get out of our reach and we will promise not to kick you."

It has been made perfectly plain in Washington and London that the time of compromise is at an end. It is Japan, not the democracies, that must make concessions if the risk of war is to be eliminated. But the Japanese insist that retreat is incompatible with saving their Imperial face. Mr Kurusu is not going as a mediator, but to reinforce the statement of Japan's claims. It would therefore be folly to underestimate the risk of general war in the Pacific. Japan's aims have always been incompatible with the fundamental principles and interests of Britain and the United States, and at last it seems that the limit of appeasement has been reached. The question is now one of organising and deploying the strength of the ABCD coalition together with that of Soviet Russia on the new front, "from Siberia to Burma."

The lesson of enemy aggression since 1931 is that there

is only one effective method of meeting it. All the Powers directly or indirectly threatened by aggression must recognise the indivisibility of aggression and organise their defence resources as a common pool—such an approach to the problem of Far Eastern defence was the substance of Dr Quo Tai-chi's recent appeal to the democracies. There are encouraging signs that the indivisibility of Japanese aggression is being more and more generally accepted. Mr Churchill's Mansion House speech, with its warning that "should the United States become involved in war with Japan the British declaration will follow within the hour," vividly illustrates the new inter-dependence. The problem is to close the loopholes, to fortify with a fourfold guarantee every point at which the Japanese aggressor might still hope to strike against an isolated adversary. Mr Churchill's statement is only a first step. To be effective, it should be balanced by a corresponding guarantee from the United States. So long as there remains the faintest hope that Japan, in attacking Thailand *en route* for Singapore, would not have to fight the United States as well, the temptation to attack will remain.

It is, of course, true that the President of the United States cannot, within his constitutional limitations, promise a declaration of war. But, if Congress alone has the right to declare war, it is the President, as Commander-in-Chief, who gives the order to shoot, and it has repeatedly been shown, not least by President Roosevelt, that the shooting need not wait for the declaration. It is both constitutionally and politically practical to suggest that the American Administration should warn the Japanese in the clearest terms that they will be met with American arms wherever they aggress.

Unfortunately, the recent course of American diplomacy has not given a clear warning. True, there is not the slightest evidence of any willingness to retreat from the position taken up. But the willingness to engage in an indefinite series of "negotiations" has given a contrary

impression in Tokyo. And the deplorable announcement that American supplies would go "only" through Archangel, even though later withdrawn, did not convey the impression that the United States is resolutely committed to the maintenance of Russia's rights in the Maritime Provinces. Nor has any specific guarantee been given by Russia's full ally, Britain. It can perhaps be taken for granted that, if the Russians are attacked anywhere, they can count on active British intervention; but the British failure to declare war on Hungary and Roumania is not an encouraging precedent.

There remains the long vital section of the Far Eastern front from Shensi to the borders of Indo-China. It is here that for over four years the Chinese have carried on the fight alone. It is here, too, that the outlines of a system of collective Far Eastern defence are most hazy. The United States is, it is true, making deliveries under Lease-Lend. Mr Churchill's reference at the Guildhall to China's heroic struggle was warm—if negative. The Soviet Government has formally asserted that the Neutrality Pact with Japan in no way modifies the support Russia is giving to Chungking. But all this does not add up to anything much more effective than a dribble of goods along the Burma Road, allocated, not on the basis of China's needs, but on the needs of the western combatants. As for any guarantee to China that intensified Japanese attacks will invoke more vigorous Allied support, there is none.

This grave gap in the Allies' joint defence is all the more serious in that it is on this sector of the front that the next Japanese blow may well fall. It is by no means certain that the Imperial Government is ready at this moment to challenge any of the Pacific Great Powers. The patience of Japan is rather more inexhaustible than Hitler's, nor would it be the first time in Far Eastern history that Japan has declined to challenge a coalition of Great Powers and preferred to wait until its position was stronger. Between the reversal of the Shimonoseki Treaty and the Russo-Japanese war nearly ten years elapsed. But a new offensive on China is another story. The Great Powers have already more or less acquiesced in Japan's aggression there. The Japanese can argue that a new offensive in an old war should not evoke new counter measures. Yet if the China "incident" could be closed, and the main block of Japan's war effort freed from concentration upon the Chinese fronts, the larger task of challenging the Great Powers would be infinitely easier.

There appear to be only two comparatively rapid ways of breaking Free China's resistance—the capture of

Chungking and the cutting of the Burma Road. It is possible that Japan's summer offensives in Hupeh and Honan were designed to open a way along the Upper Yangtse. If so, the recent recapture of Chengchow by the Chinese, and the earlier Japanese failure at Changsha, can only have illustrated the immense difficulties of a frontal attack upon the Chinese capital. The Burma Road is more vulnerable, for at Kunming it runs only 200 miles from the Indo-Chinese frontiers. There are unmistakable signs of Japanese preparations. Mr Yoshizawa is at present in Indo-China as a "Special Ambassador" and while reports of a Japanese demand to station 500,000 troops there are probably exaggerated, Tonkin is coming increasingly under Japanese control; there is great activity on the airfields and rivers and along the railway which, unhappily for the Chinese, runs all the way from Haiphong to Kunming.

An attack launched from Indo-China would not touch Burma, and the Japanese would do their utmost to reassure the British and Americans that the occupation of Yunnan entailed no threat to their vital interests. It would be dismissed as just one more phase in a war which the democracies have been watching as spectators for the last four years. General Chiang Kai-shek has warned Britain and the United States of the dangers of a new Japanese offensive. He has pleaded for aircraft, particularly for fighters, for the defence of the Burma Road. The most vital issue in Far Eastern defence is the clarification of the Powers' attitude to China's resistance.

It is not a question of a declaration of war. Japan, after all, has not yet declared war on China. But it is a question of "non-intervention" on a massive scale. Admittedly the common pool of defence is already drained by the needs of the Atlantic, the Russian, the Middle Eastern, and the Singapore fronts. But has China's claim to any kind of priority been fairly considered? Has the significance of her self-defence been fitted into a coherent picture of Far Eastern defence and the speed and scale of Allied support measured accordingly? There may be bombers and fighters in Australia, the Netherlands Indies and Singapore which at this moment would be contributing more effectively to Far Eastern defence if they were based on Chungking. The amateur strategist cannot answer these questions, but responsible criticism demands that they be asked. Britain, the United States and Russia have painfully learnt the lesson of allocation and priorities in the western battle. It is time to apply the same principles to the Far East.

Canada's War Effort—II

IT was pointed out in the first article, which appeared in *The Economist* last week, that Canada's production of munitions depends to a considerable extent on the ability to buy both raw materials and machinery in the United States. Canada has not availed herself, and is not now availing herself, of the Lend-Lease machinery; all her purchases from the United States are paid for, and the resulting strain on the Canadian balance of payments is one of the most delicate questions with which the Dominion Government has had to contend.

Canada's economy has always looked two ways. On the one hand, the Dominion is in many ways an integral part of a great continental economy. On the other hand, Canada depends absolutely for her living on overseas markets. Regarded as a whole, Canada's balance of payments was strong in most of the pre-war years. But it consisted of two parts; there was a substantial net credit on trade with the United Kingdom and other overseas countries and a substantial net debit on trade with the United States. The two halves could be put together only so long as the net credit earned in the outside world could be used to settle the net debit in the United States—more precisely, so long as pounds sterling could be converted into United States dollars.

The outbreak of war, therefore, posed a problem of considerable difficulty. The deficit with the United States could be expected to grow with the expansion of the munitions industry. But the normal method of acquiring American dollars disappeared; a surplus of sterling could be converted into United States dollars only at the cost of drawing on the painfully inadequate dollar reserves of the United Kingdom. It was this shortage of one particular currency, rather than any general difficulty in balancing the international accounts, that led to the imposition of exchange control in September, 1939, and the Canadian exchange control is correspondingly simple in conception and structure. Its attention is concentrated on the United States dollar; all other currencies are "soft" for Canada.

The difficulties of Canada's exchange policy thus arise from her inability to offset two opposite embarrassments: an ever-increasing shortage of United States dollars, and an ever-increasing surfeit of sterling. The shortage of dollars can be illustrated by the table* on page 586. In 1941, without the special arrangements shortly to be

* Bank of Canada, Statistical Summary, August-September, 1941, pp. 76-7.

CANADIAN BALANCE OF PAYMENTS WITH UNITED STATES.
(Millions of Canadian dollars.)

	1939.	1940.
Merchandise trade	128	293
Exports of domestically-mined gold ..	184	203
Tourist trade	80	82
Interest and dividends	197	201
Freight and shipping	15	29
Other current items	13	31
Total	89	269

described, the net debit would have been considerably larger. The first measures taken were to reduce the Canadian requirement of United States dollars. Increased taxation could be expected to have this effect, given the substantial share of American goods in Canadian civil consumption. But it was reinforced in the course of 1940 by a general War Exchange Tax of 10 per cent levied on all non-British imports, by very heavily progressive taxes on sales of new automobiles, by the prohibition of pleasure travel in the United States and by an embargo on a wide range of imports.

These measures were not, however, in themselves sufficient to solve the problem. As part of the Hyde Park Declaration issued on April 20, 1941, by President Roosevelt and Mr Mackenzie King, two alleviations of the dollar shortage were arranged. First, it was agreed that Canada should supply the United States within the next year with between \$200 million and \$300 million of defence articles of types for which there is already substantial capacity in the Dominion. Secondly, although Canada still does not avail herself of Lend-Lease, the "American component" in goods manufactured in Canada for the United Kingdom (i.e., the raw materials that have to be bought from the United States to make them) was to be supplied on Lend-Lease terms and debited to the United Kingdom. It is probable that the two measures between them will relieve Canada of the necessity of finding somewhere between \$400 millions and \$600 millions a year. For this year and next, with careful administration, the shortage of dollars should not prove a limiting factor in the Canadian war effort.

From September 15th, 1939, to March 31st, 1941, the sterling area—that is, primarily, the United Kingdom—incurred a net deficiency in Canada of \$795 millions. This was met in three ways—\$337 millions was provided by the sale of British assets in Canada, \$208 millions by Canadian accumulation of sterling—that is, by loan to the British Government—and \$250 millions by the sale of gold to Canada. This last item, which occurred in the second half of 1940, aroused some discussion. It arose from the fact that the original British-Canadian agreement had not envisaged payments on the scale to which they rose in the course of 1940; the dimensions of

Canadian production outran the financial provision that had been made for it. Unfortunately, while negotiations were proceeding for a revision of the agreement, a statement of the British Treasury's requirements of dollars for 1941, published by the United States Government, included an item of \$620 millions for gold or United States dollars to be paid to Canada. This was a purely formal figure inserted pending the conclusion of the negotiations, but it occasioned a great deal of comment, some of it acrimonious, both in Great Britain and in the United States. In point of fact, no payments of gold or United States dollars have been made since 1930. The Dominion Government is providing all the Canadian dollars that the United Kingdom Government requires and taking sterling in London in exchange. How large a burden this is, is shown by the fact that \$900 millions is provided in the 1941-42 Dominion budget for British aid, out of total expenditure of \$2,820 millions. The scope for further repatriation of Dominion debt is small, and the bulk of the sterling thus accumulated stands on interest-free deposit at the Bank of England or is employed in the London money market. The future fate of this sterling accumulation is undecided; but Canada will not wish to be less generous than the United States.

The aim of Canadian policy has been to give the United Kingdom the maximum assistance without disturbing Canada's own credit in the United States. This double aim has been very substantially achieved. To the censorious the second half of the policy might seem unduly cautious in time of war; Great Britain herself, they might urge, has scraped the bottom of her American barrel without regard to credit or dignity and undertaken gigantic and ambiguous future liabilities. But the cases are not on all fours. In peace time, dollar reserves—or the ability to borrow in the United States—are little more than a war chest for Great Britain. For Canada, they are her essential working capital, her guarantee of supplies vital for her economic life. The only item that can really come into dispute is the \$250 million sale of gold last year, since it can hardly be supposed that Canada, with her own shortage of American dollars, could actually have put any of this precious commodity at the disposal of the United Kingdom; however much her credit had been exploited, and the most that could possibly be asked would be that she should not put any additional strain on the United Kingdom's own scanty reserves. The gold transaction, as has already been explained, arose because of unexpected circumstances, and it has not been repeated; in all probability, the sum of \$250 millions is less than the "American component" of goods made in Canada for the United Kingdom before the Hyde Park Agreement of April, 1941. There is certainly no reason for anyone in Great Britain to cavil at the Canadian financial contribution to the joint war effort.

Regulation 18B

(By a Correspondent)

LAST week's *Economist* rightly reminded the House of Commons of its duty to see that regulations affecting the liberty of the subject are justly administered; and, in case there are any M.P.s who have not grasped the principles and the administration of Regulation 18B, it may be appropriate to pose and so far as possible answer three questions on its working:—

- (1) What happens to a subject detained under it?
- (2) Has the history of the regulation been inspired by a pure desire to work justice or by a disposition to support the executive?
- (3) Are the powers which the regulation (as judicially interpreted) gives to the executive necessary for the common safety?

When a subject is to be detained, an Order for his detention is signed by the Home Secretary and he is taken to gaol, no grounds being given, except a state-

ment that the Home Secretary has "reasonable cause" to believe him a person of hostile associations. On reaching gaol, he is told about an advisory committee to which he may appeal, and if he decides to make an appeal, his dossier is handed to the Committee by the Home Office. In the early months of the war, Sir John Anderson, then Home Secretary, emphasised that the Committee had been left entirely free in determining its procedure. But the normal routine seems to be that the Committee prepares a brief summary, mostly without reference to persons, places or dates, which is given to the suspect to provide him with a general idea of what the case against him is; and in the course of time he comes in person before the Committee. In preparing for his examination, he is allowed the help of a solicitor, but at the hearing itself he is permitted neither counsel nor solicitor nor witnesses as to fact. He has to answer questions put to him by

members of the Committee based on a dossier which neither he nor his advisers have seen, although, according to the past and present Home Secretaries, the Committee gives him every opportunity to make a statement and helps him to bring out his case. On the strength of his answers, the Committee reports in secret to the Home Secretary; but the report is advice and nothing but advice, since the Home Secretary need not act on it, and would be doing nothing contrary to the law if he threw it into the waste-paper basket.

Whether the Committee has advised release or detention of any particular subject is never disclosed, but global figures are published, and it is known that 100 suspects whose release was recommended by the Committee remain in gaol on the personal decision of the Home Secretary. The central fact is that, in every case, the decision is made by one man and one man only. If the Home Secretary says "keep him in gaol" the suspect is kept. He, and he only, has the right of imprisonment, and for what he does he need give no account and no reasons to the suspect or to his advisers or to Parliament.

That brings us to the second question—the decisions of the courts—for cases of Habeas Corpus have come to court in which a suspect has challenged the right of the Home Secretary to act as he has been acting, and argued that 18B does not in fact give him power to detain without proving that his suspicions are reasonable. It is without proving that his suspicions are reasonable that the judgments of the courts in dealing with these suits that cause grave anxiety and alarm in many who believe that the bench should be independent of the executive, and should administer the law in exactly the same way when they handle a suspect as when they adjudicate in the Commercial Court on a bill of lading.

Regulation 18B in its original form said that the Secretary of State, "if satisfied, with respect to any particular person" that for reasons of security it was necessary to detain him, could make a detention order. But after representations had been made in Parliament, Sir John Anderson agreed to consult with an all-party Committee on amending this and other regulations affecting the liberty of the subject, and the amended Regulation 18B ran "if the Secretary of State has reasonable cause to believe . . . " Has "reasonable cause to believe" "Is satisfied." The suspects say that these phrases mean different things. If a man may take action because he is "satisfied" of so-and-so, then his action cannot be challenged. But if he can act only when he has "reasonable cause to believe," then he may be called upon to prove that he had reasonable cause. "Satisfied" implies nothing but a mental condition. "Reasonable cause" is an objective thing (it is argued) which has nothing to do with the contents of the Home Secretary's mind.

The judges have found against the suspects and apparently, although their judgment did not explicitly take account of this argument, have in effect decided that the two phrases both mean the same thing—that having reasonable cause is the same thing as being satisfied or as thinking that you have reasonable cause. If a man thinks he has reasonable cause for crossing the road in front of a bus, then he has reasonable cause. If the bus driver

thinks he has reasonable cause for driving on, he too has reasonable cause. And the marriage of the two reasonable causes leads to the reasonable death of a reasonable pedestrian by the reasonable action of a reasonable driver. Argument and analogy extended to pages of print and wrapped up in a thousand legal subtleties enabled the judges to do what they finally did: hold that the two phrases are identical and give judgment for the executive against the subject contrary to what a plain man would say was the plain meaning of a plain clause.

That last sentence, 999 times out of a thousand, might be treated as contempt of Court and land the editor of *The Economist* in Brixton gaol with the suspects. But this is the thousandth time; for the sentence is only a paraphrase of what Lord Atkin said, more effectively, in his dissenting judgment. He viewed, he said, with apprehension, judges who are more executive-minded than the executive and he could find no authority for the construction his fellow-judges were putting upon the regulation except Humpty-Dumpty, who claimed that when he used a word the word meant just what he chose it to mean—neither more nor less. The question as between a word and himself was (said that authority) which was to be master—that's all. But the judges, following Humpty-Dumpty, have decided that Mr Morrison shall have complete, unqualified, unchallengeable power to take away your liberty or mine as surely and as safely as Himmler signs away the liberty of any German citizen.

Lastly the third question. Is it necessary for the public safety that this uncontrolled power should not merely exist but be concentrated in the hands of one man? Is that essential to victory? The great difficulty which faces the Home Secretary here is the difficulty of every secret police force, the difficulty of protecting its agents and its sources of information from disclosure. But, if we admit that necessity, we are still very far from accepting the present system. There are alternatives and satisfactory alternatives. There would, for example, be no danger to the State if the power which the judges have bestowed on the Home Secretary were taken from him and given to an impartial tribunal not connected with the police. There would be no danger if the tribunal met *in camera* or in the open according to circumstance. There would be no danger if the suspect could have counsel at his hearing and call witnesses. There would be no danger if the tribunal had the dossier in its possession. There would be no danger if it heard such witnesses for the police as could safely appear and had before it the written evidence of others. There would be no danger to the State if the tribunal were told that it need only be satisfied that there is reasonable cause for belief, and should not ask for the same degree of certainty as is required at the Old Bailey. There would be no danger in publishing the tribunal's findings.

This is an obvious reform, and Mr Morrison as a man of common sense should welcome it—recognising that the terrible power which the judges have given him should not be in the grip of one individual. And least of all should it lie with the man who is at the head of the police.

NOTES OF THE WEEK

A New Session

This week Parliament was prorogued and reopened. In his first speech of the new session, the Prime Minister took as his theme the home front. He spoke of ships, and food and critics. In the four months up to June, 500,000 tons of shipping a month had been lost, and in the four months up to October, only 180,000 tons a month. Now the minimum tonnage of food imports laid down by the Cabinet—to be aimed at, Mr Churchill said, even at the expense of war materials, if heavy losses had persisted—might even be slightly surpassed. "The House may be sure that we shall not err on the side of over-indulgence. I trust we shall not be blamed for stoking up those fires of human energy and human spirit upon which victory in this long struggle

depends." The corn harvest is 50 per cent more than in 1939; this year's crops of potatoes, sugar beet, roots and fodder will be very large; both meat and dairy cattle have been well maintained; and Hitler's plan to starve England, learned from the *obiter dicta* of Hess, has been fended off. Every responsible critic will rejoice with Mr Churchill at this showing; but not all of them perhaps will agree that the import and agricultural policy which the Government has pursued so successfully has been as economical and effective as it might have been. The Prime Minister defended all his Ministers, "united as a corporate body in special faith and loyalty," and declared that no change in their personnel or in the system of Cabinet Government was contemplated. But the critics will still do their duty. Mr Churchill himself again admitted their crucial war-time rôle of vigilance as the

"grand inquest of the nation." Many of them remain unhappy about the powers of the executive under Regulation 18B, which are soon to be debated again. Many, also, agree with the wish of a Select Committee, reported on Wednesday, that the power of the Government to appoint Members to paid offices should be strictly limited, "even in wartime." The need for constant questioning of the planning and performance of production is self-evident; and there are issues outside the main stream of war strategy, issues of civil and economic liberty and social organisation, which must be kept in the forefront of Parliamentary discussion. Sir Percy Harris was right to say on Wednesday that "the Prime Minister has the complete confidence of this country"; but Parliament and the people still claim the right, acclaimed by Mr Churchill himself, "to swear at the Government."

Strikes, Votes and Speeches

American policy continues to be balanced between the needs of foreign and domestic crises. Two more speeches from the President have shown an unchanging firmness of purpose and a growing clarity of language. He has also given proof that he can act as well as talk boldly, when the matter is entirely within his executive discretion, by granting a loan of \$1,000 millions to Soviet Russia; the loan is interest-free and the beginning of repayment is postponed for five years. Unfortunately, the week has also brought proofs of the retarding influences with which the President has to contend. The revision of the Neutrality Act, duly voted in the Senate by a comfortable but not sensational majority, has now returned to the House of Representatives for that body's concurrence in the Senate's extension of the repeal to cover the present prohibition of American shipping in the "combat zones." The House appears to be wavering, and the vote, which may have been taken by the time these lines appear, is expected to be close. The better news from Russia has, as always, acted to diminish the apparent urgency of an intensification of American assistance. But perhaps a stronger influence telling against the President is the recrudescence of acute labour trouble. Many of the Southern Democrats who form the solid core of his majority on foreign affairs are bitterly critical of him for what they regard as his weakness towards the unions, and they may threaten to withhold their votes on the Neutrality Act as a lever to secure more drastic measures against strikes in defence industries. Mr John L. Lewis's demand for the closed shop in the "captive" coal mines has now been rejected by the National Defence Mediation Board, and there is every prospect that the strike will be resumed, unless the President's intervention succeeds where it failed a fortnight ago. It is not correct, as has been stated in the British press, that Mr Lewis's demand is for collective bargaining, which already exist in these mines. His demand is for the closed shop—that is, that the employers should force into the union the small fraction of their workers who are not already members of it. Another dispute of at least equal gravity has arisen through the decision of the railroad brotherhoods to call a strike for December 7th. The quarrel here is over wages, but, as in the miners' case, the workers are striking against the award of a mediation board. These are not the only strikes in progress or in the offing; others affect the aircraft, automobile and telephone industries, and there is evidence of preparations for a deliberate trial of strength between the CIO and the Government. The opinion of the public, as well as of Congress, is strongly against the unions, and the President will require all his powers of persuasion to prevent both sides from having recourse to violent measures.

The "Lull"

The picture of a nation standing idly by is only too easily accepted by anxious Englishmen as they watch the struggle in Russia—and as they remember their own ordeal by bombs a year ago. It is somewhat illusory. The naval and air attacks, for instance, which have sunk 111 German and Italian ships in the Mediterranean are of first-rate importance in the strategy of the war. It cannot have been an aid to Axis plans that Allied submarines and planes have been sinking about a quarter of the ships carrying reinforcements from Italy to Libya. Off Taranto, early this week, ten supply ships and three Italian destroyers were sunk by gunfire and torpedoes; and within a few hours six more merchantmen were sunk and two more ships and two armed merchant cruisers damaged. Ever since

March, Italy's ports and shipping have been steadily hammered, with now and then an outstanding coup. If Admiral Cunningham's hope that "the Mediterranean will soon be cleared of all enemy shipping" were to be realised, the fortunes of war would then indeed be dramatically reversed, and a crucial claw of the aggressor's design would be sheared away. Everywhere that Axis supplies go by water they are now ceaselessly harried—from the air or from under the water—and by no means the least important part of the RAF's growing activity is the daily onslaught on ports and ships along Germany's western and northern supply routes. It was for low-level attacks on shipping that bombs were first added to the great fire-power of the Hurricane fighters, which have lately been diving to plant their bombs with precision on French factories—just as the Germans, too, in their recent small raids at dusk and in the moonlight have been using diving tactics in place of the old attacks from a great height. It would be unwise to rate all this sea and air activity as more than the unending thrust and counter thrust of routine warfare. It does not add up to a new offensive or a second front. Even if the RAF now equals the *Luftwaffe* in size, it needs to be very much larger to have parity on any one front, because the enemy's planes move quickly by land on interior lines, while the RAF must move slowly over thousands of miles of sea. But the activity of the reinforced RAF and of the Navy is bringing in high dividends. On the fringes of German Europe, the enemy's communications are as vital as they are vulnerable, and there is now the strength to attack them north, west and south. Germany's risk in the vastness of the temporary European Reich is that its war supplies may be brought by these attacks below what Mr Dalton has called "the distributional minimum."

Winter War

A touch of uncertainty has crept into German reports of the position on the Eastern front. The weather is undoubtedly very bad, with heavy frost at night, intense cold and midday thaws, which leave the ground a quagmire. The difficulties of supplying the armies under these new conditions are obvious, and it may well be that they are offering almost insuperable obstacles to the mounting of a new offensive. The projected attack on Moscow has petered out into a series of local thrusts which have nowhere penetrated very deeply into the Russian defences. The Russians were able to celebrate the anniversary of the Revolution with the usual mass parade on the Red Square at Moscow, and though the situation, with the Germans within forty miles of the city, remains critical, there seems to be less immediate danger of capture or encirclement. Fighting has flared up again in the north round Leningrad, and in the south has been concentrated in the Crimea. It seems likely that Sevastopol is invested and the Germans claim to have cut off the Kerch peninsula. Their earlier statements that Russian resistance in the Crimea was at an end were, however—like so many similar claims—premature. Sevastopol is preparing to be another Odessa and fighting continues all over the peninsula. So long as the German rear is harassed in this way, the launching of a drive across the Kerch peninsula to take Rostov in the rear is probably out of the question. And an interesting phenomenon on every front is the relatively insignificant role of aircraft. In the north and possibly in the centre, the weather may be the explanation. But in the south, there has been no repetition of the tactics used in Crete. If aircraft dominated the campaigns in the west, the Russian war is the war of the tank.

Two Speeches

The Führer and the supreme leader of Russia have both spoken this week. The circumstances and surroundings were totally different. Stalin spoke in solemn assembly to the Moscow Soviet on the anniversary of the Revolution. Hitler spoke to his party cronies in the beer hall at Munich. As on other occasions, his speech was intimate, abusive, personal and probably more humorous than official translations allow. The Russian leader was presenting an official account of his stewardship. Hitler was letting off steam. Nevertheless the two speeches complement each other. Hitler claimed that the havoc wrought on the Russian forces—he put their losses at over eight millions—is so terrific that "no army can recover from such losses." Stalin pointed to the 30 new divisions which had been created since the beginning of the war as a proof of the vast reserves and the flexibility of Russia's defence. It was not the Russians

that were cracking under the strain, but Germany. Not only was Russia's will to resistance unshakable, but behind Russia stood the united front of Britain and the United States and of the oppressed peoples of Europe who would rise in their anger against Hitler's "new order." Stalin admitted that there was still no second military front and he hoped that one would shortly be established, but Allied supplies and Allied productive capacity were an assurance of final victory. Hitler mocked at possible intervention in the west. "If it pleases the English, be it in Norway, on our German coast, or in the Netherlands, Belgium or France, to start an offensive, we can only say, 'Come on, but you will retire more quickly than you came.'" As for the oppressed peoples, Europe was not oppressed but delivered from the threat of Bolshevism. The poverty and degradation in Russia had taught the soldiers what they had been spared. He, Hitler, was fighting to preserve Europe as the first continent in the world. There was one point of complete agreement between the two leaders. The war is a war of annihilation. The Russians will fight until the last Nazi is destroyed. Hitler's plans include the annexation of Western Russia, the driving of the Slavs eastwards, and the inclusion of Russia's resources in German Europe. It is the old policy of colonial expansion. It is in this form that the Russian campaign will be presented to the "Conference of Europe," should Hitler call his quislings together to declare "peace." In a sense, there is nothing new in either speech. Hitler even brought up Versailles again, and Stalin's references to "oppressed peoples" and "productive capacity" could be repeated from all too many speeches made in France, Britain and the United States since war began. What is new is that the German Army is fighting at full stretch, that a front is holding, that a world coalition is forming, that the indivisibility of aggression is accepted at last. Hitler has said these things before. For the first time, he may be wrong. Others beside Stalin have said these things before. For the first time, they may be right.

No Entry—and No Exit

The Committee set up by the President of the Board of Trade to advise on the reorganisation of retail trade to meet war needs have failed to grasp the nettle. Their task was to suggest ways and means of curtailing the apparatus of retail distribution, in order to bring it into proportion with the limitation of supplies and in order to release the maximum amount of labour for war service—to apply the technique of concentration to shops. Actually, all they have done so far is to recommend a ban on new shopkeepers. When they approached retail traders for their views, the Committee found—not unnaturally—that such a ban was regarded by most of the established shopkeepers as a matter "calling for immediate attention." By an Order dated November 11th it will be illegal, as from January 1st next, to open a new shop or to sell new lines at existing shops (a clause said to be intended to protect small shopkeepers from multiple competition) without a licence issued on behalf of the Board of Trade by local price regulation committees. Thus the ideal of every trade association is realised; shopkeeping becomes a "closed shop." Of course, the fact that vested interests will be well contented does not mean that, in the present wartime circumstances, the new measure is not right and needed. The test of this has still to come. If this first fruit of the Committee's labours is followed by positive steps to cut down the number of existing retail outlets, then the prohibition of new outlets will appear as a logical part of a programme to bring the framework of retail trade into line with the reduction in retail traders' supplies.

By itself, the prohibition is restraint of trade of the worst kind—or, rather, it is only saved from being the worst by the fact that the trade associations themselves will not be the licensing bodies; the representatives of the associations and trade unions will be minorities on the price committees. In theory, however, if it is necessary to reduce the number of shops, it is admittedly reasonable to prevent an increase in their number, as an emergency measure. Even with this justification, the licensing system may prove too rigid. The wartime movement of population means that in some areas, so far from there being too many shops, there are by most criteria too few; and it would be a mistake and an injustice, simply in order to protect the vested interests of existing shops, to prevent retail trading from adjusting

itself, geographically, to wartime conditions, to this extent at least. As it is, even bombed-out traders must apparently not move more than one mile. The reason given by the Committee for the new Order is that newcomers might force existing shopkeepers out of business. The fact is that the root consideration remains financial—which is a reason for pessimism about the prospects of the Committee's work. As it is, labour is drawn from retail trade for national service shop by shop with care to keep each shop active—and, it is hoped, solvent. So long as there is no programme of compensation to cover the case of shops closed down or concentrated, this procedure is not likely to be altered. Retail trade will be swollen out by redundant units. Its labour force will be needlessly and inefficiently large; and the ban on newcomers will, in some ways, merely set a premium on inefficiency.

The Note Circulation

The total of notes in circulation, as recorded in this week's Bank return, now exceeds £700 millions. In the months immediately before the outbreak of war, the circulation fluctuated at and just below £500 millions, so that the increase is of the order of 40 per cent. This magnitude, in itself, is not much more than could have been expected. It is true that the total volume of monetary transactions in the country has not increased by 40 per cent, since the restrictions of wartime have offset the rise in the general level of prices. But there are a number of reasons why the holding of notes should have increased relatively to the total volume of transactions—rising wage payments, the dislocation of normal channels of trade, the disruption of families, even a certain amount of precautionary swelling of cash in view of possible emergencies. What is difficult to explain is why the rise in the circulation continues to be so rapid and so persistent at present, when the rise in prices is very moderate and the restrictions on all forms of trade are becoming progressively more severe. One possible explanation is that it arises precisely out of these restrictions on trade. Wage-earning families, who have no bank accounts, are finding it increasingly hard to spend all of their enhanced incomes. The balance ought, of course, to go to the Savings campaign, but perhaps there are sections of the community who have not yet been effectively solicited. It is, of course, impossible to be certain that this is the explanation of what is, in any case, a puzzling phenomenon. One thing, however, is reasonably certain—there is no immediate threat of inflation in the rise of the circulation. The level of prices depends on the amount of money that is spent, not on the amount that is in existence, still less on the amount that is in existence in one particular form, and the puzzling thing about the note circulation is that its increase is *not* associated with an increase in spending.

Treaty with Iran

Negotiations for the conclusion of a treaty between Great Britain and Russia on the one hand and Iran on the other have so far proceeded slowly and it is good news

Export
and
Import
Banking
on
Sweden

SKANDINAVISKA BANKEN

Child Welfare Committees, to all children born after January 1, 1940. This is to ensure that young children will have an adequate intake of vitamin C—from the fruit juices—and vitamins A and D from the cod-liver oil. Whether that delicate vitamin C, which is so susceptible to ill-treatment, can be effectively preserved in fruit juices is not altogether beyond doubt, but the Ministry of Food has presumably assured itself on this point. In any case, the scheme should cultivate a taste in the young for the fresh fruit itself and a habit in their mothers of giving them the fruits when they are again available.

* * *

Saving Paper

The Ministry of Supply's waste paper campaign began at the wrong end of the stick. It was possibly good publicity for Lord Beaverbrook to appeal for 100,000 tons of waste paper to be turned into cartridge cases on the lines of his "saucepans for Spitfires" appeal of last year. But just as then the housewife's enthusiasm soon turned into indignation when she saw the apparently endless supply of new saucepans on sale in shops, so now the public's willingness to discard letters, magazines, books and records has received a distinct setback by the obviously needless use of new paper that is still going on. The further restrictions on the use of paper that came into force on Wednesday were, therefore, made none too soon. Even so, it will come as a surprise to many people that some of them are still necessary. There have been several previous Control of Paper Orders, as a result of which it was pretty widely believed that Christmas cards would vanish when old stocks were used up, as they probably were last Christmas, and that shoppers' parcels would not be wrapped in paper. Yet a big welcome of cards and calendars has already appeared, and in shops the difficulty is not to get one's parcel wrapped up, but to prevent the assistant from wrapping it up. The snag seems to lie in the loopholes which these earlier Orders allowed. Thus greeting cards could be produced if the weight did not exceed 3-5ths of an ounce, and even this limitation disappeared if the cards were made wholly from waste paper. For a parcel, the loophole lay in the phrase "does not reasonably require any such packing or wrapping for its protection," and the interpretation of an unreasonable parcel was left to the reasonable shopkeeper and customer. By the new restrictions, however, no retailer is to provide any wrapping paper

except for foodstuffs or articles to be delivered. Moreover, the future production of greeting cards is to be completely prohibited; there are additional restrictions on the number and size of posters; the ban on paper handkerchiefs has been extended to cleansing tissues and to the manufacture of paper sachets for permanent waves; there are a host of other restrictions; and in general the use of paper in stock for manufacturing paper articles and the use of paper made from waste paper and straw is now banned. There will probably still be justification for grumbles about the wasteful consumption of paper, especially by Government departments, but the Ministry of Supply is at least making a determined effort to prevent its waste in manufacture, and can consequently intensify its salvage campaign with a clearer conscience.

Shorter Notes

The new Solicitors Act, which received the Royal Assent on Tuesday, provides that every solicitor shall once a year deliver to the Law Society a certificate by a qualified accountant that he has complied with the Solicitors' Account Rules requiring him to keep his clients' moneys in a separate account from his own. Another section provides that rules may be made for the establishment of a compensation fund, out of which the public can be reimbursed for losses suffered through the defalcations of solicitors. Every solicitor will probably be required to pay a sum not exceeding £5, on taking out his annual practising certificate, into the fund. It will be administered at the discretion of the Council of the Law Society, and it is hoped that compensation will be paid in full.

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The long feud between two of the leading Arab families in Palestine, the Husseinis and the Nashashibis, has recently taken a new turn. Fakhri Nashashibi, a member of the family which is a friend of Britain, whose uncle as Mayor of Jerusalem worked for an understanding between Britain and the Palestinian Arabs, was assassinated in Baghdad last Sunday; and the man arrested in connection with the murder is alleged to have been in communication with Abdul Kadir Husseini, a relative of the ex-Grand Mufti. The ex-Grand Mufti himself, Haj Amin el Husseini, main-spring of the Arab revolt of five years ago, is now an honoured guest in Berlin.

THE WORLD OVERSEAS

China's Needs

(From Our Shanghai Correspondent temporarily in Chungking)

October 7th

THE visits here of another group of British and American financial experts—this time, Sir Otto Niemeyer (British) and Mr Merle Cochrane (American)—were well timed. Free China needs additional foreign credits and supplies to sustain and intensify her defence against Japan. Her leading Government officials have a pretty good idea of what ought to be done along these lines. War expenditure, however, absorbs so colossal a percentage of China's ordinary and extraordinary revenues that only relatively small sums are left over to promote the further economic development that is so urgently required. Moreover, even if the necessary money were provided, China would still lack many of the materials she needs. The Chinese National Government hope that the Niemeyer and Cochrane missions will help them to secure from the democracies both money and supplies.

Dr Wong Wen-hao, Chinese Minister of Economic Affairs, in an exclusive interview with this correspondent, outlined as follows his department's most urgent tasks at present:

(1) The production in Free China of nitro-acid and nitro-cellulose, as well as of other basic materials for the manufacture of explosives, has to be expanded. The present out-

put of these lines is insufficient to meet current military requirements.

(2) Steel production must be increased. During the past two years, Free China has managed to expand very substantially her output of pig-iron, especially in Szechuen province, where numerous new blast furnaces have been established. More of such furnaces are under construction. Yet the expansion of steel output lags far behind that of pig-iron production, and the deficiency has to be remedied by the extension of existing, and the establishment of new, steel plants.

(3) Free China must quickly improve the quality of several of her leading export products, particularly metals. Tin mined in Yunnan is not of an altogether satisfactory quality; new smelting plants must be erected. Free China's wolfram ore is still below current American standards; its quality must be increased by improved ore-dressing, requiring new industrial establishments.

An all-round increase in industrial production in Free China—considering in the first place military requirements, and in the second place the development of China's natural economic resources—must be achieved, Dr Wong Wen-hao stated. In this field, Free China by no means relies entirely upon foreign assistance. She has a series of important new

industrial ventures well under way. In various provinces, new small and medium-sized electric power plants are in process of construction. New coal mines are being opened up in Szechuen and other provinces. Dockyards in several localities are being expanded and allow the construction and planning of twelve more river steamers; six such new steamers have already been built in Free China. A score of new machine-shops are under construction. Production of alcohol for motor fuel from molasses yielded by Szechuen's ancient sugar industry, which was formerly wasted, is being intensified.

Remarkable results have already been achieved in Free China's industrial development. During the first four years of the Sino-Japanese war, Dr. Wong Wen-hao revealed, the areas now comprising Free China imported from abroad no less than 30,000 tons of industrial machinery, as well as another 140,000 tons from regions now occupied by the Japanese and from Shanghai. Almost all of this machinery has been established and is now in full operation. Free China's industrialisation still compares poorly with that of western countries, yet it has changed the economic structure of many of the country's formerly backward areas to an astonishing extent. It is among the major factors which enabled the Chinese National Government to continue fighting Japan after the loss, about three years ago, of both Hankow and Canton. Outstanding among the new industrial establishments in Free China, now in full capacity operation, are new power plants in six provinces; a series of new cotton mills and 150 machine-shops in Szechuen province; and a combination in three provinces of new manufacturing plants of electric machinery, materials and appliances, whose output includes generators up to 200 kilowatts, as well as transformers.

The Transport Crux

The industrial and general economic development of Free China must go hand in hand with a further improvement in external and internal communications. The crux of Free China's transport problem is still overland traffic in motor trucks. Besides the military trucks operated by the army, there are now running on all Free China's roads approximately 10,000 trucks, of which some 70 per cent are Government-owned and the remainder privately owned. Servicing facilities are not satisfactory. The chief requirements in this field were summarised to this correspondent by Dr. Chang Kia-ngau, Chinese Minister of Communications, as follows: (1) more and better repair stations, as well as technicians, to operate these stations; (2) more trucks and more replacement parts; (3) a better training of the staffs operating the trucks; and (4) more motor fuel and lubricants from abroad. Substantial relief as regards point 2 will result from the early arrival of large numbers of American trucks now on the way to Rangoon. Unsatisfied requirements in the other three points, however, still present great difficulties.

Yet Dr. Chang Kia-ngau insists that remarkable improvements in overland truck transportation have been achieved during the past twelve months, and that there is reason to expect further improvements within the months to come. Relief to truck traffic has been provided partly by an extension in several provinces of river navigation, through dredging and the elimination, by rock-blasting, of rapids in many rivers, as well as by the construction of new steamboats. In Szechuen province, the volume of goods transported by river now approximates that of goods carried by truck. In Kwangsi province, river and canal transportation outdistances highway traffic. Relief to the Burma Road—the all-important foreign trade highroad to and from Free China—is expected from the current construction of railway lines along sections of the route, such as from Lashio (Burma) to the Chinese border, as well as from Kunming westward.

Ghettos in Europe

[BY A POLISH CORRESPONDENT]

November 10th

THE Nazi policy of anti-Semitism now embraces not only the half-million Jews of the Greater Reich, but also about nine million Jews in the rest of German Europe. Persecution and oppression are the fate of all people under Nazi rule, but it is the Jews who suffer most, who have had

the Nuremberg laws applied to them and who have been thrown into ghettos.

The ghettos of the Middle Ages were in some respects a part of the general social and economic structure of society. To a certain extent, all society was then organised in some type of ghetto; the feudal landlords, the artisan and merchant guilds, etc., were all organised behind barriers impassable to any outsider. In such a social order, the Jewish ghetto was not such an abnormality; on the contrary, in many cases, the ghetto implied in some ways the creation of a legal status for the Jewish community, and there existed some possibility of existence and development for the people behind the ghetto walls. The present position is very different. In the last two centuries, Jews all over Europe managed to emancipate themselves and to lead a free economic and social life. The deprivation of all the basic rights of man, coupled with the unbearable economic conditions behind the ghetto walls, will mean the annihilation of large masses of Jews now under Nazi rule.

There are three types of ghettos in Nazi-occupied Europe. First, there are the ghettos of Warsaw, Lodz, Lublin and Cracow, which were created by the General Governor, Dr Frank, in 1939 and were meant for the local population only. Secondly, there is the Lublin Reservation, which is intended, not only for the Jews living there, but also as a reception area for Jewish deportees from the Reich, Austria and the Czech Protectorate. Lastly, there are the newly-created ghettos in Lwow, Wilno, Kaunas, Riga, Minsk, Kiev, Odessa and in other places in the Ukraine and White Russia.

The Warsaw ghetto, which contains about 400,000 Jews, is used by the Nazis as a model for all others. Its establishment was easily carried out, since most of the Jewish population of Warsaw lived in the north-eastern part of the city, and it was only necessary to transfer about 150,000 Jews living in the west and in the centre. But the Jewish districts of Warsaw had always been overcrowded, and there was neither accommodation nor sanitary arrangements for the additional 150,000. The Nazi authorities have, however, ruthlessly carried out their plan; tens of thousands of families were forced to leave their homes; their belongings were confiscated; and they were pushed in behind the ghetto walls. The congestion became intolerable, and many families had to live in one room; no steps were taken to create even the most primitive facilities for the newcomers. It is no wonder that the conditions resulted in the outbreak of epidemics. This, however, was used by the Nazis as an excuse for tightening the ghetto laws; they explained that they were forced to segregate the infected Jews to prevent them from spreading the epidemics outside.

The administration of communal life is left to the Jewish Council of Elders, acting under strict Nazi supervision, who are collectively responsible for the good behaviour of the whole ghetto population. The Council is also responsible for the collection of taxes and contributions, for the execution of all laws and regulations relating to the ghetto inhabitants, for the administration of all welfare institutions—so far as they still exist—and for education—so far as it is permitted by the Nazis. A special unarmed Jewish police helps the Elders to keep order, acting under direct orders of the Gestapo and the military, whose quarters are just outside the ghetto walls. A post office under strict Nazi censorship is the only means of communication with the outside

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world; a special Jewish Gazette is published in the Polish language, dealing mainly with official announcements, marriages, obituaries, etc.

Feeding the Ghettoes

Supplies of food and other articles are supplied to the ghetto in stringent rations; the rations for Jews are about a quarter of those for the Germans and about half those for the rest of the non-Jewish population. All commodities produced in the ghetto are strictly controlled by the Nazi authorities, and are in most cases taken away either for the military machine or for distribution outside the ghetto. A special monetary system, with a circulation inside the ghetto only, has been introduced. Prices for all food and raw materials supplied to the ghetto are fixed by the Nazis in such a way that the whole of the ghetto production can hardly cover the cost of the small rations allocated for the population. The German system of clearing and barter is applied to all trade done between the ghetto and the outside world, and as a result the ghetto population never has the chance of producing more than the cost of the small rations. If production increases, the food prices or special taxes are accordingly adjusted by the Nazi authorities, so that the whole ghetto output is absorbed. The population behind the walls can, therefore, never improve its economic position, and the policy of "going slow" is applied by the Jews in every field of industrial and economic activity. This causes unemployment, and any person without full employment is compelled to join the labour gangs for forced labour. The Nazi authorities can always exert pressure on the Council of Elders by threatening to increase the contingent of forced labour.

The number of schools in the ghetto is very small; there are no colleges or universities, and the only technical schools are those for training skilled workers for the engineering industries working for Germany. Every possible step is taken to keep the outside population away from the ghetto, and to prevent any contact between Jews and non-Jews. The Polish Gentile population—especially the working people and the intelligentsia—has, however, shown great sympathy with the sufferings of the Jews, and have shown it in spite of the wild anti-Jewish propaganda. This was clearly seen during the forced migration of Jews from the centre of the city to the ghetto; their non-Jewish neighbours refused the Nazi bribes in the form of Jewish household goods and furniture from the Jewish homes. There also exists underground collaboration between the anti-Nazi inhabitants outside the ghetto walls and the Jews inside. The secret anti-Nazi Press flourishes in the ghetto, and conspiracy can in many cases be more easily carried out inside.

The other ghettos in the General Government are modelled on that at Warsaw. The Lodz ghetto contains about 150,000 people, the Cracow ghetto about 50,000; and Lublin contained until recently about 60,000, but the numbers there have recently increased owing to the large numbers of new deportees from the Reich. The Lublin ghetto, which was originally called the "Reservation," has a complicated problem because of the large numbers of deportees who were sent there from the Reich without means of support. The German Jews always differed in language, culture, habits and education from the Polish Jews living in Lublin, and even under normal conditions there would be difficulties if these groups were suddenly forced to live together.

The newly created ghettos in the occupied territories of Russia are partly under German and partly under Ukrainian supervision. Very little news is as yet available about life there, but it can be expected that the lot of the Russian, Latvian and Lithuanian Jews will not be any better than that of their Polish fellows.

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New Zealand's Budget

[FROM OUR CANTERBURY CORRESPONDENT]

THE annual Budget was presented to Parliament on July 16th. No new taxation is to be imposed this year though certain anomalies in income tax are to be removed, particularly in the method of taxing the trading banks. Social security is to cost an additional £NZ2 millions for increased benefits and extended medical services. Loan expenditure on public works of all kinds is slightly reduced, but most of the reduction is offset by increased expenditure from revenue. The estimated expenditure on war is increased heavily, and is to be met from the higher yield of taxation, from surpluses in last year's accounts, and from increased borrowing.

This year's Budget, like last year's, omitted the usual full review of the previous year's transactions and concentrated mainly on the estimates for the current year. In most cases, these estimates are very close to the actual results for last year. The greatest change is in the estimates for war expenditure, which can only be approximate and must be adjusted to meet changing conditions. For war purposes, the Government expects to spend £NZ69.7 millions, which is £NZ42.5 millions more than was spent last year. It is expected that £NZ31 millions of this will be spent overseas and will be met from advances made by the British Government. The remainder will be raised and spent in New Zealand. Surpluses carried forward from the war expenses account and the consolidated fund, together with a proposed transfer of £NZ1.5 millions from consolidated fund revenue, made £NZ7.6 millions available. Special war taxes are expected to yield £NZ19.3 millions and loans of £NZ13 millions in New Zealand and £NZ31 millions in Britain bring the estimated receipts of the war expenses account up to £NZ71 millions. The results for last year and the estimates for the present year are summarised below:—

RECEIPTS AND EXPENDITURE (£NZ million)			
	1940-41	1941-42	Increase
<i>Receipts</i>			
From taxes	61.5	63.7	2.2
Other revenue	11.4	13.3	1.9
Loans	26.0	56.9	30.9
Total	98.9	133.9	35.0
<i>Expenditure</i>			
Consolidated Fund	58.7	58.3	0.4
Social Security Fund	12.6	14.7	2.1
Public works, etc.	21.1	20.6	0.5
Total	92.4	93.6	1.2
Less transfers between accounts	3.2	3.1	0.1
Total ordinary	69.2	69.0	0.2
War expenses account	27.2	69.7	42.5
Total expenditure	96.4	138.7	42.3

Taxation amounted to £NZ37.10s. per head for the total population in 1940-41 and for 1941-42 it is likely to exceed £NZ39 per head.

Last year the net addition to the public debt was £NZ26 millions, of which £NZ15.6 millions was spent on public works, housing, etc., and £NZ10.4 millions for war purposes. But £NZ18.2 millions was raised for war purposes, leaving a surplus of £NZ7.8 millions, which does not appear in the table above. Part of this was used to repay debt and part is available to meet expenditure in the present year. For 1941-42, £NZ12.95 millions is to be raised for public works, housing, etc., and £NZ44 millions for war purposes.

For the social security vote, the estimates are £NZ2.1 millions higher than the expenditure last year. Most of the monetary benefits have increased, and the vote for administration, medical and hospital benefits, etc., has expanded from £NZ1.35 millions to £NZ3.47 millions. It is expected that the yield of the special social security tax will be similar to last year's, but the extra expenditure will be met from balances carried forward and by a larger transfer from the social security fund.

Expenditure on public works last year amounted to £NZ15.6 millions from loan money and £NZ5.5 millions from revenue. For the present year it is estimated that £NZ12.95 millions of loan money will be spent together with £NZ7.66 millions from revenue, a reduction of £NZ500,000 only on last year's expenditure.

AMERICAN SURVEY

Labour Supply and Relations

LIKE Great Britain during the past eighteen months, America is faced with all the difficulties of recruiting and of training the additional labour that is required for the now rapid expansion of the war industries. Unlike Great Britain, America is also faced with a serious problem in labour relations, reflected in frequent threats of stoppages and strikes that are holding up production.

The total supply of America's manpower is larger than the United Kingdom's, roughly in the ratio of their populations, numbering 130 millions in the one and 48 millions in the other country. The proportion of total manpower that is potentially available for employment in the war industries is also probably larger in America, in spite of the high total of labour needed in agriculture, because of the fact that the armed forces, at under two millions, are only about half as large as they are in this country.

It has been estimated that a defence programme involving expenditure at the rate of \$25 to \$30 billions a year at current prices would require a labour force of about 9½ to 11½ millions. In August the annual rate of expenditure was \$13½ billions, but it is expected to rise to the rate of \$20 billions towards the end of the present financial year and to \$30 billions during the year ended June, 1943. Since Great Britain's war expenditure is now at the annual rate of nearly £4,000 millions, or \$16 billions, at the current rate of exchange, which, for the purpose of comparing war expenditures, certainly undervalues the pound, it is still larger than America's. And as the population of the United States is about 2½ times that of the United Kingdom, an annual defence expenditure of \$30 billions would involve a proportionately much smaller drain on its manpower, even if its armed forces were increased to ten millions, which is at present unlikely.

The United States, therefore, should not experience any insuperable difficulty in recruiting for the production front the 11½ million men and women that will probably be needed by 1942-43. Some five million workers are probably already engaged on the defence programme; hence, the additional number required during the next twelve to eighteen months is only about six and a half million. The size of these needs in manpower is seen in better perspective if it is remembered that in July, 1940, at the inception of the defence programme, the Works Progress Administration recorded 9.3 million persons as unemployed. By August this year the WPA unemployment total was down to 5.3 millions; but a large proportion of the four millions who found employment during this period was absorbed in the consumers' goods trades. These trades are now beginning to be affected by the diversion of materials to the defence factories; and according to Mr Leon Henderson, in charge of civilian supplies, "priorities unemployment" may ultimately release two to two and a half millions for war work.

So far as total numbers of war workers are concerned, the present American defence programme is, therefore, easily within the limits of possibility; the real problem is to train the additional millions that will be required. Already reports from America reveal a shortage of skill—manual, supervisory and managerial.

Apart from the need for additional labour, one of the most vexed problems is the loss of time through unsatisfactory labour relations. According to the Bureau of Labor Statistics, the number of man-days lost through strikes between August, 1940 and August, 1941 has been as follows:—

NUMBER OF MAN-DAYS LOST THROUGH STRIKES (In thousands)			
1940—August	706	1941—February	1,128
September	781	March	1,544
October	915	April	7,086
November	740	May	2,250
December	458	June	1,375
1941—January	665	July	1,300

Numerous and costly though these strikes are, the time lost through them represents only a very small proportion indeed of the total man-days worked; but they may cause serious hold-ups in the production of key materials. They do not have their roots mainly in demands for better working conditions and higher pay. Indeed, weekly earnings have increased substantially since the summer of 1940; according to the National Industrial Conference Board, they rose by 23 per cent in manufacturing industries between July, 1940, and the corresponding month this year. Moreover, the rise in the NICB's index of the cost of living has been comparatively small during this period; in real terms, weekly earnings show an increase of 18 per cent. An analysis of the causes of strikes in 1940 and in the first quarter of 1941, based on the Department of Labor's returns, shows the following results:—

Issue	Percentage of Strikes		Percentage of Workers involved	
	1940	Jan.- March, 1941	1940	Jan.- March, 1941
Wages and hours	30.2	28.0	41.0	28.9
Union organisation	49.9	54.3	33.1	53.0
Recognition	10.4	11.8	3.5	17.9
Recognition & other issues	20.4	25.7	8.9	19.1
Closed to Union Shop	11.6	8.0	11.0	7.5
Other	7.5	8.8	9.7	8.5
Union rivalry & jurisdiction	6.3	7.0	4.6	5.1
Other causes	13.6	10.7	21.3	13.0

This analysis shows quite clearly that the main issue in American labour relations is the question of collective bargaining. In 1940, one-half of the strikes, and an even bigger proportion in the first quarter of this year, were ascribed to this cause.

When President Roosevelt first took office, collective bargaining in America was still in its early stages. But his New Deal policy, designed to improve the status and position of the working classes, gave a strong impetus to the development of collective bargaining. Friction between labour and management became inevitable; and the issue was complicated by the rise of the CIO under the leadership of Mr John L. Lewis, with its programme for the creation of industrial unions, which cut right across the principle of the older AF of L and its craft unions of skilled workers. Unfortunately, when the defence programme was initiated in the summer of last year, the majority of the industries affected were then still only partially unionised. Compared with 6,200,000 trade unionists in this country, the combined memberships of the AF of L and the CIO a year ago was still only 7,807,000, the former claiming 4,247,000 and the latter 3,559,000 members. In addition, the Railway Brotherhoods, an independent group of unions, had some 600,000 members. American labour, not unnaturally, is loth to give up the drive for unionisation, simply because of the defence programme. On the contrary, the growing demand for labour puts the unions in a much stronger bargaining position. A comprehensive national organisation, such as the TUC in Great Britain, can take a far-sighted and patriotic view. Two rival federations, competing for the workers' favour, find it much more difficult. The problem is serious, but a solution will have to be found if severe hold-ups in production are to be avoided in future.

There has been no lack of effort on the part of the Administration to secure peaceful settlements of outstanding issues. Indeed, there are no less than six federal agencies created for this purpose, though the scope of four of them is limited. The Maritime Labor Board deals with controversies in shipping, the National Mediation Board in railway and air transport, while the Railroad Adjustment Board mediates in questions concerning the application of existing agreement. The National Labor Relations Board has been set up chiefly to enforce the right to collective bargaining, though it can also assist in preventing strikes over union recognition and unfair labour practices. The Conciliation Service of the Labor Department has been designed to assist in any dispute between labour and management, and in the first seven months of the current year it was able to prevent strikes in 911 disputes involving 548,000 workers.

When the strike epidemic assumed serious proportions early this year, President Roosevelt set up the National Defence Mediation Board on March 19th. The NDMB consists of three independent persons and four each representing labour and management; but it can only mediate in disputes certified to it by the Secretary of Labor who, in turn, has delegated her certifying powers to a committee consisting of the chairman of the Board—at present Mr W. K. Lewis—the legal adviser to the OPM, and the head of the Labor Department's conciliation service. According to a report of the Foreign Policy Association, the NDMB had received 70 cases involving some 800,000 workers by the end of August. Finally, President Roosevelt himself is frequently intervening in disputes, in the present one affecting the "captive" coal mines of iron and steel companies, for example. So far, however, these methods, while often successful, have not been able to stem the strike epidemic.

Rising Production

LABOUR difficulties have not prevented a steady expansion in industrial activity; but without them the pace would have been even faster. The scarcity of certain materials, especially of metals, is becoming more acute, and the stage may soon be reached for a number of materials when, as in this country, the system of priorities will have to be replaced by direct allocation.

The Federal Reserve Board's Index of production continued its ascent in September, but the seasonal adjustment masked the actual increase. Nevertheless, as far as the general public is concerned, the conspicuous fact is the growing scarcity of an increasing number of items of personal and household use, the observable deterioration of quality, and the rise in prices. None of these, however, has reached the stage of causing more than inconvenience.

INDICES OF BUSINESS ACTIVITY

1935-9=100 for industrial production and freight car loadings.

1923 5=100 for all other series.

(Adjusted for seasonal variation)

	Sept., 1940	Aug., 1941	Sept.,* 1941
Industrial production (total)...	127	160	160
Manufactures (total).....	129	165	166
Durable.....	151	198	202
Non-durable.....	112	139	137
Minerals.....	116	131	130
Construction contracts (total)...	93	152	159
Residential.....	82	112	101
All other.....	101	181	207
Factory employment (total).....	108.9	133.0	...
Durable goods.....	107.4	141.1	...
Non-durable goods.....	110.3	125.3	...
Factory payrolls (total).....	111.6	157.8	...
Durable goods.....	115.1	177.1	...
Non-durable goods.....	107.7	136.2	...
Freight car loadings.....	112	139	130
Department store sales.....	97	134	112
Department store stocks.....	70	87	...

* Preliminary.

The output of aircraft rose to 1,914 in September, an increase of 60 over the figure for August which contained three more working days. But production in September was still some 300 units behind the schedule prepared a year ago. The production of engines, too, has been speeded up; some 2,700 operational engines more turned out in August, of which about 500 were exported, apart from those in finished aircraft. In addition, some 1,200 smaller

engines for trainers and tanks were completed in August. The total horse-power of engines produced in that month, at 4,500,000, was three times that of August, 1940.

American & British Taxation

THE Chamber of Commerce of the United States has put into circulation some very remarkable calculations purporting to prove that the burden of taxation in the United States is higher than that of the United Kingdom. The fallacies underlying this comparison have already been effectively pointed out in a speech by Mr J. L. Sullivan, Assistant Secretary of the Treasury; but since *The Economist* was used by the Chamber of Commerce as one of its sources, a further brief comment is in order. The Chamber of Commerce gives two comparisons, of which the first is the absolute money burden of total taxation in the two countries. The American figure is given as \$180 per head, the British as \$173. The American figure, which works out at a total of \$23,400 millions, is arrived at only by taking the highest of a range of estimates of State and local taxes. The British figure works out at about £1,980 millions, which is definitely on the low side if it is intended to include (as it should) the full effect of existing national taxes, social service contributions (included in the American figure) and the autonomous revenue of Northern Ireland. The figure would be more correct if it were about \$190 per head. But in any case, this particular comparison is entirely dictated by the rate of exchange that happens to be fixed by the exchange control—and even if it is established that the average American pays more taxes than the average Briton that merely proves how much richer the United States is.

The only fair method of comparison is by expressing tax revenue as a percentage of national income. In this comparison, the Chamber of Commerce performed the statistical *tour de force* of putting the American national income at (in the current financial year) \$90 billions and the British at \$36 billions (£9,000 millions!). So anxious are they to prove that the American burden is higher than the British that they cheerfully accept figures which would make the *per caput* British income more than 10 per cent higher than the American. The source of this figure of £9,000 millions is stated to be an article in *The Economist* of February 1, 1941. There are two things to be observed about the figure. First, it was described at the time as a crude estimate, and any such lay guesses were superseded by the official estimates issued at the time of the Budget speech and fully reported in *The Economist*. Secondly, the figure was printed as an estimate of gross national income. At the time, this was not a very clear concept; but the context of the article should have made it clear that it referred to what, in the more exact terminology developed in *The Economist* of April 12, 1941 (when no less than nine separate definitions of the national income were identified), was called "gross available resources at market prices." As such, the £9,000 millions figure (for the fiscal year 1941-42) was not badly out; the estimate for the last quarter of 1940 derivable from the White Paper is about £8,200 millions.

But the correct figure for comparison with the official American estimates of national income is not the largest of the nine but the smallest, or net national income at factor cost, since that most nearly accords with the American definitions. This figure was at the rate of £5,804 millions (say \$23 billions) in the last quarter of 1940 and may be \$24 billions or slightly more on the average of the current financial year. If the proper total of expenditure is compared with this figure, the tax burden works out at about 36 per cent or well above the American proportion of 25 per cent. In the present state of terminology and estimation, national income figures are very dangerous tools of controversy, to be handled only by the expert. It is a very great pity that, in the anxiety to make a point of domestic political significance, the Chamber of Commerce of the United States should have given the impression that the British taxpayer, after two years of war, is bearing a burden rather less heavy than that which the American taxpayer knows, from his own experience, to be far from intolerable. When the existing Federal taxes have been about doubled, the burden of taxation in the United States will approximate to that now existing in this country. Until then, the British taxpayer should be left to groan without competition.

THE BUSINESS WORLD

British Investment in South America

ALTHOUGH the opening of the Argentine rail season appears to offer nothing but confirmation of the gloomy forebodings entertained by the majority of informed stockholders, interest in investment possibilities in South America has quickened strikingly in recent weeks. This is no doubt due in part to the improvement in the exchange position of certain of the republics, an improvement which, in the case of Brazil, recently permitted the transfer of a dividend on the ordinary stock of Brazilian Traction for the first time since 1938. Moreover, United States and British Government purchases from the South American continent and, in particular, from Argentina, have raised hopes of a general improvement in trade. On the other hand, the accumulation of sterling balances in London, which may result if the scope of recent transactions is greatly extended, again brings to the fore the possibility that the Governments concerned will take the opportunity to redeem the national railways, and other key interests, from foreign control.

The British investor has now, and has had since the first quarter of the nineteenth century, a considerable stake in the South American continent. The record of investment in this field over the last hundred years has not been a wholly felicitous one, but it has none the less played an important part in stimulating the expansion of British trade, and a vital part in financing the development of the former Spanish and Portuguese colonies. Now that the British investor appears to be faced with a choice between prolonged absence of dividends and repurchase at some arbitrary price, it is opportune to ask what Great Britain has put into South America during the past century, what she has got out of it, and what are the current prospects, in the absence of expriative action by the Governments of the various republics. In short, would the British investor be well quit of commitments in Latin America, or is the heyday of development still to come?

From the historical standpoint, it is hardly possible to overestimate the importance of the part played by British capital in the creation and development of the republics which threw off the Spanish yoke around 1820. The original loans, which were floated mainly through the instrumentality of the houses of Baring and Rothschild between 1823 and 1825, were for the twin purposes of arming the republics against reconquest, and of exploiting the mineral resources of Bolivia and Colombia. The boom was short-lived, and default was general by 1826, but it is reliably estimated that between 1815 and 1830 as much as £20,000,000 was subscribed through the London market for investment in Latin America.

By 1830, the British public had thoroughly burnt its fingers in this quarter of the globe, and interest in its possibilities did not reawaken until the railway boom in other more accessible regions had reached an advanced stage. The opening of the new epoch of investment in South America dates from the agreement of Thomas Brassey to start the construction of the Central Argentine Railway in 1864. With the opening up of the continent by the provision of cheaper and more rapid transport in the third quarter of the century, the large-scale exportation of the grain crops of the Argentine and of the coffee of Brazil attracted fresh capital. By 1878, British capital in Argentina alone is estimated to have amounted to £27 millions, or 90 per cent of the total foreign investment in that country. The peak of British lending to South America was reached before 1914. Since that date, a local high level was touched in 1926-27, but the bulk of investment in the inter-war period came from the United States. Thus, British investments are estimated to have risen from \$3,834 millions to \$4,515 millions between 1913 and 1931, while United States investments increased from \$173 millions to \$3,102 millions. The latest estimate for total British holdings gives a figure of £1,090 millions in 1940, against £1,205 millions in 1930. Before the war, roughly one-fifth of all British overseas

investments were still in South America. It is estimated that as much as 80 per cent of the total is in either Government securities or railways. The remainder is employed in companies representing the staple industries of almost every republic. In the main, these companies are registered in the United Kingdom—a practice that stands in contrast to the United States investments, which are largely in companies of local registration.

In many respects, the investment of foreign capital in South America has features that are not found elsewhere. From the standpoint of the republic, British control of, say, Lautaro Nitrate, operating in Chile, Peruvian Corporation or Lobitos, operating in Peru, or Leach's Argentine Estates and Forestal Land in Argentina, provides foreign capital with an unusually direct interest in the development of the countries in question. This is scarcely less so when investment, as in the case of the United States, has been predominantly through the holding of shares in South American ventures. From the standpoint of the British investor, the dependence of each of the republics on the sale in international markets of one or two primary foodstuffs or raw materials has made his investments peculiarly sensitive to the influence of the trade cycle. That is to say, the South American republics benefited excessively from the boom of the late 1920's and suffered proportionately in the slump years. Although the conclusion of the Roca Agreements with Argentina in 1933 and 1936 prevented that

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came into operation on November 1st last. The changes were as follows:—

Classes of deposits and banks.	Present Requirements. (Per cent of deposits.)	Previous Requirements.
On net demand deposits.		
Central Reserve City banks	26	22½
Reserve City banks	20	17½
"Country" banks	14	12
On time deposits.		
All member banks	6	5

Member banks' excess reserve balances which stood at \$4,600 millions on October 30th had been reduced to \$3,410 millions by November 6th. The process of mopping

up excess reserves has, however, been hastened by means other than the upward adjustment of reserve requirements. The Federal Reserve Banks' statements show that between October 16th and 23rd last the total member bank reserve deposits had fallen from \$13,321 millions to \$12,749 millions, the whole of this reduction being borne by the amount of excess reserves. Detailed returns will have to be received before the exact causal factor in this movement can be determined, but it is probable that the sudden fall in these reserve deposits prior to the operation of the higher reserve requirements was due to a transfer of credit to non-member deposits. It is certainly not explained by open market operations or by gold movements. Excess reserves reached their peak of \$6,931 millions in November, 1940.

Investment

Overseas Investments

The better news of the past few days has had the usual effect on the stock market, namely a recovery in turn-over, but this is already showing signs of having passed its peak. Actually, Monday and Tuesday of this week were, according to the criterion of the number of bargains marked, the busiest days since mid-September, when industrial equities were at the highest of the year. According to the index of *The Financial News*, this level has been fully attained once more, while fixed-interest stocks have just maintained the advance on their then level. The real interest in the past few days has, however, once more been concentrated upon overseas investments, notably South American bonds and shares of all descriptions, as well as oil and gold-mining favourites. At current levels many of these purchases represent a long-term speculation, but it is to be noted that, with the exception of Argentine railway equities, there has been no substantial loss of value during the temporary halt which followed the previous burst of buying in these sections. No doubt some of the buying was a short-term gamble, but it seems that the search for capital appreciation is now driving the investor further and further afield. Something of the background against which the prospects of South American investments must be viewed is given in an article on page 597, and a development of interest to investors in oil companies is set out in a Note on page 590. Gold mines appear to be in a different category in that their troubles—if they are to come—will begin to emerge after the war. At the moment, all that can be said is that the concentration upon the type of security which has been popular of late appears to reflect a belief that the powers of light will—in the popular phrase—win the peace as well as the war.

* * *

Montreal Finances

The full text of the City of Montreal's debt plan has now been made available in this country, but adds little useful information to the story as set out in *The Economist* on November 1st. There are, however, two points of some interest, neither of which is likely to influence favourably the attitude of British bondholders to the scheme. One of these is that "provision is to be made for adequate and effective financial control, details of which are to be arranged by representatives of the City and the Debenture Holders' Committee," that is the committee in Canada. The second is a list of the items in respect of which the debt of \$40½ millions has been, or is to be, incurred from the City's bankers. In round figures, this includes 5 millions for conversion premium and other payments under the suggested scheme, and 8½ millions for the renewal or funding of debt. Of the remainder, the principal items are \$10,340,000 for direct relief, \$6 millions anticipation of revenue re taxes consolidated, and \$10 millions reserve for losses of taxes and other accounts receivable. Montreal was before the war a city of well over a million inhabitants, more than Glasgow or Birmingham. It is out of reason to suggest that it cannot meet such calls upon it without borrowing for an average period of some five years. Alternatively, if it prefers to borrow, it should have no difficulty in raising such a sum as \$26 millions on easy terms to pay off the banks, once there is a reasonable assurance that its finances would be soundly administered in future.

Without that assurance no scheme should be accepted by holders of its debt.

* * *

Protecting the Bondholder

In a time of war controls, it is inevitable that some sections of public opinion should favour intervention from above, and it is presumably this mentality which has suggested that the General Purposes Committee of the Stock Exchange should assume, permanently, the function adopted with regard to the Montreal dispute. Without questioning the great value of their intervention in the circumstances of the moment, it seems highly undesirable that development of the system of protection for the bondholder should lie along these lines. There exists already machinery for this purpose in the Council of Foreign Bondholders, which might well be extended to deal with all overseas bonds. That body works in close co-operation with more than one department of the Government, and it would be ridiculous to duplicate their work. Further, a protest will always be more effective if it comes from the general body of bondholders, based on information supplied by their brokers and the Press. Apart from the fact that it has not been thought necessary to provide machinery for dealing with defaults within the Empire, the principal lacuna in the existing system is the lack of information as to the activities of some borrowers—Montreal is a notorious example. What is required—and here the Committee of the Stock Exchange has an important rôle—is that this information should be made available from the start and that it should be kept up to date. It is not to be supposed that it is wholly the fault of the Committee that no such conditions have been enforced before granting permission to deal. The current assumption, in the past, was that the name of the issuing house was a sufficient guarantee of soundness of the loan. That may have been the case at the moment of lending—although even that was not always true—but with the lapse of time conditions change, and it is clear that, if ever the time returns when there are new issues of this type in London, every effort should be made to strengthen the hand of the Stock Exchange in demanding the regular supply of adequate statistics. A department might then be established to collect, collate and disseminate this information to brokers and others concerned. This department might perhaps best be established by the Stock Exchange Committee, since they would have certain further information which could not be reduced to figures. In any case, there should be a complete pooling of all available facts and improved machinery for their publication.

* * *

British Sugar Corporation

The system of subsidising the growth of sugar beet by a payment to manufacturers of beet sugar aroused from the first a good deal of comment, and the fortunes of the British Sugar Corporation have been watched with a great deal of interest. The accounts for the year to March 31st last, held up by a change in procedure as to remuneration, are now presented showing a drop in trading profit from £1,182,143 to £777,164. This fall must be due largely to the fact that, whereas under the old arrangement the

Back to Sanity and Free Trade

"War is teaching us that the whole World is a unit in which the needs of each can be met only by taking into consideration the needs of others."

This sentence from "*Towards a Christian Britain*"—the Manifesto recently issued by the Lord Mayor of Manchester and Mayors of other Lancashire towns—reveals the new spirit abroad in the Land.

For far too long have the British people thought only of their own standards of life. They are now beginning to learn that not only have they had false ideas of values, but that their own standards can be maintained and improved only if the lot of the peoples of other nations improves also. No nation can benefit permanently out of the miseries of others.

Britain raised the standards of life of her own people and of all mankind under Free Trade. Protection reversed that process.

The move back to Free Trade has begun. The Atlantic Charter will be recorded in history as a turning point in the War. It has no value unless it means Free Trade. And it does mean Free Trade.

Mr Sumner Welles, United States Secretary of State, courageously and frankly stated to an audience of the National Foreign Trade Convention in New York, that American tariffs were amongst the most important Causes of the War. He said "the resultant misery, bewilderment and resentment, together with other equally pernicious contributing causes, paved the way for the rise of those very dictatorships which have plunged almost the entire world in war."

Britain, too, made her greatest economic error in abandoning Free Trade. Here, too, repentance is the order of the day. The Rt. Honourable Anthony Eden, Secretary of State for Foreign Affairs, at Manchester, on October 25th, said: "We must recognise that in the past twenty years we have taken a number of wrong turnings in economics and politics alike. To review and consider those mistakes amongst ourselves is essential if we are to shape our future policy aright. These are the problems which are being considered now by the Government."

This statement can mean nothing but a proposal to reconsider the Protectionist Policy.

Our country built up its prosperity and its 45,000,000 population on Free Trade. Under Protection its earnings have fallen. And when the earnings fall it becomes the policy of Government to see that all members of the community get something, however small. The inevitable result is regimentation, a huge bureaucracy, planned industry and the elimination of the small trader and craftsman. Planned industry is evidence of material poverty and poverty of the mind.

In the coming months, vested interests, both of Capital and Labour, will fight for the return of their pre-war privileged positions. In order to do so, some will come forward with proposals for zones of trade influence and for international price rings. But the only cure is complete Free Trade for Britain—regardless of the policies of other nations.

Time marches on. The pendulum swings back. Britain goes forward. A willingness for unselfish reform will fortify the will of men to fight for worthy things.

Support for the Free Trade cause comes in by every post.

Readers of *The Economist* are invited to apply for our Manifesto calling for an immediate declaration of Britain's intention to return to Free Trade.

The Free Trade Legion also seeks men to contest by-elections in the cause of Free Trade and to represent the Legion in all important Centres.

The Free Trade Legion stands for Free Trade, retrenchment and reform, private enterprise, individual responsibility, and sanctity of contract.

President—Major the Hon. L. H. CRIPPS, C.B.E.,

38, Norfolk Street,
Strand, W.C.2.

Treasury found a 4 per cent yield "reasonable," this has now been revised to 3½ per cent. Otherwise the position is not greatly changed. The principle of guaranteeing the minimum is now explicitly recognised, whereas in the past an *ex gratia* payment was made when the *pro rata* subsidy on the product was insufficient. Shareholders will be pleased to learn, however, that the incentive scheme, under which a proportion of all economies, as against March, 1936, may be retained as profit and distributed, is still in force. These sufficed to cover an additional 1 per cent dividend, making 4½ per cent, the same as in the preceding year, and to add some £11,700 to carry forward after providing £80,000 for war damage contribution. The economies should increase yearly, and the figure is of the order of £145,000, compared with £50,000 odd for 1939-40. Charges against the profit shown above are slightly reduced except that net interest payable is up from £5,331 to £87,175. If this were a real increase in costs, it would cut heavily into profits, but it appears to arise in connection with the most striking change in the balance-sheet, namely, an expansion in the holding of raw and refined sugar of over £5,000,000 to £7,807,000 odd. This is financed to the extent of £7,150,000 by advances from the Ministry of Food, and the other liabilities of the Corporation are very substantially reduced. A guarantee has been given against any loss on final realisation of these considerable stocks, and, presumably, this would include permission to charge any interest arising from carrying them. The excess of current assets over liabilities is increased by some £220,000 to approximately £2,000,000. The only other development of interest is the fixing of the EPT liability, which is favourable enough to release £105,000 from taxation reserve for transfer to the reserve against any subsequent fall in the sugar duty which stands, after the transfer, at £180,000. No figures of production are so far available, but it is evidently in excess of rationed requirements. How far the stock of the Corporation has been increased, and what contribution it may have made to recent assistance to Russia, are likely to remain hidden for some time. The outlook for the ordinary shares is conditioned by the extent of economies, and some definition of this term would be welcome. The £1 shares at 18s. 9d. yield some £4 17s. 3d.

Company Notes

Mitchells and Butlers

The full accounts of Mitchells and Butlers for the year to September 30th show a decline in profits after tax—except for an additional liability of £100,000 in 1939-40 due to the rise in the rate of income tax—and depreciation from £599,827 to £540,736. Since results in the current year may well be subject to a further retrospective tax provision, no comparison is possible between adjusted equity earnings of £390,510 in 1939-40 and the £439,898 at present available for 1940-41. The additional provision in the previous year reduced the rate of earnings from 27.0 to 21.5 per cent, while the latest accounts indicate earnings of 28.8 per cent in the current year. Even if further taxation has to be provided retrospectively, it is unlikely that the 21 per cent dividend paid for the last four years will prove to have been under-earned. There would, however, be another reduction in the carry forward, which is already lowered from the adjusted figure of £569,630 to £568,958 by the transfer of £120,000 to war contingencies. In the previous year, property reserve received £100,000.

	Years ended September 30.		
	1939	1940	1941
Profits after tax and deprecn.	654,027	599,827	540,736
Fees	2,533	2,211	2,000
Tax reserve	...	£100,000	...
Debenture interest	50,000	50,000	50,000
Pref. and other dividends	64,903	57,106	48,838
Ordinary stock :—			
<i>Earned</i>	536,591	£390,510	439,898
<i>Paid</i>	421,842	380,868	320,570
<i>Earned %</i>	26.7	21.5	28.8
<i>Paid %</i>	21	21	21
Reserves	*100,000	*100,000	£120,000
Carry forward	659,988	£569,630	568,958

* Including £50,000 in 1938-39 and £100,000 in 1939/40 to Property Reserve.

† Tax reserve of £100,000 deducted from carry forward, 1939/40, in 1940/41 accounts.

§ War Contingencies.

The directors state that gross profits increased last year and that the apparent setback is entirely due to higher taxation. This assurance, which implies that total revenue was not restrained by rising costs or by shortage of supplies or labour, is highly satisfactory. The accounts state that some damage to property was suffered from enemy action, and that fixed assets, at £8,685,364 against £8,698,304, are the subject of certain claims under the War Damage Act. As was to be expected, stocks are somewhat depleted, totalling £936,808 against £965,560. Last year's high pressure of business is reflected in a rise in debtors from £168,532 to £269,501 and in creditors, including taxation, from £1,664,650 to £2,502,805. A rise in cash of some £500,000 to £1,491,098 is accompanied by the investment of £145,000 in Government securities, bringing the total to £245,000. The transfer of £200,000 from contingencies—leaving £600,000—to war contingencies brings this fund, after the allocation from current profits and payment of war damage contributions, to £203,108. In the absence of a further steep rise in income tax, there is every reason to expect that net earnings will be approximately maintained this year. The £1 ordinary stock, at 79s. ex dividend, yields £5 6s. 4d. per cent.

Joshua Hoyle Payment

The fact that the final dividend of Joshua Hoyle and Sons is being maintained at 5 per cent, making again 7½ per cent for the year ended September 30th last, is a pointer to conditions in a considerable section of the cotton industry. The company achieved in 1939-40 the largest trading profit, and the best net earnings, for many years. But the chairman pointed out that the bulk of the work represented pre-war orders. He also complained of the small margin on Government contracts, which were already replacing civilian demand, and the difficulties of export. In the past year, there has been a great curtailment of individual demands for non-Government purposes, while export has become still more difficult. The interim statement shows, however, a rise in trading profit from £194,164 to £211,500, after EPT. In this case, the explanation may lie in a settlement of the EPT liability on a basis more favourable than was expected a year ago. But it is probable that a part at least of the improvement is due to the growth of the official demand. This has been accentuated of late by the need to ship textiles to Russia, and there is now a bottleneck in certain sections of the industry caused by shortage of labour. A favourable view of the outlook is evidently held by the investing public, for the 2s. ordinary shares have been steady at 28s. 6d. for some time past, having risen over recent months from half that figure. The yield on the 7½ per cent dividend and the current price is some £6 5s. per cent.

Fine Spinners' Statement

If the Joshua Hoyle accounts helped to encourage the recovery in cotton textile shares, the decision of Fine Cotton Spinners' and Doublers' Association to discontinue interim reports, and defer dividend consideration until the end of the financial year, has had the opposite effect. Yet it should have caused no surprise. In his speech of May last, the chairman made it clear that the profits of 1940-41 had been earned mainly in the first six months, and that the new year would bring a decline. This may actually have been unduly pessimistic, for there is a world boom in cotton textiles, caused by the cutting down of the Lancashire industry, and it is only the full effect of restrictions which is causing a further decline in turnover. This is not wholly effective even yet in the doubling section of the industry, where the care and maintenance scheme comes into operation on December 1st. Until the extent of the economies secured under this is known, the outlook for Fine Spinners must remain problematical. One of the greatest factors in reducing costs is full-time working, and at the moment large sections of the industry have the choice between working part-time and reducing still further the number of looms and spindles at work. It appears that a considerable proportion of employees from telescoped factories either went into other industries or at least left the neighbourhood, with the result that the bottle-neck has shifted from materials to labour. It is not clear how far this labour should be attracted back into cotton, and upon the answer to that question depends, in the short run, the outlook for considerable sections of the industry.

Prices, Tailors Results

Preliminary figures of Prices, Tailors for the year to June 30th last show that this concern has suffered much less from the difficulties of wartime operation than their competitors, Montague Burton, whose results were dealt with in *The Economist* of October 18th, during a period which ended three months earlier. The profit before taxation shows a fall of less than 8 per cent and depreciation and all dividends are approximately maintained. The only important changes are in taxation figures and in the provision of £18,342 for war damage contribution. The profits of the past three years and their allocation are set out in the following table, the amounts of the dividends paid being estimated.

	Years to June 30th.		
	1939	1940	1941
Trading Profit	452,864	542,216	503,611
Taxation	70,000	153,000	230,000
Tax Reserve	120,000	247,000	...
Depreciation	95,322	96,502	95,911
Fees	1,500	1,333	1,250
War Damage	...	...	18,342
Pref. and paid dividends	39,875	35,000	£30,562
Renewals and Contingencies	40,000	...	...
Available for ordinary	86,167	11,581	£127,546
Paid on ordinary	120,000	93,000	£75,626
Carry forward	225,998	142,579	194,499

It will be seen that, while the current provision for tax is some 50 per cent up on the year, nothing is added to tax reserve or to other specific reserves. This interpretation of the gross payment on the ordinary capital to the controlling company, Prices Trust, has been maintained. This can scarcely fail to be the case, since that concern has repeated its 25 per cent dividend, and virtually its sole asset is its holding in the trading company. Since the latter enjoyed very good trade in the year 1937, its EPT base is reasonably good, and it is probable that the large reserve set up a year ago is far from exhausted. Evidently the total appropriation for taxation should be spread over the period in a manner quite different from that adopted in the accounts, and for this reason no attempt has been made to give the usual earnings percentages. The 5s. ordinary shares of the Trust at 18s. ex dividend, yield some £6 19s. per cent.

Central Argentine's Poor Year

The accounts of the Central Argentine Railway for the year to June 30th last do nothing to relieve the gloom created by the figures of BAGS and Western. As in the case of the former, gross receipts are down and, while all sections contributed to the fall, it was maize that was mainly responsible for the drop in goods takings. There is the familiar rise in expenses, due to higher fuel costs. Every other major item shows a fall both in absolute amount and in its proportion to total receipts. The rise in fuel costs was, however, £472,171, or more than one-third of the total interest charges of the company, and it is therefore not surprising to find the amount available heavily down, despite lighter exchange differences.

	Years to June 30th.		
	1939	1940	1941
Passenger receipts	2,302,103	2,176,011	2,089,673
Goods	5,607,457	4,830,667	4,607,107
Total gross	9,421,113	8,404,084	7,927,119
Working expenses	7,174,398	6,856,526	6,974,140
Expense ratio	76.15	81.59	87.98
Exchange loss	962,984	712,662	502,532
Available for interest†	1,316,488	867,159	479,614
Interest charges	1,280,559	1,282,568	*1,277,257
Carry forward	263,963	Dr151,416	Dr797,643

† Including income from investments. ‡ Written off out of General Reserve. *Of which £1,145,966 postponed under scheme of Nov., 1940.

Actually the increase shown in working expenses is due solely to an appropriation of £191,840, against nothing in 1939-40, to renewal funds, and the increase in fuel costs was more than offset by economies in other direct working expenses. Unfortunately, renewals fund still shows a decline of some £260,000 against £330,000 a year before. The first four months of the current year show an improvement in gross receipts of £500,000. Even in 1940-41, cereals accounted for some 47 per cent of the total tonnage of products carried, and the maintenance of this improvement will depend largely upon whether the Argentine Government buys the new season's cereal crops and whether it is possible to transport them to the coast, where storage is now scarce.

THE STOCK EXCHANGES

London

Note: All dealings are for cash only.

The naval successes in the Mediterranean, together with a spate of confident speeches by the leaders of the Allied Governments, provided the impetus to a marked improvement in the markets. Turnover (which included considerable speculative support of South American issues), as well as prices, showed a marked improvement. Some profit-taking on Tuesday was well absorbed, but sufficed to prevent any further advance. An exception to the general revival was the gilt-edged market, which has been affected by the current Warship Weeks, but there was considerable activity in all other sections of the market.

The gilt-edged market finished the previous week on a quiet but firm note, 4 per cent Consols and Funding Loan both advancing ¼, while the 2½ per cent National War Bonds 1946-48 and 1945-7 both improved ¼. Desultory trading on Monday led to losses of ¼ for 3½ per cent War Loan, Local Loans and the 2½ per cent Funding Loan. On the following day prices, apart from an improvement of ¼ in 5 per cent Conversion, remained unchanged, but Wednesday brought a resumption of the decline.

In marked contrast, activity in the foreign bond market was considerable, persistent support for Brazilian issues resulting in numerous and well-spread gains, among which, on the previous Friday the 20 year Funding "A" loan gained 1½, while at the re-opening the 6½ per cent loan of 1927 rose 2 points. Chilean bonds were persistently good,

while the 6 per cent Peruvian Corporation debenture stock jumped 2 points both before and after the week-end. Japanese issues were inactive and eased slightly at the re-opening, but on Tuesday prices were generally steady. Among European issues, French sterling railway bonds were offered after some earlier gains.

The improved tone in the home rail market continued into the earlier part of the current week. Thus, after closing on Friday with rises of ¼ for GW ordinary and Southern preferred, and ½ in Southern deferred, the market witnessed gains of ¼ for LMS and GW ordinary at the re-opening. On Tuesday, LMS ordinary improved ¼, while both Southern deferred and preferred and London Transport "C" stock all gained ¼. Senior issues were firm throughout. But in midweek junior issues suffered from profit-taking.

In the foreign rail market South American issues responded with numerous sharp advances to steady buying in a market short of stock. Senior issues were particularly favoured, the 4 and 5 per cent Central Argentine debenture stocks each rising 3 points before the week-end. Fresh support on Monday occasioned a further all-round advance in which BAGS 5 per cent preference gained 2 points. The following day profit-taking led to a small but general decline, but the undertone remained distinctly firm. Elsewhere, Canadian Pacific ordinary was persistently strong.

Well-spread gains in all sections reflected the better turnover in the industrial market, and, despite slight profit-taking on Tuesday, prices remained generally firm. Among breweries, Watney deferred and Ind Coope rose 1s. before the week-end, while Ind Coope and Guinness gained the same amount on Monday, when H. G. Simonds jumped 2s. After some earlier uncertainty, aircraft and motor issues improved in the earlier part of this week, Triplex, Leyland and Rolls-Royce being prominent with good gains. Heavy industrial issues were dull before the week-end, John Brown losing 1s. 3d., but on Tuesday numerous small improvements were registered. Quiet support throughout led to small gains for shipping issues, although Cunard reacted on Tuesday, when P. and O. deferred gained 9d. In the textile group, British Celanese were outstanding with gains of 1s. 1½d. on the previous Friday and 1s. 6d. at the re-opening, among numerous smaller advances. On Tuesday, however, the decision by Fine Cotton Spinners not to publish an interim statement led to a slight easing of prices. Persistent support for tobacco issues occasioned many good gains both before and after the week-end. Following an earlier gain of ¼, Imps. advanced ¾ on Monday, while the next day Carreras and BAT both improved ¼. In the miscellaneous section, Brazilian Traction enjoyed steady support. Later there were signs that the rise had spent its force, and lower prices accompanied a fall in turnover.

In common with other sections, the
(Continued on page 606)

COMPANY MEETING

SOUTH AFRICAN DISTILLERIES AND WINES, LIMITED

INCREASED SALES OF OPERATING COMPANIES

The seventh annual ordinary general meeting of South African Distilleries and Wines, Limited, was held, on the 13th instant, in London, Mr H. R. Mosenthal (the chairman) presiding.

The following is an extract from the statement by the chairman circulated with the report and accounts:—The sales of the operating companies for the year 1940-41 showed an increase of roughly 12 per cent over the preceding year and the gross profit rates have been, generally speaking, well maintained as is shown by the fact that the consolidated net profits, before South African taxation and reserves, have increased by about 7 per cent, which under all the difficult conditions of today you will no doubt consider satisfactory.

TAXATION POSITION

You will have noted a reference in the auditors' report and also in the directors' report to a liability of £61,140 South African currency for South African taxation, which was mainly due to new legislation introduced in South Africa after the close of the operating companies' financial year. This sum must, of course, be provided, but it has not yet been determined whether it can be borne by the operating companies in South Africa or must be borne by our company here. The increase in taxation is heavy and, in addition to increased rates, includes 16 months of South African normal tax, instead of the usual 12, due to the alterations made by the South African Government in their last Budget, but I may perhaps point out that in future only a full year's reserve for taxation will be necessary, and assuming the same figures of net profits, with no increase in the rates of taxation, we should have to provide about £23,000 less in next year's accounts.

Taking first the near future, we must consider ourselves fortunate that we have concentrated in the past on the South African home market, with the result that the prohibition of imports of wines and spirits into the United Kingdom and the shortage of shipping facilities to other markets have not adversely affected

our turnover in fact, for the first four months of the new financial year—i.e., from March, 1941, to June, 1941, inclusive—the sales of the operating companies have increased very substantially. None the less, I hope that ways and means will be found, without detriment to the war effort, of easing the restrictions which prevent Australia and South Africa from taking advantage of the present position and at the same time consolidating the post-war demand for their wines.

TRADING CONDITIONS

The composition of the turnover of the operating companies has, however, been affected by the restriction of shipments of whisky and gin from this country and the cessation of supplies of brandy, wines and vermouth from France, wines from Germany and vermouth from Italy, but there has been more than a counterbalancing increase in the sales of our own South African products of the same type, and it is to be borne in mind that this is enabling us to create future goodwill for our own branded lines. On the other side of the picture, large numbers of the male population have temporarily left the Union and their local consumption has to be made good elsewhere. Secondly, the difficulties of export have increased local competition, and thirdly, it is daily becoming more difficult to obtain all the sundry lines used in the preparation of our products for marketing, such as bottles, capsules, cases, etc., the cost of all of which is rising, whilst at the same time it is difficult and impolitic to adjust our selling prices upward to any degree. Fourthly, wages and salaries have also risen. All this shows that we must not allow the increase in our sales to obscure the higher costs of production and marketing.

As to our post-war prospects, I do beg the Government, when it comes to the economic post-war reconstruction, to utilise the practical experience and knowledge of chambers of commerce, trade associations, labour organisations, etc. Bureaucracy must not be allowed to jettison the fruits of victory which democracy is bringing safely to port for the benefit of the whole world.

In conclusion, I would like to pay tribute to the excellent work the Messrs Ashton have done. To the staff of the operating companies our thanks are also due.

The report was unanimously adopted.

(Continued from page 603.)

kaffir market derived considerable encouragement from the more favourable news and closed strongly before the week-end, when West Wits. advanced $\frac{1}{8}$ and E. Geduld $\frac{1}{4}$. Monday witnessed a decline in turnover, Sub Nigel losing $\frac{1}{8}$, but the following day Libanon, which rose rs. $\frac{1}{2}$ d, led a good recovery. Among other gains, Grootvlei and Geduld both advanced $\frac{1}{8}$, but Blyvoors were out of favour, declining $\frac{1}{8}$ d. There was little interest in the rubber market, quiet conditions leaving prices generally unchanged. The oil market was distinctly firm, although the volume of business was not large. Shell gained $\frac{1}{8}$ before the week-end, when Anglo-Iranian and Burmah both improved $\frac{1}{8}$. Interest in the current week centred on Trinidad issues, particularly Trinidad Petroleum Development, which followed Monday's advance of $\frac{3}{8}$ with a jump of $\frac{1}{2}$ the next day, while Trinidad Leaseholds reflected some slight support.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Nov. 6...	3,139	1,790	78.8	132.1
" 7...	3,527	1,800	79.1	132.1
" 10...	4,241	1,853	79.4	132.1
" 11...	3,760	2,171	79.6	132.1
" 12...	3,531	1,948	79.8	132.2

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941 highest, 79.8 (Nov. 12); lowest, 66.8 (Apr. 24). 20 Fixed Int., 1941; highest 132.2 (Nov. 12); lowest, 126.1 (Jan. 2).

New York

The generally more favourable war news was offset by the unsettled labour disputes and uncertainties regarding forthcoming taxation on Wall Street before the week-end. Selling, particularly of

utilities and rail issues, for tax purposes, led to some irregularity, but the market closed steady. The tendency at the re-opening to restrict activity in view of the Remembrance Day holiday on Tuesday was strengthened by Mr Churchill's references to Japan, and the holding off of buyers caused a moderate marking down. After the holiday, similar considerations caused moderate offerings, resulting in falls of a point in most prices.

The Iron Age estimates steel mill activity at 97.5 per cent of capacity, against 98.0 per cent in the previous week.

New York Prices

STANDARD STATISTICS INDICES (1935-36 100)

	WEEKLY AVERAGES				
	Low	High	Oct. 22, 1941	Oct. 29, 1941	Nov. 5, 1941
347 Industrials...	80.1	83.9	80.6	80.1	80.4
32 Rails...	69.3	71.7	69.5	69.3	71.7
49 Utilities...	76.4	80.1	77.6	76.7	76.4
419 Stocks...	79.0	82.6	79.5	79.0	79.5
Av. yield*	6.75	6.41	6.59	6.71	6.45

* 50 Common Stocks. (a) November 5.

DAILY AVERAGE OF 50 COMMON STOCKS

	Oct. 30	Nov. 1	Nov. 3	Nov. 4	Nov. 5	Nov. 6
95.8	94.7	95.2	95.6	(a)	96.5	

1941 High: 105.8, January 10. Low: 90.7, April 30. (a) Election Day.

Total share dealings: Nov. 6, 670,000; Nov. 7, 700,000; Nov. 8, 290,000; Nov. 10, 630,000; Nov. 11, Remembrance Day; Nov. 12, 1,010,000.

* Two-hour session.

	Close Close		Close Close	
	Nov. 10, 1941	Nov. 10, 1941	Nov. 10, 1941	Nov. 10, 1941
1. Railroads.	264	24	1941	1941
Atlantic Coast...	44	4	1941	1941
Can. Pacific...	24	2	1941	1941
Gen. Elec. Corp.	24	2	1941	1941
Ill. Cent. Ry.	24	2	1941	1941
N.Y. Cent. & H.	24	2	1941	1941
Pennsylvania...	24	2	1941	1941
Southern Ry.	24	2	1941	1941
2. Utilities, etc.	1941	1941	1941	1941
Amer. Tel. & Tel.	1941	1941	1941	1941
Amer. W. & E. Co.	1941	1941	1941	1941
Gen. Light & Power	1941	1941	1941	1941
People's Gas & Elec.	1941	1941	1941	1941
St. Ed. Tel. & Tel.	1941	1941	1941	1941
W. Union Tel. Co.	1941	1941	1941	1941
3. Commercial and Industrial.	1941	1941	1941	1941
Am. Smelting & Ref.	1941	1941	1941	1941
Am. Viscose Co.	1941	1941	1941	1941
Anaconda Copper	1941	1941	1941	1941
Armstrong Steel	1941	1941	1941	1941
Briggs & Stratton	1941	1941	1941	1941
Celanese Ind. Corp.	1941	1941	1941	1941

Capital Issues

Week ending	Nov. 10, 1941	Nov. 10, 1941	Nov. 10, 1941	Nov. 10, 1941
Particulars of Government issues appear on page 607				
Year	1941	1941	1941	1941
1941...	1,590,000,000	1,305,462,657		
1940...	1,575,448,395	904,192,962		

* 50 Common Stocks. (a) November 5.

DAILY AVERAGE OF 50 COMMON STOCKS

	Oct. 30	Nov. 1	Nov. 3	Nov. 4	Nov. 5	Nov. 6
95.8	94.7	95.2	95.6	(a)	96.5	

1941 High: 105.8, January 10. Low: 90.7, April 30. (a) Election Day.

Total share dealings: Nov. 6, 670,000; Nov. 7, 700,000; Nov. 8, 290,000; Nov. 10, 630,000; Nov. 11, Remembrance Day; Nov. 12, 1,010,000.

* Two-hour session.

CURRENT STATISTICS

Finance

AGGREGATE ISSUES AND RECEIPTS

Aggregate issues and receipts from April 1, 1941, to November 8, 1941, are:

(£ thousands)	
Ord. Revenue...	956,452
Gross borrow...	1,773,881
Sinking Ids.	6,559
Net borrowing...	1,767,322
Miscell. Receipts (incl. ...)	43,548
Dec. in balances...	89
2,767,421	2,767,421

GOVERNMENT RETURNS

For the week ended Nov. 8, 1941, total ordinary revenue was £41,091,000, against ordinary expenditure of £35,253,000, and issues to sinking funds of £155,000. Thus, including sinking fund allocations, the deficit accrued since April 1 is £1,817,518,000 against £1,506,605,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42		Actual, 1941-42		Actual, 1940-41	
	Nov. 1941	Nov. 1941	Nov. 1941	Nov. 1941	Nov. 1940	Nov. 1940
ORDINARY REVENUE						
Income Tax...	756,900	142,910	242,379	7,531	10,038	
Sur-tax...	80,300	15,826	16,781	1,516	500	
Estate, etc.	82,000	48,419	63,377	1,135	1,540	
Duties...	14,000	8,108	7,771	100		
N.D.C.	10,000	12,947	12,680	300	651	
E.P.T.	10,000	53,418	156,118	1,501	6,803	
Other Ind. Rev.	1,000	250	217	10		
Total Ind. Rev.	114,300	262,508	469,926	11,691	19,552	
Customs...	110,700	182,540	216,318	6,821	9,895	
Excise...	105,660	108,700	201,109	1,399	10,160	
Total Customs & Excise...	216,360	288,240	417,417	8,220	20,053	
Motor Duties	30,000	12,192	12,055	1,225	1,911	
P.O. (Net Receipts)	3,500	9,100	6,500	750	1,150	
Grown Lands...	1,100	600	610			
Receipts from Sundry Loans	2,600	371	2,108	81		
Miscell. Receipts	20,000	15,591	44,360	605	2,015	
Total Ord. Rev.	178,560	549,092	956,452	22,771	44,091	
SELF-BALANCING P.O. & Broadcasting	99,346	48,800	57,750	1,250	1,250	
Total	188,506	637,892	1,014,202	24,021	45,341	

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

Expenditure	Estimate, 1941-42		Actual, 1941-42		Actual, 1940-41	
	Nov. 1941	Nov. 1941	Nov. 1941	Nov. 1941	Nov. 1940	Nov. 1940
ORDINARY EXPENDITURE						
Int. and Man. of Nat. Debt...	255,000	160,349	182,402	1,756	2,012	
Payments to N. Ireland	9,200	4,759	4,595	415	327	
Other Cons. Fin. Serv.	7,800	3,705	4,065			
Total...	272,000	168,813	191,058	2,171	2,339	
Supply Services	393,497	192,043	257,365	85,239	80,915	
Total Ord. Exp.	420,697	208,924	276,742	87,410	83,253	
SELF-BALANCING P.O. & Broadcasting	99,346	48,800	57,750	1,250	1,250	
Total	420,697	213,304	282,517	88,660	84,503	

* 50 Common Stocks. (a) November 5.

DAILY AVERAGE OF 50 COMMON STOCKS

	Oct. 30	Nov. 1	Nov. 3	Nov. 4	Nov. 5	Nov. 6
95.8	94.7	95.2	95.6	(a)	96.5	

1941 High: 105.8, January 10. Low: 90.7, April 30. (a) Election Day.

Total share dealings: Nov. 6, 670,000; Nov. 7, 700,000; Nov. 8, 290,000; Nov. 10, 630,000; Nov. 11, Remembrance Day; Nov. 12, 1,010,000.

* Two-hour session.

FLOATING DEBT

Date	Tender	Tap	Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
			Public Depts.	Bank of Eng. & Land		
1940						
Nov. 3	845.0					
1941						
Aug. 2	960.0					
" 9	960.0					
" 16	960.0					
" 23	960.0					
" 30	970.0	1525.3	213.9	1.0	513.0	3223.2
Sept. 6	970.0					
" 13	970.0					
" 20	970.0					
" 30	2577.2		246.5	0.7	600.0	3424.4
Oct. 4	970.0					
" 11	970.0					
" 18	970.0					
" 25	975.0	1558.9	241.8		662.5	
Nov. 1	975.0					
" 8	975.0					

TREASURY BILLS

Date of Tender	Amount		Average Rate of Allotment	Per Cent Allotted at Min. Rate
	Offered	Applied		
1940				
Nov. 8	65.0	139.6	65.0	20 4.36
1941				
July 25	75.0	163.6	75.0	19 11.84
Aug. 4	75.0	165.2	75.0	20 0.14
" 11	75.0	165.1	75.0	20 0.16
" 12	75.0	151.8	75.0	20 0.31
" 15	75.0	133.2	75.0	20 0.95
" 19	75.0	152.3	75.0	20 3.46
Sept. 5	75.0	148.6	75.0	20 2.73
" 12	75.0	165.8	75.0	20 2.63
" 19	75.0	165.0	75.0	20 0.59
" 26	75.0	186.5	75.0	19 10.65
Oct. 3	75.0	159.4	75.0	20 0.47
" 10	75.0	161.5	75.0	20 0.37
" 17	75.0	155.6	75.0	20 0.54
" 24	75.0	148.1	75.0	20 0.59
" 31	75.0	159.6	75.0	20 0.33
Nov. 7	75.0	168.3	75.0	19 11.90

On November 7th 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 25 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. £75 millions of Treasury bills are being offered on November 14th. For the week ending November 15th the banks will be asked for Treasury deposits to a maximum amount of £40 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	N.S.C.	
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OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Meille Iran, of Nov. 23rd; Lithuania, of Nov. 30th, 1940; Egypt, of May 10th; Yugoslavia, of June 7th; Bulgaria, of Aug. 9th; Greece, of Aug. 23rd; Hungary, of Sept. 13th; International Settlements and Sweden, of Sept. 20th; Portugal, of Sept. 27th; Roumania, of Oct. 4th; Switzerland, Federal Reserve Reporting Member Banks, Canada, Japan, New Zealand, Turkey, of Nov. 1st, 1941.

U.S. FEDERAL RESERVE BANKS

Million \$'s					
	Nov. 1940	Oct. 1941	Oct. 1940	Nov. 1941	
12 U.S.F.R. Banks	7	23	30	6	
Resources					
Gold certifs. on hand and due from Treasury	19,324	20,560	20,559	20,557	
Total reserves	19,643	20,841	20,848	20,830	
Total cash reserves	310	268	275	258	
Total U.S. Govt. securities	2,327	2,184	2,184	2,184	
Total bills and securities	2,340	2,197	2,193	2,200	
Total resources	22,798	24,234	24,162	24,063	
LIABILITIES					
F.R. notes in circ.	5,630	7,352	7,385	7,475	
Excess mfr. bank res.	6,730	4,660	4,660	3,410	
Mr. bank res. dep.	13,979	12,749	12,631	12,629	
Govt. deposits	465	198	191	193	
Total deposits	16,125	15,526	15,456	15,349	
Total liabilities	22,798	24,234	24,162	24,063	
Reserve ratio	90.3%	91.1%	91.3%	91.3%	
BANKS AND TREASURY RESOURCES					
Monetary gold stock	21,581	22,786	22,796	22,788	
Treasury & bank currency	3,060	3,214	3,219	3,221	
LIABILITIES					
Money in circulation	8,385	10,278	10,307	10,421	
Treasury cash and dep.	2,666	3,172	3,124	3,128	

CENTRAL BANK OF ARGENTINA

Million paper pesos

	Sept. 30, 1940	Aug. 31, 1941	Sept. 30, 1941	Sept. 30, 1941
ASSETS				
Gold at home	1,170	1,069	1,068	1,068
Other gold and for. exch.	183	446	447	445
Non int. Govt. bonds	119	119	119	119
Treasury bonds	395	394	394	394
LIABILITIES				
Notes in circulation	1,175	1,248	1,240	1,251
Deposits: Government	199	211	214	176
Banks	365	546	543	528
Certs. of participation	176	29	29	31
Reserve ratio	78.1%	75.0%	75.3%	75.9%

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	Sept. 30, 1940	Aug. 31, 1941	Sept. 30, 1941	Sept. 30, 1941
ASSETS				
Gold and English ster.	16.08	18.96	18.96	18.96
Other coin, bullion, etc.	8.28	5.69	6.42	6.97
Call money, London	45.68	33.65	32.88	33.60
Securities and Treas. bills	98.44	56.68	59.08	61.45
Discounts and advances	31.26	22.31	20.78	20.22
LIABILITIES				
Notes issued	61.62	70.36	71.11	71.11
Deposits, etc.	119.08	106.20	107.19	110.71

RESERVE BANK OF INDIA

Million rupees

	Nov. 1, 1940	Oct. 1, 1941	Oct. 1, 1941	Oct. 1, 1941
ASSETS				
Gold coin & bullion	444	444	444	444
Rupee coin	308	387	385	381
Balances abroad	411	689	592	605
Sterling securities	1,315	1,436	1,557	1,557
Ind. Govt. rup. secs.	496	765	685	685
Investments	80	90	84	84
LIABILITIES				
Notes in circ.: India	2,202	2,724	2,745	2,741
Burma	113	192	192	192
Deposits: Govts.	158	256	194	193
Banks	496	497	466	448
Reserve ratio	68.7%	62.0%	65.2%	65.3%

PRAGUE NATIONAL BANK

Million crowns

	Sept. 30, 1940	Sept. 30, 1941	Sept. 30, 1941	Sept. 30, 1941
ASSETS				
Gold	1,170	1,069	1,068	1,068
Foreign exchange	183	446	447	445
Other cash	119	119	119	119
Bills and securities	395	394	394	394
LIABILITIES				
Notes in circulation	1,175	1,248	1,240	1,251
Deposits: Government	199	211	214	176
Banks	365	546	543	528
Certs. of participation	176	29	29	31
Reserve ratio	78.1%	75.0%	75.3%	75.9%

SOUTH AFRICAN RESERVE BANK

Million £'s

	Sept. 30, 1940	Aug. 31, 1941	Sept. 30, 1941	Sept. 30, 1941
ASSETS				
Gold coin and bullion	58.08	52.93	54.06	54.62
Bills discounted	0.75	0.93	0.97	1.21
Invest. and other assets	59.30	43.05	43.86	44.86
LIABILITIES				
Notes in circulation	22.77	27.18	24.19	25.84
Deposits: Government	6.07	2.70	6.36	7.57
Banks	36.84	58.37	58.41	58.02
Others	3.95	4.63	4.69	5.49
Reserve ratio	54.7%	57.5%	57.8%	57.4%

REICHSBANK

Million reichsmarks

	Sept. 14, 1940	Sept. 15, 1941	Sept. 23, 1941	Sept. 30, 1941
ASSETS				
Gold and foreign currencies	77	77	78	77
Bills and cheques	12,793	17,411	17,365	18,016
Rentenbank notes	369	246	338	272
Advances	30	32	16	25
Secs. for note cover	61	21	22	1
Other assets	1,200	1,158	1,171	1,866
LIABILITIES				
Notes in circulation	12,396	16,062	15,828	16,918
Daily maturing liabilities	1,465	3,129	2,258	2,511
Other liabilities	499	505		

MONEY MARKET

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between Nov. 8th and Nov. 14th. (Figures in brackets are par of exchange.)

United States. \$ (4.861) 4-02-03½; mail transfers 4-02-03½. Canada. \$ (4.861) 4-43-47; mail transfers 4-43-47½. Switzerland. Francs (25.224) 17-30-40. Sweden. Krona (18.159) 16-85-95. Argentina. Peso (11.45) 16-95-17-15; 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 4-02-04½. Manila. Peso 8-09-12; mail transfers 8-09-13.

Rates Fixed for Payment at Bank of England for Clearing Offices

Spain. Peseta (25.224) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Liras (110) 520. Italy. 71-25 lire.

Market Rates

The following rates remained unchanged between Nov. 8th and Nov. 14th.
Egypt. Piastres (97½) 97½. India. Rupee (18d. per rupee) 17½-18½.
Hongkong. 14½-15½d. per \$ Singapore. \$ (28d. per \$) 28½-29½d.
Peso 6 (sellers). Belgian Congo. Francs 176½-18½. Shanghai. 2½-3½d.

SPECIAL ACCOUNTS are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay for which no rate of exchange is quoted in London.

Forward Rates

Forward rates for one month have remained unchanged as follows:—United States. 3 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 Nov. 8th and Nov. 14th:—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, 1½-1½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates 1½%. Discount deposit at call 1½%; at notice 1½%.

Shorter Comments

International Nickel of Canada: U.S. \$000s.—Third quarter net profit \$8,380 (\$8,364) equal to 54 cts (same) per common share. Nine months' gross earnings \$58,190 (\$50,691), net profit \$25,696 (\$26,425) equal to \$1.66 (\$1.71) per common share after meeting prefd. divs.

Celanese Corp. of America (\$000s.).—Gross income for year ending Sept. 30th

\$20,208 (\$17,779), net operating profit \$16,116 (\$14,165). Depr. \$2,926 (\$2,128), inc. tax and E.P.T. \$5,909 (\$2,725), net income \$6,277 (\$8,720).

Steel Corp. of Bengal.—The directors have authorised the payment on Dec. 1st of the half-yearly dividend on 5 per cent pref. shares, plus all arrears between June 1, 1938, to May 31, 1940, totalling 4 rupees 8 annas per share.

Electrolux Corporation (\$000s.).—Quarter ended September 30th, gross

profits \$928 (\$373), net profits after tax (incl. E.P.T. provisions, etc.) \$454 (\$197), equivalent to 37 cts. (16) per common share. Net profit for 9 months \$1,347 (\$1,095), equivalent to \$1.09 (88 cts.) per share.

Transvaal Gold Output and Labour.—Total gold output Transvaal, October, 1941, 1,235,784 fine ounces, against 1,211,277 fine ounces October, 1940. At the end of October, 1941, the total number of natives employed was 382,074.

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.	
Breweries, &c.		£	£	£	£	£	%	£	£	£	£	%		
Cairnes Limited	Aug. 31	173,227	2,000	6,683	16,041	3,533	2,776	5	...	+	374	138,595	6,955	4
Hisson's Brewery	Sept. 30	247,369	...	108,697	156,786	27,590	45,000	10	10,000	+	26,107	135,965	85,202	2
Massey's Brewery	Sept. 30	92,145	...	35,495	62,695	18,000	15,750	31	...	+	1,745	84,216	32,801	24
Massey's Brewery	Sept. 30	542,736	...	488,758	1,058,566	30,000	339,408	21(10)	120,000	+	672	599,827	547,617(c)	21
Mitchells & Butlers	Sept. 30	214,066	...	152,275	155,511	41,250	110,000	10	...	+	1,025	213,824	152,361	10
South African Distillers, &c.	June 30	...	...	...	...	...	...	...	...	+	3,957	39,420	21,403	6
Financial, Land, &c.														
African Lakes Corporation	Jan. 31	57,882	...	21,357	31,731	...	4,911	5	3,000	+	185	15,978	13,710	5
London & Colonial Investment	Sept. 30	15,526	...	11,462	27,390	3,736	...	...	...	+	6,125	220,861	219,479	30(a)
Motor, Aviation, &c.														
Handley Page Limited	Dec. 31	150,888	...	159,388	181,099	19,914	93,349	25(a)	40,000	+	6,125	220,861	219,479	30(a)
Rubber														
Eastern Sundries	June 30	109,779	5,000	51,610	57,929	...	49,112	10-416	...	+	2,498	76,582	39,297	8-33
Martapora	Mar. 31	5,896	1,000	2,297	9,019	...	2,194	3	...	+	103	7,947	2,297	3
Pahang Para	Apr. 30	9,251	...	3,049	4,117	...	3,090	4-16	...	+	41	9,753	7,757	2-08
Sengat	June 30	11,641	232	10,136	12,430	...	10,200	6	1,000	+	1,064	15,153	12,799	9
Strathisa (Perak)	June 30	41,663	1,403	9,558	17,939	...	9,600	12	...	+	42	26,438	8,716	12
Tea														
Jhazie	Dec. 31	60,308	...	30,076	50,185	...	31,350	7½	...	+	1,274	73,482	30,856	7½
Textiles														
Derby & Midland Mills	June 30	22,248	5,000	15,901	30,246	6,000	9,375	12½	...	+	526	25,726	18,768	15
Trunks														
C.L.R.P. Investment	Aug. 31	20,647	...	12,372	19,114	9,525	3,150	2½	...	+	303	25,116	16,271	2½
East of Scotland Trust	Sept. 30	65,060	...	16,250	42,129	8,953	9,005	7	...	+	1,768	66,904	19,911	7
Phoenix Investment	Sept. 30	26,968	...	9,788	26,118	8,021	...	...	...	+	1,767	28,306	10,000	5
Railway & General Investment	Sept. 30	84,967	...	25,753	45,173	13,450	8,367	5	...	+	3,936	87,353	30,941	5
Second Investors' Mortgage	Sept. 30	160,740	...	50,658	71,419	19,219	25,625	10	6,000	+	186	166,037	60,387	10
Second Scottish Mortgage	Sept. 30	83,621	...	26,276	39,044	12,588	8,388	5½	5,000	+	300	85,553	30,351	5½
Securities Trust of Scotland	Sept. 30	60,645	...	17,802	48,147	9,049	8,434	7	...	+	319	65,026	21,943	7
Southern Stockholders Investment	Sept. 30	78,106	...	35,256	46,065	...	35,000	3½	...	+	256	77,049	34,975	3½
Other Companies														
Aeronautical, &c., Instruments	Mar. 31	42,706	7,500	9,534	13,164	...	8,250	11	...	+	1,284	59,423	21,102	11
Aeroplane & Motor Castings	Mar. 31	34,717	12,471	3,396	21,855	...	7,500	15	...	+	4,104	48,518	18,607	15
Birrell Limited	July 19	32,878	...	21,135	42,239	21,175	...	...	...	+	40	26,881	20,411	NH
British Sugar Corporation	Mar. 31	780,359	210,000	124,236	4,693	7,245	1,500	30	...	+	182	14,996	4,474	30
Callender (George M.) & Co.	June 30	15,130	354	10,333	12,087	1,478	5,500	10	4,158	+	803	71,032	1,971	10
Castle Brothers (Furniture)	Aug. 4	41,973	...	5,303	8,190	...	3,185	10	...	+	956	197,387	21,210	3
Liverpool & N. Wales Steamship	Sept. 30	18,559	12,000	28,093	219,696	7,200	19,937	3	...	+	408	35,440	7,165	6
Rosario Drainage Co.	June 30	208,700	...	4,062	6,104	...	24,000	40	12,000	+	776	93,515	38,394	40
Settle Lines Limited	July 31	57,658	...	...	59,685	3,000	...	...	...	+	403	86,307	21,006	10
South London Greyhound	Sept. 30	91,381	3,487	39,776	59,685	...	25,000	12½	...	+	458	30,409	15,061	20
Tilbury Contracting, &c.	Mar. 31	87,629	13,934	25,403	58,072	...	6,073	20	...	+	458	30,409	15,061	20
Walls Tin Stamping	June 30	51,833	2,449	7,469	19,451	1,854	...	...	...	+	...	...	...	...
Totals (000's)	Nov. of Cos.	3,783	277	1,584	2,843	269	1,058	...	201	+	56	4,157	1,869	...
Week to Nov. 15, 1941	35	...	...	...	...	...	...	...	...	+	...	...	...	...
Jan. 1 to Nov. 15, 1941	1,744	339,215	27,000	156,788	242,687	37,114	96,271	...	15,631	+	7,772	327,431	177,502	...

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				TEXTILES—continued				MISCELLANEOUS			
Nov. 4, 1941				Nov. 4, 1941				Nov. 4, 1941			
s. d.				s. d.				s. d.			
1941				1941				1941			
GRAIN, etc.				COTTON—continued				CEMENT, best Eng. Portland, d/d site, London area,			
No. 1 N.Mt. 496 lb. f.o.b. Mont. ...				Cloth, 38 in. ditto, 38 yards, ...				in paper bags or jute sacks 20 to ton—(a)			
Eng. Gaz. av. per cwt. (e) ...				" 39 in. ditto, 37½ yards, ...				6-ton loads and upwards per ton			
Flour per 280 lb.—				" 16 x 15, 8½ lb. ...				CHEMICALS			
Straights d/d London ...				FLAX (per ton)—				Acid, Oxalic, net ... per ton			
Barley Eng. Gaz., av. per cwt. (e) ...				Lyonian ZK ...				" Tartaric English less 5% ... lb.			
Oats (e) ...				HEMP (per ton)—Manilla, spot				Ammonia Sulphate ... per ton			
Maize, La Plata, 480 lb., f.o.b. ...				JUTE (per ton)—				Nitrate of Soda ... per ton			
MEAT—Beef, per 8 lb.—				Daisee 2/3 c.i.f. Dundee ...				Soda Bicarb. ... per ton			
English long sides ...				Common 8 lb. cops. (per spindle) ...				Soda Crystals ... per ton			
Imported hinds ...				101/40 Hessians, per yd. ...				COPRA (per ton)—S.D. Straits			
Mutton, per 8 lb.—English ...				8/40 Hessians, per yd. ...				c.i.f.			
Imported ...				10/40 Calcutta Hessians, Nov. ...				HIDES (per lb.)			
Pork, English, per 8 lb. ...				7½/40 ...				Wet salted Australian ... 4½/50 lb.			
BACON—(per cwt.)—Wilts, cut side				SISAL (per ton)—African, Nov. ...				Cape, J'long Ord. ... 0 6½			
HAMS—(per cwt.)—Green				Wool (per lb.)—				Dry Capes, 18 20 lb. ... 0 8½			
OTHER FOODS				Lincoln wethers, washed ...				English & Welsh Malt Hides			
BUTTER (per cwt.)—All Grades,				Selected blackfaced, greasy ...				Best heavy ox and heifer ...			
First hand ...				Australian scd. fleece 70's ...				LEATHER (per lb.)—			
Home Produced ...				Cape scd. average snow white ...				Sole Bonds, 8 14 lb. ...			
Imported ...				N.Z. scd. 2nd pieces, 50-56's ...				Shoulders ...			
COCOA (per cwt.)—				Tops ...				Inside Belles ...			
Accra, g.f. ...				64's warp ...				Dressing Hides ...			
Grenada fine ...				56's super carded ...				PETROLEUM PRODUCTS (per gal.)			
COFFEE (per cwt.)—				48's average carded ...				Motor Spirit, England & Wales ...			
Santa, supr. c. & f. ...				44's prepared ...				(b) Kerosene, Bureing Oil ...			
Costa Rica, medium to good ...				COAL (per ton)—				(b) Automotive gas oil, in bulk, ...			
EGGS (per 120)—English ...				Welsh, best Admiralty ...				ex road tank wagons ...			
LARD (per cwt.)—Imported ...				Durham, best gas, f.o.b. Tyne ...				Fuel oil, in bulk, England and ...			
POTATOES (per cwt.)—				IRON AND STEEL (per ton)—				Wales ...			
English, new ...				Pig, Cleveland No. 3, d/d ...				Furnace ...			
SUGAR (per cwt.)—				Bars, Middlebrough ...				Diesel ...			
Centrifugals, 96, prpt. shipm. ...				Steel rails, heavy ...				ROBIN (per ton) American ...			
c.i.f. U.K./Cont. ...				Tinplates (home, i.e. 14 x 20) ...				RUBBER (per lb.)—			
REFINED LONDON—				NON-FERROUS METALS (per ton)—				St. ribbed smoked sheet ...			
Granulated, 2 cwt. bags ...				Copper (c)—Electrolytic ...				SHELLAC (per ton)—TN Orange ...			
Granulated, 2 cwt. bags, domestic ...				Tin—Standard cash ...				TALLOW (per ton)—London Town ...			
consumption ...				" Three months ...				VEGETABLE OILS (per ton net)—			
West India Crystallised ...				Lead (d)—Soft, foreign, cash ...				Linseed, raw ...			
TOBACCO (per lb.)—				Spelter (d)—G.O.B. spot ...				Rape, crude ...			
Indian stemmed and unstemmed ...				Aluminium, ingots and bars ...				Cotton-seed, crude ...			
Rhodesian, stemmed and unstemmed ...				Nickel, home delivery ...				Coconut, crude ...			
TEXTILES				Antimony, English, 99% ...				Palm ...			
Raw, Mid-American ...				Wolfram, Empire ... per unit				Oil Cakes, Linseed, Indian ...			
" Giza, F.G.F. ...				Platinum, refined ... per oz.				Oil Seeds, Linseed—			
Yarns, 32's Twist ...				Quicksilver ... per 76 lb.				La Plata (new) ...			
" 40's Weft ...				GOLD (per fine ounce) ...				Calcutta ...			
" 60's Twist (Egyptian) ...				SILVER (per ounce)—				Cash ...			
Cloth, 32 in. Printers, 116 yards, ...				1 11½ 1 11½							
" 36 in. Shirtings, 75 yards, ...											
" 19 x 19, 32's & 40's ...											

(a) + 7s. per ton net paper bags, jute sacks, charged 1s. 9d., credited 1s. 6d. on return.
(d) Including import duty and delivery charges.

(b) Higher Pool prices in some zones. (c) Price is at buyer's premises.
(e) Average for weeks ended Nov. 1 and Nov. 8.

AMERICAN WHOLESALE PRICES

GRAINS (per bushel)—				METALS (per lb.)—cont.				MISCELLANEOUS (per lb.)—cont.			
Nov. 10, 1941				Nov. 10, 1941				Nov. 10, 1941			
Cents				Cents				Cents			
Wheat, Chicago, Dec. ...				Spotter, East St. Louis, spot ...				Petroleum, Mid-cont. crude, per barrel ...			
" Winnipeg, Dec. ...				Cotton, N.Y., Area, Dec. ...				Rubber, N.Y., unskd sheet spot ...			
Maize, Chicago, Dec. ...				Coffee, N.Y., cash ...				" Nov. Dec. ...			
Oats, Chicago, Dec. ...				Rio, No. 7 ...				Sugar, N.Y., Cuban Cent. 96 deg. ...			
Rye, Chicago, Dec. ...				Santos, No. 4 ...				spot ...			
Barley, Winnipeg, Dec. ...				Cotton, N.Y., Am. mid. spot ...				Sugar, N.Y., 96 deg. No. 4, f.o.b. ...			
METALS (per lb.)—				Am. mid. Nov. ...				Cuba, Dec. ...			
Copper, Connecticut ...				Cotton Oil, N.Y., Dec. ...				Moody's Index of staple commodities, Dec. 31, 1931 ...			
Tin, N.Y., Straits, spot ...				Lard, Chicago, Dec. ...				208.5 209.7			
Lead, N.Y., spot ...											

TRANSVAAL GOLD OUTPUT

Statistics for October, 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.
<i>Anglo-American Corporation</i>					<i>Central Mining—Rand Mines—cont.</i>					<i>" Johnnies "</i>				
Brakpan	140,000	£53,852	£8,509	109 s. 5 d.	New Modder	204,000	£27,553	£7,042	118 s. 0 d.	E. Champ D'Or	36,000	£75,695	£39,762	80 s. 0 d.
Daggafontein	164,000	349,906	225,526	70 10 4	Nourse	84,000	16,692	32,524	138 0	Govt. Areas	270,000	439,443	170,279	10,136 15 0
East Daggafontein	87,000	194,093	76,497	101 10 2	Rose Deep	91,000	13,981	29,022	127 7	N. State Areas	127,000	141,047	10,136	157 15 0
Sth. African Land	120,000	277,930	155,714	75 1 9	Transvaal G.	31,500	5,031	3,010	154 1	Randfontein	129,000	255,970	122,658	88 15 0
Springs	165,000	371,752	190,012	82 3 4	<i>General Mining</i>					Van Ryn	109,000	119,406	15,058	121 15 0
West Springs	89,500	162,143	58,992	106 11 1	Van Ryn	63,000	£59,883	7,008	151 11	Witwatersrand	91,000	110,992	18,072	141 15 0
W. Reefs Devpt.	52,000	102,327	30,090	118 8 3	W. Rand Cons.	240,000	376,442	162,153	98 8					
<i>Central Mining—Rand Mines</i>					<i>Union Group</i>									
<i>Fine oz.</i>					<i>Fine oz.</i>					<i>Fine oz.</i>				
City Deep	115,000	26,155	69,008	116 1	Venterspost	121,000	23,547	54,647	122 0 4	E. Geduld	166,000	£47,593	£264,791	58 0 0
Cons. M. Reef	218,000	32,876	51,361	137 4	Simmer and Jack ..	160,000	26,856	42,578	137 0 4	Geduld	118,000	28,053	122,686	81 0 0
Crow	358,000	80,224	288,577	96 9	Robinson Deep	125,000	26,541	77,802	110 0	Grootvlei	134,000	36,507	152,313	85 0 0
Durban Deep	208,000	37,453	105,071	112 5	Sub Nigel	69,000	42,577	235,279	58 0 7	Marievale	51,000	13,482	37,401	133 10 0
East Rand Prop.	230,000	46,017	116,308	118 3	Vogelstruisbult	78,000	19,704	61,454	106 0 7	Modder Deep	51,000	6,378	11,151	133 10 0
Goldenhuis	69,500	8,731	13,030	138 11	Rietfontein	36,000	5,524	16,925	107 0 6	Modder Deep	51,000	6,378	11,151	133 10 0
Glynn's Lyd.	10,000	3,083	8,020	116 7	Luipaards Vlei	91,000	18,938	44,104	121 7 2	Van Dyk	102,000	26,038	84,204	104 0 0
Modder B.	93,000	15,996	64,031	88 7										
Modder East	144,000	23,568	80,605	100 2										

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FOUR PER CENT INSCRIBED STOCK, 1954.

CITY OF PRETORIA

FOUR AND A-HALF PER CENT INSCRIBED STOCK,
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Forms of Request for the purpose of forwarding Dividend Warrants by post to Banks or other Agents may be obtained on application to the Bank.

For Barclays Bank (Dominion, Colonial and Overseas),
C. D. ALCOCK, Manager.

Circus Place, London Wall, E.C. 2. November 7, 1941.

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FIVE PER CENT INSCRIBED STOCK, 1960.

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C. D. ALCOCK, Manager.

Circus Place, London Wall, E.C. 2. November 7, 1941.

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THE ECONOMIST

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COMPANY MEETINGS

CURRENT STATISTICS

Strikes and Votes

THE Bill to amend the American Neutrality Act out of effective existence was finally adopted by the House of Representatives on Thursday of last week by 212 votes to 194. The margin was small, and it was achieved only after the most strenuous efforts by the Administration. The Speaker descended from his chair to read a special message from the President, and both Mr Roosevelt and Mr Cordell Hull personally appealed by telephone to the numbers of Congressmen. By universal report, the closeness of the vote was due to a revolt by Democratic representatives from the southern states. The revolt was not directed against the President's foreign policy or the Bill before the House—on the contrary, the "solid South" is strongly interventionist in sympathy—but against what is alleged to be the President's weakness in dealing with strikes in defence industries. To vote against the Bill was thought to be the surest way of forcing the President's hand. The demonstration has not, however, sufficed to stop Mr John L. Lewis or the United Mine Workers of America. The postponed strike in the so-called "captive" coal mines owned by the steel industry began on Monday morning, and there has been more evidence since of its spread to other pits than of an approach to a settlement. This chain of events has naturally aroused a crop of puzzled, if not indignant, questions among observers on this side of the Atlantic. If opinion on a measure which, like the amendment of the Neutrality Act, is so obviously an essential part of the President's foreign policy, is so evenly divided that the desertion of a few members who are agitated about an entirely different matter can endanger the whole issue, can the continuance of the policy of aid to the democracies be relied upon? If Congressmen can be so irresponsible as to use the great battle of the world as a mere counter in their campaign against the labour unions, on what is their irresponsibility likely to descend next? And if the work of the "arsenal of democracy" can be interrupted by a strike in one of its most essential links on an issue which nobody can

regard as of real importance, will there ever be an effective arsenal? All those who base their hopes for a speedy issue from our present afflictions on the rising tide of American support are under the necessity of finding answers to questions such as these.

The actions of Congress have never been predictable; nor have they often been explainable in terms of European Parliamentaryism. But one almost infallible rule that can be followed in relating the votes of Congress to the opinions of the American people is to remember that the prescriptions and conventions of the American constitutional system combine to give Congress a strong negative bias—to give it an almost Irish consistency in being agin' the Government. There is, for example, the natural rivalry between the executive and the legislature, which is visible even in England, where they stand in the closest mutual dependence, and greatly enhanced in America where neither dominates the other. This has the result of making it much easier for the opposition party in Congress to maintain its discipline than for the party that supports the Administration. A Democratic President can count on having virtually all the Republican votes against him, but he cannot count on having all the Democratic votes on his side, since there will always be some of his nominal supporters who will use their votes as weapons to secure from him what they want. Another tendency of elected representatives all over the world is to be more afraid of outraging some cohesive minority in their constituencies than of earning merit that would be spread wide but thin. This tendency, too, is carried further in America than elsewhere. The lack of clearly defined differences of principle between the two major parties inevitably makes elections turn on a collection of smaller points. The system of holding primary elections, in which the Representative has to secure the renomination of his party before he can become a candidate in the real election, has much the same effect; in a primary campaign, the Representative cannot plead his general party loyalty to excuse his action

on individual issues. When, therefore, an issue is before Congress, on which one view is held by a minority of the electors, but held by them fiercely, resentfully and single-mindedly, while the other view is held by the majority, but with much less organised enthusiasm, the Congressman will conclude that more votes will be swayed against him if he votes with the majority than with the minority.

This is the position in America at present. The isolationists are a minority, but they are an organised and noisy minority. They can shower Congressmen with telegrams, they can organise petitions and threaten the implacable opposition of a substantial body of voters. In the ranks of the interventionist majority, there are few as determined as this. Most of them are hesitant, reluctant, yielding to the logic of events, but not enthusiastic over the prospect of bloodshed. It is a position very similar to that which arose a decade ago over Prohibition. Long after it was apparent that Prohibition could not be enforced, and that a majority of the public desired its repeal, Congress could not be induced to move because of the threatened vengeance of the Anti-Saloon League. And the solution will come in the same way, when the majority become as angry and as insistent as the minority. There are signs that that time is coming. But it has not arrived yet, and until it does Congress will lie far to the rear of the views of the majority. Until that time comes, American policy will continue to present the disjointed appearance it does now, and the development of events will ignore Congress as much as possible. Wherever the President can act within the powers conferred on him by existing statutes, or within his discretion as Commander-in-Chief, he will act, and the front line of American policy will move steadily forwards. But it will leave behind it, far in the rear, isolated pockets of outdated legislation. When these become too much of a hindrance, they will have to be reduced by pitched battles such as that which was fought out last week—and the pitched battles may not always be victories. But it would be a mistake to question the strength and determination of the front line merely because these beleaguered legal garrisons still hold out in the rear—as serious a mistake as to deny the gravity of the German threat to the Caucasus because Sevastopol still holds out.

The place of labour in the structure of national policy is also markedly different in America from anything within British experience. A strike is a strike the world over, and the harm that will be done to the programme of munitions production by a stoppage of the supply of coal to the steel furnaces will be no less in the United States than it would be anywhere else. But the analogy should not be pushed very much further. In this country, if, in the middle of a proclaimed national emergency, a strike were called by the Mineworkers' Federation, led by the outstanding Labour leader of the day, that would be considered to be fairly conclusive evidence of national disunity and a grave handicap to the Government in the conduct, not merely of industrial affairs, but of foreign policy as well. But in America, in spite of the great growth in unionisation in the past decade, there is still no cohesive labour movement, representing and expressing the outlook of the wage-earners on public affairs in general. The labour movement is still a minority movement, even among the wage-earners, and there is still a very sharp distinction—and often a cleavage—of interests between the paid officials of the unions and the workers they claim to represent. This is shown by nothing so clearly as by the enormous salaries that the union officials vote themselves; there is surely something suspicious about a labour "leader" who draws a salary of more than ten times the average earnings of those he leads. Some unions live off the workers rather than for them. There is the example of the Glaziers' Union in Chicago, which charges an "entrance fee" of \$1500 before it will allow a man to work, or of the Hodcarriers' Union which, until this summer, had not held an election of its officers for 27 years. Mr Thurman Arnold, Assistant Attorney-General of the United States, has given many examples of unions which have acquired just enough power to be able to paralyse an industry and which use it to make

money for their officers out of employers, workers and public alike.

Most of the worst examples of labour racketeering are in the American Federation of Labour. The CIO unions are, on the whole, more honest, more genuine and more sincerely representative of the workers they lead. The United Mine Workers of America, which has called the present strike, is perhaps the nearest approach there is in America to the industrial union as it is understood in this country. Nevertheless, some of its actions are very strange. The Union has an agreement with the "free" mines (i.e., those not owned by steel companies) which includes the two principles of the "closed shop" and the "check-off"—that is, the compulsory deduction of union dues by the employer. For many weeks this summer, the miners of at least one county in Pennsylvania were on strike against both the employers and the union, because of an arbitrary increase in the subscriptions deducted, to which their consent had been neither asked nor granted. It is precisely this principle of the "closed shop" and the "check off" for which the present strikes in the "captured" mines have been called. Ninety-five per cent of the workers are already in the union, which already enjoys the full benefits of being the sole representative in collective bargaining. This is the issue for which Mr Lewis has been willing to hamstring the munitions programme, defy the Government and convulse the nation. Clearly action of this sort is not the action of a responsible organisation of the workers, proud of its place in the structure of a democratic nation, as a strike by a similarly large British union would be. It would be a mistake to treat it as indicative of anything but a determination on the part of a sectional interest to take advantage of the opportunity of a seller's market for labour.

As it is, Mr Lewis's actions are gravely embarrassing his colleagues of the CIO, now meeting in convention at Detroit. They have affirmed their solidarity with the miners—they could hardly do anything else. But they have offered a rebuke to Mr Lewis, whose isolationist views are well known, by emphatically endorsing a resolution of support for Mr Roosevelt's foreign policy. The CIO President, Mr Philip Murray (who is also Vice-President of the United Mine Workers), resigned from the National Defence Mediation Board when it found against the miners; but he is full of suggestions for rebuilding a system of mediation. There is good reason for a conciliatory attitude on Labour's part, for the temper of Congress and the public is aroused, and anti-strike legislation is in the air. The anti-labour fire-eaters are probably as dangerous as Mr Lewis; for, if one thing would be calculated to rally the wage-earners behind the labour chiefs, it would be an attempt to outlaw strikes. There is a great deal of wild talk about the Army taking over the mines. It is true that similar measures have succeeded elsewhere—but only where there was a large body of men prepared to work if they could get protection against the union pickets. Wherever there is a genuine strike, which does not depend on violence, armed force will be powerless. Coal cannot be mined with bayonets. With extremists to right and left of him, Mr Roosevelt's task is not enviable.

The Congressional vote and the coal strike, put together, do not present a pretty picture. They show the seamy side of democracy, the struggle of leadership against inertia, the power of the obstructive minority. These defects have been revealed more clearly than usual in America in the past few weeks. But it should never be forgotten—least of all by Englishmen—that they are the defects of democracy the world over. The countervailing strength of democracy is the power of an informed and independent public opinion. It is worth all the delays and the irritations of the democratic process if they are the means of enlisting behind the cause the dynamic momentum of the determination and enterprise of millions of free individuals, each making up his mind for himself. The British democracy did not shake off its sloth until the mass of citizens took a hand in determining policy. There is every indication that the same hour of decision is approaching, slowly but certainly, in America.

Concentration of Industry

NEARLY nine months have passed since the Government's industrial concentration policy was announced on March 4th by Mr Oliver Lyttelton, then President of the Board of Trade. Broadly, the object of the scheme was, not to bring about a further curtailment in production for the home market, but to concentrate into the smallest number of plants the output of some of the factory trades supplying that market, so as to release the greatest possible quantity of manpower, machinery and factory space. The process of concentration was initiated purely as a temporary expedient, designed to economise resources; indeed, the Government has undertaken to "take all measures open to them" to assist in reopening the closed factories after the war. The scope of the scheme was limited in that it was originally intended to be applied in the main only to certain industries manufacturing consumers' goods—the majority of those covered by the Limitation of Supplies Order—and to some of those, such as cotton and wool textiles, footwear and paper, affected by the rationing of raw materials. Since the process is now said to have been substantially completed, the time has come for assessing the results achieved.

In view of the comparatively small section of manufacturing industry covered by concentration—the number of insured persons aged 16 to 64 in the trades affected was about 1,000,000 in July, 1939—the volume of manpower, plant and factory space that could be transferred to the production of the goods of war could not be too spectacular. Nevertheless, hopes ran high, for as Mr Lyttelton said in announcing the scheme, the trades concerned were "the main sources of factory-trained labour for munitions."

In fact, however, by the time the policy of concentration was announced, the industries concerned had already lost a substantial proportion of their labour force, as a result of the call-up of men for the forces and of the imposition of quotas of production and raw material restrictions. For example, the number of workers in the industries subject to the Limitation of Supplies (Miscellaneous) Order had declined from 555,000 in June, 1940, when the Order was issued, to 460,000 in April, 1941, when concentration was introduced; since then the total labour force in those industries has been reduced to some 400,000. But these figures do not tell the whole story. Many individual firms are partly or wholly engaged on war work. The numbers producing controlled goods for the civilian market are estimated at 300,000 in June, 1940, 166,000 in April, 1941, and about 100,000 after concentration. The number of factories in these industries was originally about 4,000; of these, 1,400, employing less than 20 persons, were considered too small for the application of concentration, 950 have been closed, 1,000 are to continue in operation, while 650 are on Government work or not covered by the scheme for some other reason. Of the factories over the minimum size, rather less than two-fifths will thus continue to be engaged wholly or mainly for the civilian trade. In the industries affected by concentration (excluding wool textiles), the number of workers already released, or likely to be released (though not always as a result of concentration alone), has been officially estimated at 149,000 or about one-fifth of their labour force in April, 1941.

The scope of the concentration policy has thus proved to be smaller than was generally believed at its inception; but within that limited scope the policy has been carried out with a fair measure of success, though the results vary from industry to industry. The process is virtually complete in the industries covered by the Limitation of Supplies (Miscellaneous) Order, and it has reached an advanced stage in some of the trades affected by the rationing of raw materials. In the latter group, concen-

tration is complete in cotton spinning and weaving and nearly complete in the footwear trade. Less progress, however, appears to have been made in the paper and wool textile trades. But while concentration has undoubtedly released resources which would otherwise have been wasted by operating factories considerably below capacity, it is not yet possible to ascertain its effect on costs of production. In normal circumstances, the concentration of production into fewer factories, ensuring operation at capacity, should have been followed by a reduction in costs per unit; but this tendency has been offset, to some extent, by the withdrawal of many of the younger and more efficient workers, and by the necessity of paying compensation to the closed factories.

As interesting as the results so far achieved by the concentration scheme are the methods adopted. The basic method was to make it clear that the nucleus firm would be in an advantageous position and to leave it to would-be nucleus firms to make such arrangements for absorbing the production of other firms as would enable them to operate at capacity. On the whole, this plan was successful; in the majority of industries, the response was such that the Board of Trade did not have to use its compulsory powers on a large scale. Since firms refusing to collaborate were faced with the probability of losing their labour and factories, or of having their raw material supplies cut off, this is scarcely surprising. In the larger industries, voluntary schemes predominate; thus 80 per cent of the pottery industry and 70 per cent of the hosiery trade were covered by voluntary schemes. In the case of industries consisting of a large number of small units, such as the jewellery, toy and sports goods trades, or of a small number of large but scattered units, the principle of self-selection of nucleus firms was more difficult to apply. But the Government has used its powers sparingly, perhaps too sparingly.

The methods actually adopted for the purpose of securing concentration of production vary from industry to industry. As was argued in *The Economist* when the policy was first announced, the guiding principle should be to devise the schemes in such a way that a reversion to the *status quo*, or at least to normally competitive conditions, could be easily assured once the emergency had passed and the very different circumstances of peacetime had been restored. From this point of view, the most satisfactory methods would be the more obviously loose and temporary, such as an agency arrangement—by which the nucleus firm undertakes the production as the agent of the closed-down firms, selling the output to them at cost price for disposal through their accustomed channels—or a pooling scheme, whereby a number of firms join together to operate the nucleus plant. The least satisfactory method would be the permanent acquisition of closed-down plants by nucleus firms. In between the most satisfactory and the least satisfactory methods would be the different varieties of scheme based on a transfer between firms of production quotas. If the consideration paid for the transfer of quotas is of the nature of a share in profits, the scheme approximates to the more elastic and more desirable pooling schemes. If the consideration is a fixed sum, it turns the closed-down firm into a *rentier* and comes close to a permanent merger.

Judged by these tests, the schemes that have been adopted are, on the whole, not unsuccessful. Schemes by which the nucleus firm manufactures at cost for its closed partner who continues to sell the products is the most common form of arrangement. There are, however, examples both of permanent mergers and of inelastic compensation arrangements (for example, in the pottery trades). In some sections of the cotton-spinning industry, a full-blown scheme of a levy imposed on active spindles (irrespective of profits) and a fixed compensation payment for inactive spindles has been adopted—a method un-

desirable in principle, but possibly justified in an industry where the need for concentration will not disappear at the end of the war. On the whole, however, it can be said that the Board of Trade has successfully used its influence in favour of the right sort of scheme.

One general criticism that has been urged against the methods followed has been that the fullest economy of resources could be achieved only by treating each industry as a unit and imposing a central scheme. Logically, the argument is correct; but an attempt to apply it would have met with the dilemma that either the schemes must be worked out by impartial controllers from outside—a process that would involve both delay and dispute—or else they would inevitably fall into the hands of the trade associations. In all the circumstances, it is difficult not to accept the argument that to have treated industries as units would only doubtfully have increased the effectiveness of the policy, while it would certainly have strengthened the tendencies towards cartelisation and monopoly. As it is, the Board of Trade successfully set its face against giving the trade associations any governing place in the execution of the policy. In one or two cases—pottery is one—they are being used as the channels through which compensation is paid. In only very few—some parts of the iron and steel trades are significant instances—do the trade associations have any greater powers. This is a very great gain.

Nevertheless, even a brief examination of the results of concentration suggests that, while it may have been designed as a temporary measure, it will inevitably have permanent results in altering the structure of industry. Even if the various schemes adopted had all

been of the loosest variety, many groups of firms would probably find it advantageous to remain combined after the war. But many of the schemes actually adopted are of a nature that will render the process of unscrambling difficult. And in some industries there are indications that the larger firms tend permanently to absorb the smaller. For example, the Lancashire Cotton Corporation is still purchasing additional mills. The tendency towards amalgamation is not necessarily undesirable—in fact it is a continuation of the pre-war trend—so long as it does not result in a permanent restraint of trade. The longer the war lasts, the greater this danger will become, and the more difficult it will be for owners of closed-down firms to re-establish themselves. It is obvious that some unfortunate results must be expected to remain from a policy that could never be regarded as anything but a painful necessity. The Board of Trade should continue the good work they have started, to rescue as much as possible of the peacetime structure of British industry.

In sum, the Lyttelton scheme has brought a substantial measure of rationalisation to the consumers' goods industries. And, provided the Government takes good care to prevent the creation of monopolies, wartime concentration may pave the way towards greater efficiency. But the success achieved in a comparatively small sector of industry throws into relief the Government's failure to deal adequately with the related problems of the distributive and service industries whose labour force greatly exceeds that of the trades affected by the original concentration scheme. It emphasises the need for an early extension of concentration to these and all the other industries which have suffered a decline in the volume of business.

Ostland

IN the last five months, the Germans have occupied the Baltic States, Bessarabia, the Polish Ukraine, White Russia and most of the Russian Ukraine. While the battle rages on inconclusively to the east, the vast task of organising these new conquests cannot await the outcome of the war.

The appointment of Dr Rosenberg to be Minister of Occupied Eastern Territory marks a new stage in the political organisation of Germany's eastern conquests. Before the outbreak of war, it seemed that the Nazis were encouraging dissident national groups with the bribe of independent statehood to work for the disintegration of the U.S.S.R. Ukrainian Nationalists, Lithuanian Activists and Estonian Fascists all hoped—and had some grounds for hoping—that their support of the Nazis would be rewarded by independence and power. The first weeks of the eastern campaign did not disillusion them. The Ukrainian Nationalist *Bandera*, which the Nazis had formed and encouraged from Berlin, assisted in the re-occupation of the Polish Ukraine. The Lithuanian Activists staged an internal insurrection to time with the German invasion, and Kaunas was actually handed over by the Activists to the advancing German armies; but once the occupation was completed, the Germans unceremoniously dropped the Nationalists who had assisted their entry. Their nationalism was too genuine, and the Nazis feared insubordination and local discontent when these men discovered—as discover they must—that they had simply changed one type of occupation for another. Thus all semblance of conciliation was abandoned within a few weeks of the occupation. In the place of national governments, German Reich commissioners were appointed, all picked from among the oldest, most trusted and most anti-Communist members of the Nazi Party. All the north-eastern territories, including Polish and Soviet White Russia and the Baltic States, were grouped together as the *Ostland* and placed under the governorship of Gauleiter Lohse. Other "General Commissioners" work under him, at Kaunas, Riga and Tallinn, and General Commissioner Kube controls Polish and Soviet White Russia from Minsk.

In the south, the hopes of the Ukrainian Separatists were dashed by a German decision, taken soon after the occupation, to transfer the Polish Ukraine to the mercies of Dr Frank and the Government General of Poland. All that is left of the Ukrainians' high hopes to-day is a series of minor political and economic privileges whose purpose is, however, not to raise the Ukrainians so much as to debase still further the status of the Poles and the Jews. The rest of the Ukraine is still under direct military administration. So, too, is the Smolensk area. And "military administration" fades off without any clearly defined frontiers into the actual fighting zone.

All these separate administrations, which have worked from the first in the closest collaboration with Dr Rosenberg's "Eastern Section" in Berlin, have now been grouped together under his control as "Eastern Territories." His appointment marks the end of all opportunist, nationalist flirtations. German policy in the *Ostland* is returning to the secular policy of *Innere Kolonisation*, the policy of Bismarck and the Kaiser when they attempted to people the Polish fringes of Prussia and Silesia, the avowed *Lebensraum* policy of *Mein Kampf*, and of Dr Rosenberg himself. In Bismarck's day, only German-occupied Poland was in question. To-day, in the words of an official German spokesman, "Economic and geopolitical conditions in the East make it necessary to draw the limits of the eastern space rather further afield than is generally done."

If colonisation is the ultimate objective, the first problem is to rescue something from the wreck of war. In the chaos which has followed the passage of the armies and the withdrawal of the highly centralised, highly autocratic Russian administration, some kind of economic and social reorganisation is probably far more pressing than the problem of political control. The Germans face formidable difficulties. In no territory occupied so far have they had to deal with so much destruction. It is always much easier for a completely state-run community to impose huge sacrifices upon the people. The destruction has not been individual and sporadic, but planned as comprehensively as any previous

schemes of construction—for example, the system of time bombs in Kiev was linked to the electric light system of the city. The unequal incidence of sabotage in agriculture and in industry is due not only to the inherently more destructible nature of machinery but also to the fact that it is in crops and livestock that the peasant comes nearest to private ownership and is therefore least eager for patriotic destruction. Wherever the Germans advanced suddenly and rapidly, in Polish Ukraine, in White Russia or in the lands between the Dniester and the Dnieper, they succeeded in salvaging most of the harvest. They were assisted too by the fact that in these western districts they attacked while the crops were still standing. In Eastern Ukraine and in much of the Smolensk area, the harvest was already in and the grain had gone east. The most serious side of sabotage in agriculture follows from the fact that Russian farming is very heavily mechanised. It is hard to say how many of Russia's 7,000 tractor stations the Germans have captured intact—a percentage possibly in the areas of rapid occupation, but, whenever the Soviet authorities were given time, there can be no doubt that the tractor stations were destroyed.

In industry, destruction and evacuation have also followed a consistent plan. The Germans are left with the unexploited raw materials, with very heavy fixed plant that cannot be destroyed and apparently very little else. Even though some new machines can, perhaps, be brought in, the problem of fuel remains very formidable. All occupied Russia is for the time being cut off from its Caucasian oil supplies. The Germans are getting a little oil from Galicia, a few thousand tons from Romney, and perhaps 200,000 tons of shale oil from Estonia—an amount quite inadequate to balance the vast new agricultural and industrial commitments Germany has assumed.

If this sum of agricultural and industrial wreckage is added up, all the Germans can hope to secure this year is some grain—probably not so much as the Russians exported to Germany last year—the flax and hemp crops, and oilseeds. Coal and iron ore are available, if they can be mined, but Germany is not in great need of either, and the iron is 2,000 miles from the nearest smelting works. There is manganese, but the Russians supplied the Germans very fully in previous years. As for next year, everything depends upon the degree of reorganisation possible. It is not likely to be high. Nevertheless, the Germans' power of restoring a country devastated by war and sabotage should not be underestimated. Behind the front line, a whole army of men are occupied on immediate reconstruction. There are the Army Economic Troops who make the inventory of captured foodstuffs, raw materials and machinery. Behind them, the *Technische Nothilfe*, many hundred thousands strong, a corps of engineers and skilled workers, repairs water works, power stations, gas works, plants and factories. Parallel with, and complementary to, their activities is the work of the Todt organisation, which may well number half a million men; its work is the building of roads and railways, aerodromes, factories, housing. Behind them again are the millions of navvies in the Labour Corps and among the prisoners of war. The difficulty in Russia is that all these men, who in the west were available by July 1940 for reconstruction, are still involved in the military campaign. In northern France, particularly in Alsace, it was possible to organise the autumn sowing by throwing in the paramilitary labour battalions—for example, light tanks were used for tractors; in Russia, the vast front diverts a high percentage of men and materials to the feeding of the war machine and there is no trace of slackening appetite.

Germany's hopes of any kind of restoration must therefore depend to a very great extent on securing the co-operation of the Russian population. It is too early to say how well they are succeeding, but their task has probably been made politically easier by the emigration eastwards of the urban and rural bureaucracy and by the most efficient and presumably most politically intelligent workers. At the same time, the managerial problem has been enormously increased. The Germans could perhaps secure a considerable measure of support if they were

completely to undo the collective basis of Russian agriculture, particularly in the Baltic States and East Poland, where collectivisation is not two years old. Unfortunately for the Germans, popularity and output are incompatible. The whole working structure of agriculture and industry could just conceivably be transformed into individualism if the individualist were there. But there are no "kulaks"; there are no small industrialists. The whole bureaucratic framework has emigrated, and there is no local wood for new scaffolding. The Germans have brought in German and foreign overseers to take the place of the old Soviet administration. Collective farms remain the same though they are called "communal farmsteads." State farms remain as "national farmsteads." The peasants are being bribed with taxfree private strips of land and high prices in marks for their goods. But they have not been given control of the land.

It is not only a question of the lack of "entrepreneurs." The lands of the Ukraine and White Russia are not suited to small scale intensive mixed farming. If the Germans "gave" the peasants the land in a Balkan sense of 2-5 hectare holdings, the result would be, not merely no surplus for Germany, but not even subsistence for the Russians. It is the old problem of 1918. At that time, the German General Staff would have found it very convenient to rally the peasants to the support of the independent Ukrainian *Rada* by giving them the land. But they found that only on the big estates were there any agricultural surpluses, or any hopes of future excess production. So, although they grouped the landowners in some communal fancy dress as a Union of Cornraisers (*Khliboroby*), the landowners kept the land, the peasants remained hostile and the whole experiment broke down. The normal type of Ukrainian agriculture is the "grain factory," and grain factories are incompatible with peasant ownership in any form the peasant can recognise as such.

This paradox does not hold good of industry. The Germans, within the constraining limits of further war and indefinite occupation, are more free to experiment as they will. It is too early to say what type of organisation they have in mind. Heavy industry will presumably be state controlled. In September a special company was formed, the *Bergbau- und Huettenengesellschaft-Ost*, under the direction of Pleiger, the managing director of the *Hermann Goering Werke*. The *Werke* are, of course, the parent trust, and the new company's working programme will be dovetailed into the Four Year Plan. It is rumoured that private industry will be encouraged to migrate or to open up new enterprises. At the Koenigsberg Fair in October, Dr Funk spoke of the *Ostland* as being united at last with its natural market, Europe, and examples of Russia's riches—iron from Krivoi-Rog, shale oil from Estonia—were on view. However, none of this can be regarded as much more than shadow play until the war is won or, at the very least, a front stabilised. There are no machines; the railways groan under military traffic; the roads are quagmires; the towns are gutted. To keep stirring even a faint pulse of economic life is all that the Germans can hope for this year or perhaps next. "Collaboration" did not get under way in France until February, 1941, and there there were thousands of industrialists, large and small, with whom to work. Russia must, by every count, entail a slower schedule.

In all this political and economic reorganisation, embryonic as it is, clouded with the fog of war, improvising here, defeated there, baffled by a thousand hair-raising material and psychological problems, in all this, a consistent plan emerges none the less. It is the plan of the *Ostland*, of *Innere Kolonisation*, of a vast area of the East where the Germans can expand as the land owners and industrialists ruling a new race of serfs. The vision is not fantastic. It has been the fate of the vast, inarticulate mass of Slavs to live under many foreign masters and to serve under many autocratic régimes. The great query does not lie in the Ukraine, for all the appalling difficulties the Germans face. It is at the Moscow front and will be answered only by victory or defeat.

Parliament and Placemen

IN time of war the authority of the Government is necessarily complete. It is perhaps for this very reason that, after two years, Parliament should show itself as determined as it has recently been to restate the supremacy of Parliament and the constitutional subordination of the Executive. The opposition to Regulation 18B is a straw in the wind; and last week's report of the Select Committee appointed early last March to enquire into the troublesome question of offices or places of profit under the Crown puts the issue in the long perspective of Parliamentary history. The occasion of its appointment was, it will be remembered, the House of Commons Disqualification (Temporary Provisions) Bill, which was passed on the occasion of Mr Malcolm MacDonald's appointment as High Commissioner in Canada to enable him and other officials to retain their seats in Parliament.

At the time of the debates on the Bill, the two main criticisms expressed in Parliament were, first, that it would disfranchise constituencies and, secondly, that it would increase the power of the Executive. In its report, the Select Committee shows that one or both of these arguments have been behind most of the resolutions, statutes and decisions in individual cases since the seventeenth century, when the question of office holding first engaged the serious attention of the House of Commons. For instance, in 1606 a select committee considered the cases of certain ambassadors and certain holders of offices in Ireland. In the latter case, the Members were declared to have forfeited their seats because their patents were granted for life, whereas the ambassadors were allowed to retain their membership of Parliament, because at that time an embassy was regarded as a temporary mission. Over three hundred years later, therefore, Sir Stafford Cripps was not disqualified from membership when he became ambassador to Moscow. It is true that in the reign of James I, the House of Commons was mainly concerned with its own rights and its own wants, rather than with its duties towards its constituencies. But, as the Select Committee points out, the principle that a Member's duties include duties to his constituents is a modern corollary of the older and wider principle that certain offices are incompatible with membership of the House of Commons.

After the Restoration, Parliament regarded the holding of offices under the Crown from a different angle. The emphasis now lay, not so much on the fact that they were offices—and therefore possibly incompatible with membership—but on the fact that they were under the Crown—and therefore incompatible with the growing power and independence of Parliament. Because of this shift in emphasis, legislation was felt to be more appropriate; and by a provision in the Act of Settlement, all office holders were excluded from membership. Obviously, if this had been the Commons' final say, Cabinet government as England knows it would have been impossible. But in their earlier attempts at legislation and in their resolution of 1680, they had left a loophole for Ministers to remain Members of the House, and in the Succession to the Crown Act of 1705 (re-enacted in 1707) the compromise was made law. This statute provided that any person accepting a new office or place of profit under the Crown—that is, one created after October 25, 1705—should be disqualified, and also that any Member accepting an office of profit should have to seek re-election—which remained in force until the Re-election of Ministers Acts of 1919 and 1926. Thus, although an Ambassador to Moscow is exempt under the first provision, an Ambassador to Washington—as the Attorney-General pointed out in the debate on the MacDonald Bill—is probably not, because there was no such person in the reign of Queen Anne; and the modern office of High Commissioner is quite clearly a disqualification.

These three principles—incompatibility of certain

offices with membership; the need to control the influence of the Executive in Parliament by limiting the number of office-holders in the House; and the need to have some Ministers in the House in order to ensure the control of the Executive by Parliament—have been followed by the Select Committee in its recommendations. It recommends that a Bill should be introduced disqualifying all office-holders, except such as are excepted in the Bill itself, while the enforcement of the law and the consideration of new or doubtful cases would be left to machinery set up by the House. The exceptions would cover—in view of the third principle—holders of ministerial offices, but—in view of the second principle—the Committee would limit the number sitting in the House of Commons in peacetime to 60, about 10 per cent of the total membership and 3 more than the number permitted before the outbreak of war. It sees, however, a danger that the purpose of this limitation would be defeated if the modern tendency to appoint Parliamentary Private Secretaries were extended. Just as under the Tudors and early Stuarts, the privy councillors as Members of Parliament were the chief link between the Crown and Commons, so to-day the PPS is the eyes and ears of his Minister in the House. Since, however, he is appointed by the Minister personally, he cannot be disqualified by reason of his holding office under the Crown—in any case, as the Committee points out, his function depends upon his membership. But it agrees with the view that the existence of the PPSs increases the voting strength and influence of the Government in the House, and it recommends, therefore, that by resolution or some other non-legislative means their number should be limited.

The next recommendation of the Select Committee deals with the non-Ministerial offices which should be exempt from disqualification. These include officers and men of the armed forces not on active service; Lords Lieutenant, except for the counties in which they hold office; High Sheriffs and Recorders with a similar stipulation; JPs, Commissioners of Assize and chairmen and deputy-chairmen of quarter sessions, other than London quarter sessions; Gentlemen-at-Arms; Regius Professors, heads of colleges, the Provost of Eton and other academic offices; the first Church Estates Commissioner and unpaid members of the Forestry Commission and the Charity Commission (it is worth noting, incidentally, that the War Damage Act excludes a Member of Parliament from serving on the War Damage Commission); the legal representatives of the late Mr G. E. B. Eyre, who hold the office of King's Printer in trust for Eyre and Spottiswoode Limited; and finally—it is a relief in view of the present holder of the office—the Lord Warden of the Cinque Ports.

The Select Committee then gives a list of the persons who, it considers, should be expressly disqualified, even though they may be technically outside the disqualification provision. The exclusion of judges is obvious, and other judicial offices, such as the chairman and deputy-chairman of London quarter-sessions, are also specifically excluded from Parliament by statute. But there are other judicial or semi-judicial offices, about which the position is not so clear but which the Committee considers should disqualify. These include the Recorder of London, one of the chief criminal judges in England; the Common Serjeant; the Judge of Appeal of the Isle of Man; and all stipendiary magistrates. The exclusion of civil servants is as clear as the exclusion of judges, but, having regard to both law and practice, the Committee thinks that a definite pronouncement should be made that ambassadors are now disqualified, because their office is no longer a temporary mission—and is therefore incompatible with membership—and because they have to carry out the policy and directions of the Government. The same con-

siderations apply to High Commissioners. The Committee would preserve, however, the Parliamentary fiction of applying for the stewardship of the Chiltern Hundreds and the Manor of Northstead to enable a Member to resign his seat. But there is one body of people on whom the Select Committee finds itself unable to express any opinion concerning their disqualification, and that is the clergy. Thus, unless Parliament itself alters the present position, nonconformist clergy and ministers of other churches may continue to sit—and vote against Sunday theatres—while clergy of the Church of England and the Roman Catholic Church are disqualified by statute.

In the second part of its report, the Select Committee deals with office-holding in the present state of war. The general position has been greatly altered by a series of statutes—the Emergency Powers (Defence) Act; the Regional Commissioners Act, which exempts Regional Commissioners and Deputy Regional Commissioners from disqualification; the Ministers of the Crown (Emergency Appointments) Act, which removes the restriction on the number of Ministers sitting in the House; the House of Commons (Service in His Majesty's Forces) Act, which allows Members to go on active service; and the House of Commons Disqualification (Temporary Provisions) Act. By all this legislation, the three principles underlying the law and practice of disqualification have gone by the board. The Committee recognises that this is largely unavoidable; nevertheless, it is concerned to point out one or two dangers in the present position. For instance, it points out that the Act repealing the limit on the number of Ministers is only restricted in duration by the fact that it applies to Ministers appointed for the prosecution of any war in which His Majesty may be engaged. Thus, it could still be in force if, say, this country were technically at war with San Marino long

after the war with Germany was at an end. The Committee, therefore, recommends that the Act should be amended so as to limit its duration to the present war. It also makes certain recommendations regarding the Disqualification (Temporary Provisions) Act: that the certificate of the First Lord of the Treasury that the appointment of a Member to a certain office is in the public interest should be altered to state that it is also in the public interest that the Member should retain his membership of Parliament; that there should be some limit on the number of certificates granted in a year and some limit on the period for which exemption from disqualification is granted; and that a certificate should be communicated to the Speaker, who would inform the House and thereby give it more publicity.

These wartime recommendations are, however, by their nature of less interest and importance than the main body of the Select Committee's report. The value of this lies both in the clarity with which the present confusing position is expounded and, particularly in these days, in its restatement of the subordination of the Executive to Parliament. If the proposals are adopted, a mass of legal and conventional anomalies will have been swept away, the rights of that "odious and objectionable person"—the common informer—to recover penalties in respect of disqualified office-holders rescinded, and the disqualification for office-holders made as clear as it is for minors, lunatics, aliens, felons, bankrupts and peers of the realm. This alone would be no mean achievement. But far more important is the Select Committee's support of the three principles which in effect affirm the supremacy of Parliament and the people it represents. If its recommendations are in many ways a compromise, that is fully in accordance with the grand compromise—the Constitution itself.

NOTES OF THE WEEK

The African Front

Not only the embattled "second frontiers" but the British public in general have received the news of the Libyan offensive with relief and interest. Now there is a "second front" there where, by every military calculation, it can only effectively be; where the British can strike across a land frontier against an enemy who shares with them the disadvantage of exposed maritime lines of communication. The newly-constituted Eighth Army launched its first attack on November 18th, repeating the manoeuvre of Sidi Barrani. Mechanised units crossed the frontier well behind Sollum and Halfaya and on the first day advanced fifty miles into Libya to the south of Sidi Omar. The real fighting will begin when the columns swing to the sea to establish contact with Tobruk. Axis strength is estimated at three armoured divisions and supporting troops, and there is no doubt that the struggle will be stiff. Nevertheless, the wholesale sinkings of Axis ships in recent weeks must have influenced the enemy's supply position and in spite of Britain's expanding commitments in Iran, the British Army that is attacking to-day is far stronger than the one commanded by Gen. Wavell during the abortive British attack of the early summer. It is disturbing that, at this juncture, the situation in French North Africa should appear to be more unsettled. It is, of course, an obvious moment for Germany to bring pressure to bear on Vichy to put an end to General Weygand's relative independence. The General, backed by American support and American supplies, has been able to prevent so far the enfeebling of his command to the Nazis, and there are some American observers who believe that the arrival of British columns on the frontiers of Tunisia would have a powerful effect on the General. There is little the British Government can do to influence the decision of Vichy. But the position is very different in Washington. Vichy values American recognition. North Africa depends upon

American supplies. The continuation of both must be made conditional upon good conduct.

The Mood of Parliament

It illustrates the present mood of Parliament that both Mr Morrison and Mr Shinwell are under fire, the Home Secretary because of the power he wields to detain suspects in defence of national security and the Labour front-bencher because his criticism of the Government has turned to unremitting censure. The situation has the appearance of paradox. The country is overwhelmingly united in support of the war, and Mr Churchill has commanding backing in Parliament and outside. But Parliament is more than ever wary in protection of individual rights, especially those of Members; and the Government is more than ever sensitive to criticism. The House of Commons is to debate Regulation 18B again, and many Members are anxious to restrain the use of arbitrary detention by the Executive either by replacing the Committee which now advises Mr Morrison in these cases by an impartial tribunal or, as some propose, by restoring to suspects their normal right of appeal to the courts. Lord Ponsonby's indictment in the House of Lords, on behalf of the peace-seeking Duke of Bedford, of the "Gestapo methods" of the Home Secretary probably went further than most non-pacifist critics of Mr Morrison would go; and the astonishing personal attack launched in the Commons last week against Mr Shinwell probably exaggerated—both by its measured violence and by the large proportion it took of Mr Alexander's time in replying to the debate—the Government's resentment of Mr Shinwell's strictures. But the wariness of Members and the sensitiveness of Ministers are very real. To the observer, it appears that although concern by Members for the rights of dissentient opinions and by Ministers for the exigencies of wartime administration are both part and parcel of what Mr Churchill himself last week called "the full

practice and freedom of Parliamentary institutions," both sides could quite certainly do with a dose of common sense, Ministers restraining their resentment and Members their more extravagant suspicions.

Members and Ministers

Parliament gave Mr Morrison the powers he is using under Regulation 18B, after careful scrutiny of their details, because they believed them to be necessary. Equally, they can now take them away or amend them if they feel that, in fact, they have been abused. But members should ask of themselves whether their present critical attitude is not really due to the assumption, which is not as yet soundly based, that the emergency against which 18B was devised has now passed away. They should remind themselves that, as Lord Simon pointed out on Tuesday, the Duke of Bedford, for all his "irresponsible and pestilential" views, is still at large and free to speak. Mr Morrison must have the means to do his job, which is to defend the realm from within; and there is no evidence that opinions, as distinct from subversive action or connections dangerous to the State, are being restrained or prosecuted. Parliament must, of course, decide, but it must decide sensibly. Similarly with Ministers and Mr Shinwell. Mr Shinwell is an able Member and was once an able Minister. During the war his criticisms have often been pertinent and timely. Now, however, his manner, which has always, because of its bitter and personal brilliance, been better suited to the hustings than to Parliament and the wartime platform, has begun to outweigh his master. The more critical Mr Shinwell becomes. He no longer criticises in any helpful sense; he just opposes. He is violent, and therefore disappointingly ineffective; and he is apparently not ready to harness his great abilities to any but the highest offices of State. But Mr Shinwell is not wholly to blame by any means. It is because Ministers have in the past been so slow to move and so reluctant to accept advice that the more restless of the critics have allowed themselves to be goaded into ill-temper and ineffectiveness. The critics start on the firmest of ground: they were elected to scrutinise the work of the Executive, to state grievances, to criticise faults, to make suggestions and "to bother about everything that the people are bothering about," as one Member put it the other day. It is only when they and their Ministerial targets both sacrifice sense to sensibility that the present state of mutual suspicion arises.

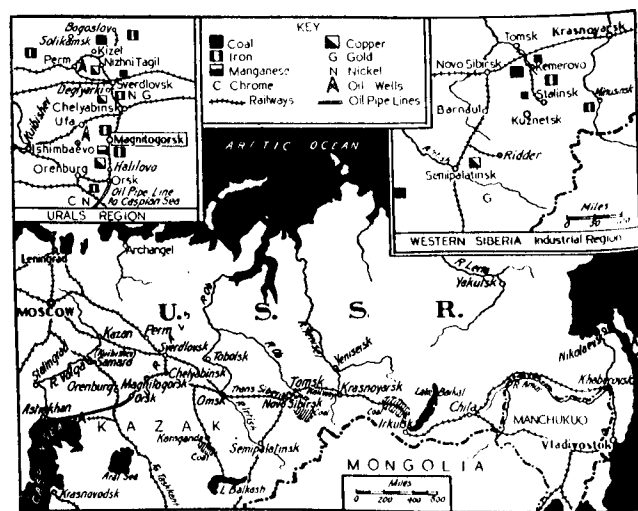
Fighting North and South

The lull in the Moscow centre continues, while the Germans publish heartrending accounts of the weather and the cold and the thaws and the mud. On the extremes of the front, the situation is changing. In the south, the Germans report the capture of Kerch; in the extreme north, there is evidence of a new drive against the Murmansk railway. The capture of Kerch—which the Russians do not yet admit—is an essential preliminary to an air and sea attack upon the Caucasus. But there are other preliminaries, equally essential. With Sevastopol unreduced in the rear, naval manoeuvres in the Black Sea would be very hazardous. With big pockets of serious resistance still holding out and general guerilla fighting continuing in the peninsula, the marshalling of the necessary fleet of troop carriers, gliders and support planes would be almost impossible. The attack on Crete followed the "pacification" of Greece and an intensive construction of new airfields. Under existing conditions in the Crimea, such preparations would appear to be out of the question, even supposing that, with the immense drain of the front, the labour force were available. As winter settles on the other fronts, the Germans may very well concentrate more and more of their resources on a Caucasian campaign—in the celebrated map displayed in Prague in 1939 only the Ukraine and the Caucasus are scheduled for conquest by 1941—but the Russians should have some weeks yet to strengthen their defences south of Rostov. The new activity in the Karelian sector may be partly a propaganda move to rally the Finns to greater efforts—Terboven's visit to the northern front probably had the same purpose, both for the Finns and the rather discouraged Germans—but there is an obvious

strategic objective in cutting off the Soroka-Archangel railway line which links Murmansk with Central Russia. It is very doubtful whether Archangel can be kept ice free and the northern supply route—the shortest Anglo-American route—depends upon keeping Murmansk and the stretch of railway between Murmansk and Soroka clear of the enemy. So far, neither Finns nor Germans have made much progress in the Salla-Kandalaksha sector, but the season is beginning in which the Finns scored such signal victories in 1939. Murmansk is thus a crucial sector and it is encouraging that here at least the RAF can render direct assistance.

Russia's Resources

In an article on page 616, the question of Germany's gains from the occupation of European Russia is fully discussed. But more important than the gains of the Germans are the losses of the Russians. By any estimate they have, of course, been terrific; the loss of the industrial area of the Ukraine alone deprives Russia for the time being of nearly 60 per cent of its industrial capacity. However, there is good reason to believe that the Russians have done more than at first seemed possible to build up their industrial second line. The movement of industry to the east, begun under the first Plans, has been carried much further under the Third Five-Year Plan which comes to an end in 1942. Under this Plan the Urals—together with Kuznetsk Khazakstan and Karaganda—are scheduled to produce a third of



the Union's pig-iron, steel and rolled metal next year. The greater part of Russia's smelted copper will come from enormous plants set up at Revda near Sverdlovsk and in the neighbourhood of Orsk. Nickel is produced at Ufa and new plants are nearing completion at Khalilovo. Kamensk has a big aluminium factory and Perm is the centre of a growing chemicals industry. The real shortages occur in such categories as specialised steels, machinery and machine tools. Here, however, the Government's carefully devised and drastically executed plan of evacuation and emigration is doing much to make good the deficiencies. The scene witnessed by Sir Walter Monkton of trucks and trains loaded with tools, machinery, the bricks of the factory, the workers, their families and their household effects all moving eastwards can, it appears, be seen on any east-going road and railway. The evacuation of industrial Lenin-grad—which is said to have begun as early as 1938—has been carried on even with the Germans in the suburbs; and in every area so far occupied by the Germans, almost the entire movable plant was evacuated before the arrival of the enemy. Very optimistic estimates even suggest that by 1942, Russia's industrial capacity—not necessarily its output—will not fall far short of the total Union capacity in 1941. There remains one serious difficulty—oil. The oil resources of the Urals are not very fully developed. The oil from the Ishimbaevo fields is refined at Ufa and Syzran and another refinery is under construction at Perm—for the time, the Perm oil goes to Saratov-on-Volga for refining; but this capacity falls very far short of what is necessary to maintain the Russian armies and Russian industry. The oil of the Caucasus and the sea route from Baku to Astrakhan must be preserved at all cost.

Ring in the New

The expected changes in the Cabinet are apparently not to happen. The Prime Minister went out of his way last week to inform his critics in the Commons that he did not intend to alter his Ministers. Instead, there has been a wholesale reshuffle in the High Command of the Army. Even more than the last drastic changes in the high places of the RAF, this has come as a surprise to the public. The alterations began with the recent appointment of General Sir James Marshall-Cornwall to be GOC Western Command and the "relinquishment" by Admiral Sir Roger Keyes of his leadership of the Commandos. Now General Sir John Dill, Chief of the Imperial General Staff, becomes Governor-designate of Bombay; General Sir Alan Brooke, Commander-in-Chief Home Forces, becomes CIGS; Major-General Nye, Director of Staff Duties, becomes Vice CIGS; Lieutenant-General Sir Henry Royds Pownall, Vice CIGS, proceeds to a special "secret" appointment. Lieutenant-General B. C. T. Paget, GOC South-Eastern Command, becomes Commander-in-Chief Home Forces; and Lieutenant-General B. L. Montgomery takes over as GOC South-Eastern Command. It cannot be disguised that the Army has been the most criticised, in general and in detail, of all the Services; and there is certainly much to be said for changes which, on the whole, bring younger commanders to the fore. The new Vice-CIGS, who has risen from the ranks, is only 45; and Sir John Dill, who is replaced by a man two years younger, had reached the retiring age of 60. Captain Margesson has made it plain that only in exceptional circumstances will any officers be retained above the age-limits laid down. On the other hand, age—especially when it is a matter of a year or two—is of much less consequence in high command than in the field and operational posts which are at present being very properly purged of the old and unelastic. Sir John Dill is still officially described as an "outstanding strategist" of "compelling personality." Major-General Nye is the only really young commander in the new appointments; but none of the others who have been reshuffled, apart of course from the indomitable Admiral Keyes, is yet 55. Lay opinion can make no judgment in these matters; the powers-that-be know best, or ought to. Perhaps the public is somewhat disillusioned; it is used to the military heroes of yesteryear, the Ironsides and the Gamelins, becoming the failures and the discards of to-day. Army commanders are always the best until they are removed, swans until they are recognised as geese. But even the most sceptical will admit that, from their records, there is rather more chance than usual this time that the newly promoted commanders are in fact what the usual chorus of welcome has proclaimed them to be, men who have emerged now because they have stood the test of modern mechanical warfare. They are known to have up-to-date views about tanks and air co-operation. It is always the losing side in Test matches that makes most changes in the team; and the generals of the German army, young or old, do not change because they win their battles. The time is approaching for the Allies to make use of the weapons they are now making; and these appointments may be regarded as the first stage in the new phase of more active fighting.

No Wavering at Washington

In an atmosphere of frenzied patriotism, the Japanese Diet has authorised an extraordinary military expenditure of 3,800,000,000 yen, and has approved stringent new taxation without a qualm. What interruptions there were appeared to represent the impatience of the members with the Government's hesitations in placing the country on "a full war footing." If it was the purpose of General Tojo to work up an atmosphere of crisis in order to secure the safe passage of the new economic measures, he has succeeded admirably; but the effect of the wild talk and general irresponsibility upon the conversations in Washington must be deplorable from the Japanese standpoint—that is to say, deplorable if they really hoped to reach some kind of settlement by negotiation. Mr Kurusu has arrived, and he and Admiral Nomura have seen the President, but, given the statements made to the Diet by the Japanese Prime Minister and Foreign Minister, it is impossible to see what possible basis for agreement there can be. General Tojo laid down a three point programme—non-interference of other Powers in the China "incident," an end not only to the "military threat" to Japan but to the economic blockade and all restrictions on free trading, and no extension of the European war to East Asia. Washington's answer to these points

can follow only one line—that the Japanese have it in their own power to accomplish this programme. No other Powers will "intervene" in China, provided Japanese intervention is brought to an end. There will be no restrictive military or economic action against Japan, provided Indo-China is evacuated and the military threat to the South Seas is removed. There will be no extension of the European war to the Far East, provided Japan breaks off its "entangling alliance" with the Axis. There are happy signs that the President is taking a firm line. His first talks with Mr Kurusu have coincided with the release of very interesting details about the extent and nature of American help to the Chinese. American repair equipment and lorries are being used for widening and improving the Burma Road; 300 United States pilots are to assist in the development of the Free Chinese Air Force; regular shiploads of armaments and supplies are promised for the coming winter. Britain, too, is showing a firm front of which the arrival of Canadian reinforcements at Hongkong is welcome evidence. Japan can have peace—yes, but at a price. And at long last the democracies seem to have realised that not they, but the Japanese, must pay the price.

Good Neighbours

The United States and Mexican Governments are to be congratulated on a statesmanlike settlement of their outstanding difficulties. Not only is the oil dispute apparently closed, but other problems which have long been points of friction in the relations of the two countries are satisfactorily resolved. Mexico is to pay \$40 millions in full settlement of the general claims of American citizens in Mexico—this figure includes the long-disputed agrarian claims; the two Governments announce their intention to negotiate a reciprocal trade agreement; the United States will assist the stabilisation of the peso, buy up newly-mined Mexican silver and make loans for the building of highways. The most important point of friction—the oil dispute—is not settled outright, but the importance of the terms of the

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agreement lies in the fact that both parties have discovered an agreed basis for a settlement. It is no longer a question of a lease or the length of a lease or of rights to the sub-soil. The issue is the comparatively straightforward one of compensation. The Mexican Government have agreed to make a cash deposit of \$9 millions pending the final determination of the sum of compensation by two experts, one designated by each of the Governments concerned. The new agreement proves that, given political good will on both sides, economic problems and interests need not stand in the way of a general settlement. President Roosevelt and President Camacho have proved their good will. It is to be hoped that the same mutual accommodation can now be shown between Mexico and Great Britain.

* * *

Shipping and the Neutrality Act

On Monday the revision of the Neutrality Act acquired legal sanction. The amendment, which enables American merchantmen to be armed, and removes all geographical restrictions on their movement, is a decisive step towards that full collaboration between Great Britain and the United States which is necessary to secure their joint communications, to enable them to utilise their combined resources to the best advantage, and to concentrate their striking power in the theatres of war. The American Government had already gone a long way in this direction. On the one hand, it has sold and leased merchant ships to Great Britain, and it has begun the biggest shipbuilding programme the world has ever seen. On the other hand, at a critical moment last year, it put 50 destroyers at the disposal of Great Britain, following up this step towards naval collaboration. The latest step, marked by the revision of the Neutrality Act, should lead to an appreciable improvement in the shipping position of the Allies. True, America has no reserve of unemployed ships. But the carrying capacity of the existing fleets of the Allies and the United States will be increased in that the freedom of movement of the American vessels will eliminate delays, and make possible the operation of their fleets as a single unit, and, consequently, the use of individual ships to the best advantage. Secondly, since American merchant ships are now permitted to sail into war zones, President Roosevelt can presumably provide them with an escort of fighting vessels, thus improving the safety of communications. Apart from these immediate consequences, however, the amendment of the Act will ensure that the huge tonnage of vessels that will be launched from American shipyards next year will, in fact, be employed. As Colonel Knox, the Navy Secretary, pointed out on November 14th, Britain is suffering from a shortage of men available for service at sea, and the United States is the only country that can provide crews for the huge number of merchantmen now being built there.

* * *

Conflict and Compensation

Both Sir Richard Acland and Mr Hammersley made striking speeches in the Commons' debate on the Address. The two speeches were very different in intention, Sir Richard calling for a new order and a new ethic and Mr Hammersley merely for a new policy. But both speakers made the same central point—that many crucial wartime problems cannot be solved until “they are taken out of the realm of profit and loss.” Ambitiously, Sir Richard Acland, who appeared as a convert and a crusader and impressed the House, would remove the difficulty by “substituting the motive of service for the motive of individual gain”; more pragmatically, Mr Hammersley would remove it by applying the principles of compulsion and compensation fully in wartime organisation. The point is important. There is a legitimate, and often inescapable, conflict between the national and individual interest which holds up the war effort. Sir Richard, whose somewhat ill-defined solutions do much more credit to his heart than to his head, nevertheless put the problem very clearly, showing incidentally that losses, not profits, are the obstacle:—

It is in our [the nation's] interest to postpone every postponable repair; it is in the interest of the owners to get every repair done and have it charged to E.P.T. . . . It is in our interest to share trade secrets; it is in the owners' interests to preserve them. It is in our interest to concentrate output in every factory on one or two products; it is in their interests

to keep the factory flexible by making as many different products as possible. . . . It is in our interest that women should replace men; it is in the interests of the future to hang on to the men. . . . It is in our interest that half-used machines should be sent to factories where they would be fully used. . . . It is in our interest that skilled workers when work falls off should be sent to other factories; it is in the firms' interests to hang on to the machines and the workers. It is in our interest that every productive resource should be pressed into service; it is in the owners' interests to wonder whether there will not be surplus capacity after the war.

Sir Richard Acland looks forward yearningly to “a Britain without property owners” to resolve this dilemma. Mr Hammersley is more immediately hopeful. His theme in the debate was the concentration of industry. In the Government's policy, for instance, small firms employing twenty or fewer workers are excluded, so that they shall not be smothered by the large concerns; that is their interest. Their supplies are restricted; that is the nation's interest. But they keep their personnel, thus defeating the purpose of concentration, which is to release manpower; “owing to the fact that his goods are in short supply and there is a great demand for them, he can get a margin which enables him to pay wages which do not allow his labour to be attracted elsewhere.” In one non-essential industry, Mr Hammersley estimated, 55 per cent of the personnel had been released by the limitation of supplies, by concentration and by the competition of war work, whereas the industry's total maximum wartime production could be done by 20 per cent, instead of the 45 per cent left. The discrepancy is due to the retention of separate businesses because “to close down a man's business without compensation is clearly a gross injustice.” But his business must be closed down to speed the war effort. The labour force in the distributive trades which, before the war, was nearer three than two millions, cannot be combed for national service unless shops are shut. True, there is a steady attrition by bankruptcy; but the real solution, as *The Economist* has consistently urged, is compensation: a share now for every closed-down business in the financial rewards of the industry; and after the war a payment to start again. It is the proper rôle of finance to help on the war effort, not to hold it back.

* * *

£3 a Week

A minimum wage of £3 a week for farm workers has been approved by the Central Agricultural Wages Board, and will cost an extra £15-£20 millions a year. The knowledge that this extra burden will fall upon the Exchequer or the consumer has made farmers and landowners very anxious to give the workers their due; and 32 out of 47 county committees had reported in favour of the further increase. It now remains to face the implications, which the Commons certainly did not do in their debate on Wednesday. Mr Hudson's dismissal of the doctrine of cheap food as an old error was economically fantastic; his contention that the community ought willingly to mulct itself, in subsidies and high prices, to maintain a swollen, costly and artificial farming was just playing politics. Like every other industry, agriculture must stand on its own feet. The minimum farm wage has been raised by half in the last few years and by a quarter in the last few months; and the post-war costs of British agriculture will be altered accordingly. Farming can only pay these higher wages, economically and without artificial and costly stimulation, if it can increase its output per man correspondingly, that is, become a more efficient industry; and in any event the higher the wage the smaller the agriculture than any given policy can support. Milk, fruit, vegetables, pigs and eggs, with modern machinery and methods, yield more per worker and can pay higher wages than the production of beef or store cattle. In 1938-39, according to Sir Daniel Hall, thirty per cent of subsidies (including derating) which amounted to about £200 a year to all holdings over 50 acres went to wheat and sugar; 11 per cent went to beef; and other counties had large exportable surpluses of all three, wheat, sugar and beef. Milk, vegetables and eggs saw little of the subsidies. After the war this will not do. Only if there is a price policy, based on long-term contracts between the Government and the farmers, which deliberately favours these high value foods, while simply guaranteeing a minimum for wheat and beef, will British farming have a chance to pay these wages out of its own pocket.

Salvage and Saving

The most exasperating things about salvage campaigns are the muddle and illogicality that usually characterise them. These are also the factors which most threatened their success. The fact that the making of Christmas cards was not banned until last week, when the shops were already full of them, provided bitter fun for the cynical. The pains already being taken by many shoppers and shopkeepers to find ways round the new and belated prohibition on wrapping parcels fit in badly with the drive to save paper. So, too, does the fact that football clubs still sport programmes for their matches, attenuated it is true but quite unnecessary, when loudspeakers and blackboards could announce the teams just as well. The 30,000 programmes for the Lord Mayor's Show which are said to have been printed, scrapped and replaced by 30,000 more were a minor scandal when paper is so scarce; and the Warships Weeks which are going on up and down the country are producing the same sort of stupidity. The fact that a suburban borough in the London area has this week issued a 48-page programme, in addition to a 4-page coloured cover, for its Warship Week is not exceptional. This particular programme is an interesting document; of its 48 pages, the equivalent of six pages is devoted to the week's ceremonies and special entertainments and the equivalent of about 4½ pages to patriotic messages; the rest consists of advertisements either urging readers to spend more money or reminding them, for good-will reasons, that such and such a firm is still extant. Even though large sums of money were presumably paid by advertisers to swell the week's savings figures, as well as to cover the cost of the week's celebrations, the production is a shocking waste of paper. The organisers of these savings weeks seem to have only a slender notion of what they are really intended to do. Thinking only in terms of money subscribed, they entirely overlook the fact that the real reason for collecting the money is to prevent people from consuming commodities or employing labour by spending it. It is an entirely topsy-turvy process to rob Lord Beaverbrook of paper in order to swell Lord Kindersley's figures of money savings. Presumably there must be some wastage, because there must be some publicity by posters and leaflets; but the whole *fiesta* atmosphere of these “weeks” is wrong when people save with one hand and indulge in carnival spending with the other. The proper economic aim is not even to buy warships—which is only a convenient and imaginative symbol—for the naval building programme will not be affected; it is simply and solely to cut down spending and consumption.

* * *

Uneasiness in Turkey

A little stir of uneasiness has passed over the surprisingly smooth surface of Turkish politics. The news that the Ministers both of Defence and Communications had resigned raised a question in the public mind which the linking of their resignations with the sinking last June—with heavy loss of life—of the Turkish steamer *Refah*, only partially satisfied. If a trial of strength lies before Turkey, troops and roads are of the essence of her resistance. Close on the resignations came the news that the Prime Minister, M. Saydam, is to take a month's holiday—not in itself an extraordinary step, considering the unremitting nature of his work, but it revived the earlier uneasiness. At the same time, the external situation seems to have taken on a new and ominous colour. M. Zhanev, President of the Foreign Affairs Committee in the Bulgarian Sobranie, made reference in a speech to Bulgaria's unsettled frontiers with Turkey and the dangers created by the presence just beyond Turkey's frontiers of powerful British and Russian armies. His remarks are a reminder to Turkey of the rôle the Bulgarians are reserved for, should the German Black Sea offensive carry the German armies into the Caucasus. With three coasts occupied, the German General Staff would hardly tolerate the independence of the fourth under the control of an ally of Britain. Bulgaria has not been made to fight in Russia. There can only be one reason for the delay—that its tasks lie on other fronts. What of the “unsettled frontier” with Turkey?

* * *

The Need for Nurseries

The Minister of Labour has appealed for a million more married women to work in the war factories. Mr Bevin has recognised that they cannot be persuaded to enlist unless adequate provision is made for the care of their

children in their absence; but it has been left to various correspondents of the *Times* to point out how slowly this provision is being developed. There are still only 163 wartime day nurseries, with accommodation for scarcely 6,000 children, a number which appears particularly inadequate in the light of the fact that, before the war, there were 170,000 children in nurseries and nursery schools. The main trouble is that it appears to be nobody's job to see that this accommodation is provided. The Ministry of Health is responsible, and the Board of Education and the Ministry of Labour have fingers in the pie. The result is confusion and lack of initiative. Logically and practically, the system should be administered by the education authorities, who alone have the appropriate experience and already administer other related schemes. If the responsibility were thus focused, some local education authorities at least might be expected to come forward with schemes showing drive and ingenuity, and these would serve as models for the others. Even with this reform in general organisation, there would, however, remain certain difficulties. The difficulty of finding suitable premises is probably not insuperable. Schools and other public buildings could sometimes spare suitable accommodation; empty houses could be commandeered; owners of large houses who are still living in them might often be induced to lend suites of rooms, even if from no higher motive than to escape having evacuees billeted on them. To find suitable staff is not so easy. To do the positive educational work which can be done by the peacetime nursery school as by no other agency is out of the question; but one trained head, with suitable, if inexperienced, people under her, could keep many of the children every bit as well and happy as they could be in their own homes. Those “grannies and great aunts” who are prepared to respond to Mr Bevin's appeal to help with the children in their own homes would greatly multiply their usefulness if they would go instead as nursery school helpers. Elder sisters who have just left school often have a natural aptitude for managing small children, and might at the same time receive some training which would start them on the road to a useful profession—though they could not and should not be expected to give their services free. In addition to the indispensable day nurseries, it is highly desirable that there should be residential nurseries for those who need them and are willing to use them.

* * *

Religious Education

An amendment to the debate on the Address in the Lower House last Tuesday moved “ . . . that greater recognition should be given to the essential value of religious education in our schools . . . ” The debate which followed covered suggestions that in elementary and secondary schools daily religious instruction should be made compulsory, as should daily corporate worship; that the limitation on the hours in which religious teaching may be given should be removed; and that school inspectors should undertake examination of religious knowledge. Admittedly, from the standpoint of those with definite religious beliefs, the present state of religious teaching in state-aided schools is unsatisfactory. This is particularly true since at present religious teaching is reduced to a minimum, often ineptly offered, and generally robbed of any feature capable of distinguishing it from literary-historical discussion. But there is very grave doubt whether any of the suggestions made in the course of the debate, except the removal of restriction on the hours in which religion may be taught, will prove of any advantage to those parents who wish their children to be given in school the opportunity of assimilating a vital and positive religion. There can be little doubt that the present ineffectiveness of religious

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education is due primarily to the necessity, since the Education Act of 1870, of reducing the teaching of divinity to a common denominator of piety and scriptural examination. The Cowper-Temple clause forbids the teaching of religious formulae, of a particular dogma, of theology which alone can interpret and inspire. The solution certainly does not lie in forcing denominational teaching on the unwilling. It may well lie in the suggestion that the time set apart for religious teaching should be used for instruction by local priests and ministers of religion of those children whose parents are agreeable. The provision of Clause 13 of the Education Act, 1936, that children may be withdrawn from school to receive this instruction outside school buildings, places too high a premium on inertia to be effective. The one essential of true religion is the elimination of the present insipid mixture and its replacement by competent, positive instruction according to taste.

* * *

Location of Industry

The Land Utilisation Committee appointed by Lord Reith in consultation with the Minister of Agriculture is tackling a difficult job. Its terms of reference are the consideration of guiding principles to govern post-war location of industry, building development and reconstruction. The collaboration of the Minister of Agriculture is designed to ensure that post-war building shall not trench upon the territorial requirements of post-war agriculture—whatever they may be estimated to be. The recommendations of the committee are intended to guide the projected Central Planning Authority. Until it is evident what forms of industry will flourish in post-war Britain, it is difficult to plan the location of factories, the more so since surplus capacity after the current expansion is likely to be the outstanding problem in many industries. The demands of agriculture are equally uncertain. Moreover, the "economic" location of industry, in the strict sense, takes little account of the demands of rural preservation, and the "uneconomic" location of industry would need some form of Government subsidy if its products were to be competitive. Town planning, in the economic and not the architectural sense, also hinges on industrial location. For the present, there is no doubt much that can be said on the technical building side; but in the main the committee will be faced with a wide gulf between the admirable abstract principles

that can be laid down and any precise proposals that can be put forward with any confidence that they are practicable.

Shorter Notes

The following table gives the number of civilian casualties in air raids since September, 1940:—

	Killed	Injured and Detained in Hospital	Total Casualties
Total Sept. Dec., 1940.....	21,669	30,556	52,225
1941:—			
January.....	1,550	2,021	3,571
February.....	793	1,068	1,861
March.....	4,298	4,794	9,092
April.....	6,131	6,900	13,031
May.....	5,520	5,207	10,727
June.....	406	461	867
July.....	501	447	948
August.....	169	136	305
September.....	217	269	486
October.....	262	361	623
Totals to date.....	41,516	52,220	93,736

Of those killed in October, 136 were men, 92 were women, and 34 were children under 16.

Senator Arthur Meighen's return to the leadership of the Canadian Conservative party seems to promise stronger opposition to Mr Mackenzie King's Government. It is true that in accepting the position Senator Meighen denounced party government in wartime, but he is hardly likely to persuade Mr Mackenzie King to form a National Government after stating that the present Administration uses "unmanly and unworthy methods of cajolery, subterfuge, and the social thumbscrew" to mobilise manpower. Senator Meighen himself urges "compulsory selective service over the whole field of the war," but Mr Mackenzie King, in a statement in Parliament last week, declared that he would never introduce full military conscription without first consulting the people.

In a written Parliamentary answer this week, Mr Morrison stated that since the outbreak of war 1,766 persons have been detained under Regulation 18B, and the number still detained is 671.

THE WORLD OVERSEAS

Vichy's Internal Policy—I

(By a Correspondent)

November 11th

WHEN the Third Republic collapsed, the whole political structure of the French nation was wiped out almost overnight; and as this was a sudden breakdown, under the impact of the German war machine, there was nothing, no set of new political ideas, no framework of new institutions, ready to fill the vacuum left by the disappearing republic. The mystical call to repentance issued by the Marshal in those days might have appealed for a time to the masses of bewildered Frenchmen who blocked the roads in their panic-stricken rush to the south. Mysticism, however, could not replace politics for long, and soon the Marshal and his followers had to set out in search of some new constitutional ideas and political institutions.

The original slogan coined by Vichy was the revival of the *ancien régime*: back to agriculture, back to the medieval principle of provincialism, back to a decentralised administration. The source of France's disaster was traced to the unfortunate ideals proclaimed over the ruins of the Bastille. A hundred and fifty years of France's history had to be obliterated by one stroke. But so archaic was this scheme, so crazy was the attempt to unearth France's past and to bury her present and future instead, that the men of Vichy were soon compelled to drop it. The scheme had, it is true, been taken up by the monarchists of *L'Action Française*, but it met with the bitter opposition of Déat,

Doriot, Deloncle, etc., who thought that for the Vichy regime the only chance of survival lay in a radical social demagoguery which the dictators of Germany and Italy had so successfully applied in their countries. They feared lest the Marshal's outmoded conservatism should place upon the regime an anti-popular stamp. Moreover, some monarchists, more far-sighted than Maurras's disciples of *L'Action Française*, refused to compromise their cause by associating it with Vichy's defeatism.

This first adventure in the search for a new constitutional principle revealed a major weakness in the regime. The ruling cliques, cut off from the bulk of the French nation, have been divided by the conflicting tendencies of a social and political conservatism on the one hand and a French imitation of Fascism and National Socialism on the other. The spokesmen of the first tendency are, besides the Marshal, the Under-Secretary for Industrial Production, M. Lehideux (a member of the Renault family), and the prominent representative of the metal industries, M. Pucheu, now Minister of the Interior. Behind them stand circles of French industrialists who have tenaciously clung to Business-as-Usual—business with the invader. Their conception of "collaboration" has, on the whole, been confined to the economic sphere, and they have shown some reluctance towards definite commitments in political and military matters. They have, however, been unable to give

the regime the measure of stability which can be derived only from popular backing.

The French variety of Fascism or National Socialism is still represented by several rival leaders. Most of them are in Paris and enjoy there the presence of their sources of inspiration. There is Doriot with his Dr Goebbels—Marion—whom Darlan has put in charge of the Information and Propaganda Department. There is the leader of the *Croix de Feu*, de la Rocque, whose political activity has lost much of its original impetus. There is Deloncle, whose Social Revolutionary Movement has specialised in spying, murder and setting fire to synagogues; his followers were responsible for the murder of the Socialist ex-Minister of the Interior, Marx Dormoy. There is Déat, whose *Rassemblement National Populaire* has recently parted with Deloncle's organisation, "in spite of unanimity in matters of foreign policy, owing to the difference in views on internal affairs." There are a dozen or so of *de minorum gentium* on the Olympus of the National Revolution. They all have in common their eagerness to carry collaboration into the spheres of foreign policy and military action. They accuse Vichy of being incapable of defending the French Empire against Great Britain, and claim a "common Franco-German defence of North Africa." They also demand a wholehearted participation in the anti-Bolshevik crusade, blaming Pétain's Government for what they consider a lukewarm attitude towards the anti-Communist Legion. (Significantly, Maurras and his monarchist disciples openly refuse to recruit for the Legion). Coupled with this, there is the demagogic scurrilous propaganda against plutocracy and the demand to purge the Vichy regime of the friends of big business. Yet none of these self-styled Leaders has succeeded in stirring any mass movement for the National Revolution. The only serious attempt was made by Déat, who propounded the need to create the *Parti-Unique* on the German or Italian pattern. But the *Parti-Unique* was no less of a failure than the abortive restoration of the *ancien régime*. Vichy rejected Déat's scheme, and the endeavour to fuse the numerous Fascist groups into one has resulted in even more schisms among them. Fascism and National Socialism grew into mightier popular movements, thanks to the exaltation of a hysterical nationalism and to the promise of national aggrandisement they carried with them. The promise to perpetuate France's prostration within the framework of Hitler's new order could hardly favour their French imitators. If Danton's saying that a revolution cannot be carried abroad at the bayonet's point is true, then it is even truer that National Socialism cannot thrive in a country into which it has been brought on the caterpillars of foreign tanks.

Reviving Verdun

Pétain's reply to Déat's *Parti-Unique* was the *Légion Française des Combattants* which exists in unoccupied France and North Africa only. True to his favourite method of exploiting the glory of 1914-18 in order to veil the capitulation of 1940-41, Pétain turned for support to his old subordinates, the combatants of the last war. Their old independent associations have been banned, and in their place the *Légion Française* has been set up, which the members of the former associations have been forced to join. The Legion's task has been officially defined as that of "informing the Government of the legitimate aspirations of the French Commonwealth and of the intrigues waged against the doctrine of the National Revolution, or against the practical application of its principles." The rôle assigned to the Legion has thus been made clear; the memories of Verdun have been evoked to make the ex-combatant serve as a spy against his "disloyal" countrymen. The spying system has spread all over the country; every street, and, in big towns, every block of flats, have been placed under the care of a trusted Legionary. But only a small minority of the combatants have agreed to do the job, and the Vichy press has constantly had to report de Gaulle plots, the discovery of free masonic conspiracies and Communist cells within the Legion, and the dissolution or purge of whole sections. The auxiliary police rôle which the Legion has assumed has made it more difficult for it to play the part of a political propagandist body which was expected of it, and the supporters of Déat's *Parti-Unique* were quick to point out the failure of the *Légion Française*.

Another striking admission of failure came from a most unexpected quarter. In the summer of 1941, Admiral Darlan approached the leader of the Radicals, M. Chichery, with the proposal to resuscitate his party. A similar offer

was made by the Vice-Premier, M. Paul Faure, the former leader of the pacifist section of the Socialist party. The old party system, which was blamed for the defeat and for all the disasters that had befallen France, and which was indignantly buried in the summer of 1940, was to be called back to life a year later at the request of Vichy. It is true that it was to be revived in an emasculated form—"sans Herriot" and "sans Blum"—so as to "agree with the spirit of the new epoch," that is, with the Pétain-Darlan dictatorship. But M. Chichery declined the offer right away. M. Paul Faure made a tour of the provinces to see what could be done; he found that he could persuade no more than 500 former members of the SFIO to accept the proposal. The whole scheme had to be thrown overboard; and Darlan has thus learned that though it may be easy for a conqueror to keep a puppet government in a conquered country, it is somewhat more difficult for such a government to set up a puppet society with sham parties and sham organisations to fill the political vacuum around it.

Eire's Balance of Payments

[FROM OUR DUBLIN CORRESPONDENT]

October 27th

THE official estimate of the Irish balance of payments in 1940, which has been published in the *Irish Trade Journal*, throws much light on the economic changes caused by the war. Compared with the previous year, visible exports increased from £26,892,000 to £32,966,000, and visible imports from £43,415,000 to £46,790,000. The physical volume of both exports and imports materially declined, but there was no change in the terms of trade as the prices of imports and exports rose by the same amount. The passive balance of trade fell from £16,523,000 in 1939 to £13,824,000 in 1940. The estimated total of invisible exports on current account fell from £20,993,000 to £18,757,000, and that of invisible imports from £8,017,000 to £7,807,000, the active balance on invisible account falling from £12,976,000 to £10,950,000. The total of all current items on the export side rose from £47,875,000 to £51,723,000, and on the import side from £51,432,597 to £54,597,000. The total current balance was passive to the extent of £2,874,000.

Among the invisible exports, the revenue from port receipts from foreign shipping fell from £250,000 in 1939 to £165,000. This decline reflects the consequences of the blockade, and may be expected to be even greater this year. The income from investments and profits abroad rose from £12,700,000 to £13,200,000. On the other side of the account, remittances to foreign owners of Irish investments fell from £7,000,000 to £6,900,000, leaving a net inward balance in 1940 of £6,300,000. Emigrants' remittances from the United States declined from £2,226,000 to £1,428,000. This serious reduction, which may be expected to continue, as emigration to the States practically ended in 1929, is partially offset by an increase in the remittances from Great Britain from £600,000 to £700,000. In view of the magnitude of emigration to Great Britain in recent years, this estimate appears rather low, and the amount will certainly be greater this year. Receipts from American tourist expenditure have sunk to nothing. No estimate is given of other tourist expenditure, but it may be assumed that the severe travel restrictions have practically abolished this item from both sides of the account.

It is a sad reminder of the disturbed age in which we live to find that pensions are still being paid by the British Government to Irish residents who fought in the last war. This source of revenue, which is in its nature wasting, sank from £1,240,000 in 1939 to £1,190,000 in 1940. Payments by the British Government, other than those made through the Department of Pensions, rose from £1,129,000 to £1,350,000. As against these receipts, an annual payment of £250,000 was made to the British Government under the post-Treaty financial agreement. "Other known current items" declined drastically from £2,168,000 to £356,000. This great reduction was caused, it may be assumed, almost entirely by the interruption of the Hospital Sweepstakes' foreign receipts.

The estimates of capital items show exports of £10,568,000, compared with £10,339,000 in the previous year, and imports of £12,822,000, compared with £9,851,000. These

German Europe

Grossraum Economy.—A continental *Grossraum* economy dominated and "steered" by Germany, or the economic unification of all European countries, is Nazi Germany's war aim. This European *Grossraum* is ultimately to be extended into Africa and into the European part of the Soviet Union, which a short time ago was termed a *Grossraum* in itself. The *Wehrwirtschaft* experts of the German High Command, and the theorists of the Four Year Plan Bureau, have made it clear that the *Grossraum*, whose geographical limits may be changed according to changes in the situation, must ensure economic self-sufficiency for war purposes.

Grossraum, or Greater Territory, is the extension of *Lebensraum*, or living space. Before the war, Germany incorporated Austria and Czechoslovakia, and at the same time penetrated the south-eastern countries of Europe by unilateral trade and clearing agreements. The first phase of the war added Poland to Germany's *Lebensraum*. The second phase, which ended with the collapse of France, was the first step to a *Grossraum*, and the New Order, conceived long ago as the framework of the continent under German direction, appeared. Its main features are a central clearing system for all trading and financial transactions, and agricultural and industrial collaboration for war purposes now. The total population of Germany and German occupied or dependent countries, including the neutral countries, numbers roughly 370 millions, or 60 per cent of the total population of Europe.

Until quite recently, German economic penetration of the continent proceeded rapidly and on a large scale. The heavy industries of Poland, Czechoslovakia and Alsace-Lorraine have been incorporated in German State or private concerns. The acquisition of industries in south eastern countries and in Norway, Belgium, and Holland by German concerns is very extensive. Subsidiaries of German banks acquired considerable interests in foreign banks and industries. The central clearing system is generally accepted by the subject countries, making the Continent a Reichsmark area. Industrial collaboration with western countries and agricultural collaboration with south eastern countries is well advanced. The characteristic institution is the German controlled all-continental concern, such as the Continental Oil Company or the European Re-insurance Cartel. Either there is direct collaboration between individual German and foreign firms, or collective agreements are made between whole industrial sections, such as the agreement between the German and French, or the German and Belgian textile industries, or between German and Norwegian cellulose manufacturers.

German war economy has no doubt benefited greatly by this collaboration. But the economic possibilities of the process are limited, not only by the supply of raw materials and manpower, but also by the different traditions of economic organisation in the occupied and dependent countries. Recently the German authorities put a stop to the acquisition of industries in south eastern countries by private concerns; and the all-continental concern owned and controlled by Germans is no longer regarded as the ideal solution for a *Grossraum* economy. German State and private concerns are not able to supply the necessary equipment, plant and machinery for the reorganisation of these hastily acquired foreign industries; and the German methods of economic control, that is, the rationing and allocation of raw materials and the control of prices and wages, have to be imposed on systems of economic organisation very different from the German—compulsory economic organisation and marketing systems, which have been decreed in occupied countries after the German model, are not working as the Germans expected.

Nazi economists are therefore calling for what they call realism, which means a temporary stop both to direct economic expansion and to their experiments in economic organisation. Germany still needs the resources of the continent, of course, for its war economy, and it is claimed that the more effective method needed is what is called the *Grossraum* cartel. In Germany itself, the cartel has proved to be an admirable instrument for State control. There are 2,200 internal and 255 international cartels registered in Germany; there are cartels in the continental coal, steel and chemical industries, which are already more than mere quota arrangements, and rather work as central planning institutions for Europe. The argument is that a comprehensive network of European cartels under German

control would be more effective and more flexible than a total reorganisation of the occupied countries, which could not possibly be achieved in a short time. The motor car agreement between Germany, Italy and France (see *The Economist* of May 17, 1941, page 659), is looked upon as a model for the future *Grossraum*-cartel. Nazi economists are convinced that the economic unification of the Continent is an historical process. They have discovered that cartels in Germany laid the foundations for the present highly developed economic organisation; and they believe that European cartels will do the same work for the continent.

Forestry.—Continental Europe has been divided into two forestry *Grossräume*: the North Sea and Baltic countries; and the Danube, Adriatic and Mediterranean countries. The German timber marketing system is to be introduced into all countries. The northern countries will fix their inland consumption, and will be allocated export quotas. Transport is being planned with a view to reducing unnecessary shipments. In the south of Europe, organisation will be different. There central marketing will be organised by a German company, and in each country will be established a mixed company after the model of the German-Rumanian Forestry and Timber Company, whose board of directors is composed of an equal number of Germans and Rumanians.

National Income.—The latest estimate of the national income of Greater Germany (that is, the Old Reich, Austria, the Sudetenland and the incorporated, as distinct from occupied, territories), is as follows:

	(Rm. 1,000 millions)		
	Old Reich	(1) Greater Germany	(2) Greater Germany
1938	80	88	...
1939	85	...	94 to 95
1940	...	...	100

(1) Old Reich, Austria, and Sudetenland. (2) Incorporated Polish and French territories included.

These figures published by the German press suggest that gross national income increased during 1940 compared with 1939 by roughly 6 per cent. The national income of the Old Reich increased by 6.3 per cent in 1939. From December, 1940, to January, 1941, the wholesale price index advanced by 3.5 per cent. It is suggested that total production in Germany rose slightly during 1940. War production must thus have increased considerably.

European Price Policy.—The price stop which Germany introduced in 1936 prohibited an increase of prices above the level of October 16, 1936. From a mere stop the German price system developed into a method of price calculation with minute regulations for each industry. With each new German conquest, the system of price-stops was extended into other countries. Similar prohibitions are now in force in Norway, Finland, Holland, Belgium, France, Slovakia, Hungary and Croatia. Italy, on the other hand, introduced a slightly different price-stop in 1937. In Denmark, an early attempt at a price-stop after the German model was soon abandoned, and replaced by a system that makes increases possible if a rise in the cost of production can be proved. In 1939, Sweden introduced a system of standard prices which may not be changed without special Government permission. In Switzerland, there is no general price control; if the situation makes it necessary, prices of single commodities or groups of commodities are placed under control.

Dr Todt.—The man combining the greatest number of offices in Germany is Dr Todt. He has advanced slowly but steadily from being architect of the *Autobahnen* to being Special Commissar for the building industry and Minister of Munitions and Armaments, and finally to being Inspector-General of Waterworks, Power Plants and Inland Waterways. He is the man who was responsible for constructing the West Wall. For that purpose he formed the Todt Organisation, composed of conscript labour. Building, road construction and civil engineering are now controlled by one man, who, at the same time, supervises the building of fortifications along the Atlantic coast, and the construction of supply roads in Russia.

THE BUSINESS WORLD

Australian Banking Control

TWO recent developments reveal a distinct movement towards much increased Government control of banking in the Commonwealth of Australia. They are the proposed regulations for the licensing and control of private banks and the transparently political appointment to the Board of the Commonwealth Bank made by the new Labour administration. Control of the trading banks is in accordance with one of the oldest planks in the Australian Labour party platform. The initiative for the particular development now taking place does not, however, lie with the new Labour Government; it goes back to an agreement reached with the trading banks at the time of the introduction of Mr Fadden's last budget, in September of this year. That agreement, made between the trading banks and the Commonwealth Bank, arose out of the fear that a secondary inflation of bank credit might be caused by the trading banks allowing their loan facilities and other assets to expand quite independently of the basis of cash determined by the authorities through the policy of the Commonwealth Bank. The argument advanced at the time by the Labour party, then in opposition, was that the trading banks might be tempted into such undesirable expansion by the search for profits. In the preamble to the agreement, the trading banks denied all intention to make excess profits arising from war conditions. They agreed as a wartime measure not to make new advances or increase existing facilities, except in accordance with the policy laid down from time to time by the Commonwealth Bank, and undertook to obtain the specific permission of that bank before purchasing or subscribing to Government or other gilt-edged loans. The trading banks further agreed to deposit with the Commonwealth Bank all surplus investible funds, the understanding being that such deposits would be for periods of six months; that they would be renewed as they matured unless, in the opinion of the Commonwealth Bank, the funds in question were required by the trading banks for their legitimate business; that the rate of interest was to be low, and fixed from time to time by the Commonwealth Bank. The trading banks finally undertook to issue accounts and balance-sheets according to specified forms, to grant the Auditor-General full access to their books, and in general to satisfy the Commonwealth Bank that no excess profits were in fact being earned.

The Fadden Government was given no opportunity of implementing the agreement. When the new Labour Government took the matter in hand, it did so through its Treasurer, Mr J. B. Chifley, whose advocacy of the nationalisation of the trading banks had been given unmistakable expression in the minute of dissent which he attached to the report of the Australian Banking Commission. Mr Chifley announced in the course of his recent budget speech that the Government had decided to implement certain recommendations of the Banking Commission in order to bring the operations of the trading banks under effective control. Accordingly the trading banks are to be licensed, and the regulation will provide that licences are granted only to institutions which deposit their surplus resources, as defined by the Commonwealth Bank, with that institution, and which publish their accounts in accordance with the directions of the Commonwealth Treasurer. Mr Chifley also announced at the same time that facilities to private manufacturers engaged in war production, wherever such loans were guaranteed by the Commonwealth Government, would in future be provided by the Commonwealth Bank. As implemented under the direction of Mr Chifley, the avowed apostle of nationalisation, the agreement with the trading banks and the findings of the Banking Commission are taking on a character of which the originals were largely innocent.

It cannot be suggested that the experience and policy of the Australian trading banks since the outbreak of the war have provided any justification either for fears of "secondary

inflation" being engineered through them, or for the punitive measures now contemplated against them. The expansion of bank credit in the Commonwealth has been surprisingly modest. In September, 1939, the total deposits of the nine trading banks amounted to £A315 millions. By last June they had risen to £A369 millions, an expansion of 17 per cent, or very much less than the corresponding movements in the United Kingdom. This expansion in bank credit has been built up largely on the basis of increased holdings of Treasury bills and longer-term Government securities. The Treasury bills, on which the prevailing rate is 1½ per cent, rose between September, 1939, and June, 1941, from £A19 millions to £A44 millions, while the investments moved from £A22 millions to £A61 millions. The average yield on the additional investments made by the banks since the beginning of the war probably falls under 3 per cent. The last Government issue was made on a two-decker basis, a long-term issue being offered at 3½ per cent and a medium-term, on which the banks would certainly concentrate their applications, on a 2½ per cent basis. The trading banks' advances have remained comparatively stable, the latest total of £A283 millions comparing with £A294 millions on the outbreak of the war. This, the most remunerative of their assets, may be severely cut into by the proposals compulsorily to transfer from the trading banks to the Commonwealth Bank all Government guaranteed advances to manufacturers engaged on war work. Such activity must become increasingly representative of the industrial life of the Commonwealth, and it needs only increased readiness on the Government's part to grant Government guarantees for armament loans for the transfer to the Commonwealth Bank of a considerable part of the genuine industrial and commercial banking business now handled by the trading banks.

Nor does the trend of banking profits since the outbreak of the war provide any factual basis for the fears that the profit motive has tempted the trading banks into excessive credit expansion, or for the impressive and detailed counter-measures which are being applied to prevent any such development. The balance-sheet figures show that in Australia the trading banks have been reasonably successful in maintaining the level of their normal banking business, and have not been driven excessively into the market for Government securities. They remain primarily trading banks, and are in no danger of becoming gilt-edged investment trusts. Any expansion in their income since the outbreak of the war has been more than offset by higher costs, and particularly by the outlay on salaries, and the trend of declared profits has, as in this country, been slightly downward.

The appointment of Mr William C. Taylor, a solicitor long associated with the Australian Labour party, to a seat on the Commonwealth Bank board, appears superficially to be in line with the recommendations of the Banking Commission. The report of the Commission suggested that members of the board should be selected for "capacity and diversity of experience and contact," and not as representatives of special interests, such as industry and agriculture. This gives the Government of the day a considerable measure of latitude in its selection of directors, and it is evident that the Curtin administration is not allowing grass to grow under its feet in beginning the task of changing the character of the board. The task must, however, take some years to complete, since there are at present seven directors other than the governor and the Secretary to the Treasury, and they are elected for seven years, one retiring each year, and being eligible for reappointment. But there can be no mistaking the significance of this first appointment of the new Government. The *Gleichschaltung* of the Commonwealth Bank is clearly under way. With Mr Chifley in the Treasurer's office, the Australian trading banks must, for their part, expect a much sterner assault on their independence and business than they have yet had to with-

stand. There has long been room for a clearer segregation of banking functions than has in the past been evident in the Commonwealth. On the one hand, the central bank has engaged in highly competitive, commercial and industrial banking, and, on the other, private banks have at times taken an unjustifiable lead in such matters as exchange rate policy, which should be strictly the province of the central bank

or the Government. But there appears to be little prospect of that segregation being effected by reciprocal action on the part of the Commonwealth and the trading banks. It is all too likely to be a one-way movement of encroachment by the Commonwealth Bank on the legitimate sphere of activity of the trading banks. It would be better to face the issue of nationalisation than to bring it in by the back door.

Dollar Assets and Commitments

THE evidence given by American Treasury officials on the recent \$6 billions Lend-Lease appropriation, of which detailed reports have recently reached this country, sheds fresh light on the dollar assets and commitments of the United Kingdom. It brings the essential data up to as recent a date as September 1st last. The position of British dollar assets on that date compared with that at the outbreak of the war was as follows:

	(in million dollars)	Sept. 1 1941	Outbreak of War
Marketable securities.....	950	227	
Gold	2,038	151	
Official dollar balances	50	54	
Private dollar balances	545	310	
Direct and misc. investments	900	785	
Total	4,483	1,527	

As was to be expected, the heaviest drain had been that on gold and marketable securities. The amount of private balances remaining at the beginning of September was not "available" since it represented the minimum required for the financing of trade between the two countries, and a large part of the "direct and miscellaneous" investments must be regarded as unliquid, except to the extent that RFC loans can be secured on them. The "available" amount is certainly considerably less than, and perhaps less than half of, the total of \$1,527 millions.

The report also throws considerable light on the vexed question of Great Britain's—or, more accurately, the sterling area's—continuing requirements of dollars, now that the main flow of munitions (in the widest sense of the word) is obtained on Lend-Lease terms. In the six months from September 1, 1941, to February 28, 1942, the sterling area will require \$500 millions for payments on contracts entered into before the passage of the Lend-Lease Act, and \$535 millions for current needs. The composition of this total and the methods by which the requirements are expected to be met are shown in the next column.

These figures illustrate the continued shortage of dollars. It is true that the current earnings of dollars, at \$885 millions, are larger than the current requirements—that is, requirements other than for the liquidation of past contracts—of \$535 millions. But, in addition to the \$500 millions to be paid off in these six months on pre-Lend-Lease con-

DOLLAR REQUIREMENTS AND EARNINGS, SEPTEMBER, 1941—FEBRUARY, 1942.

Requirements	\$ million	Earnings	\$ million
Pre-Lend-Lease contracts	500	Sales of merchandise to U.S. by U.K.	60
Payments to U.S. for shipping interest, film remittances, etc.	85	Sales of merchandise to U.S. by rest of sterling area	310
Payments to U.S. from rest of sterling area (i.e., other than U.K.)	280	Sales of gold	290
Payments to areas outside the U.S. requiring gold or dollars (mainly S. America)	60	Shipping, interest and other services	225
Goods or services for U.K., urgent or ineligible for Lend-Lease	110	Total of above	885
	1,035	Draft on dollar assets	150
			1,035

tracts, there will remain a further \$430 millions, most of which will presumably fall into the next half-year. Since a substantial fraction of the remaining liquid assets will have to be realised before the end of February, and, in all probability, a further portion in the next period, it is clear that the margin is very small, and that the prospect of an alleviation of the dollar shortage is still remote.

It is interesting to note that the details of British dollar commitments include some provision for dollar or gold payments to countries outside the United States. The amount so due in the six months to the end of next February is \$60 millions, and is stated to be payable largely to South America. This indicates that there is some provision in the Special Account and other payments agreements with the South American countries for occasional settlement of the balances due to them through payments in gold or American dollars.

There can be no question that the publication of these figures assists understanding of the British exchange position both in this country and in the United States. It may be against the tradition of British official secrecy, but it is difficult to see what real harm is done. On the contrary, the only way of convincing the American public of the real nature of British difficulties is to prove them arithmetically, as is here done. It is a pity that the figures have to reach the public through the somewhat hole-in-the-corner method of the publication by a Congressional Committee of evidence given to it some weeks earlier by representatives of the American Treasury. The full value of the figures would be realised if they were openly and regularly published as a White Paper.

Finance and Banking

Big Treasury Deposit Payments

The position in the money market during the week has been dominated by the heavy Treasury deposit payments of the banks. While there were no maturities of such deposits, new payments were called for to the extent of £50 millions. But the time the clearing banks had effected these substantial transfers to the Treasury and had financed the appreciably heavier flow of public subscriptions to Government loans they found themselves left with very little appetite for purchases of bills from the market. The syndicate, fortunately in the circumstances, received an allotment no greater than 27 per cent in its applications for Treasury bills on Friday of last week, and the absence of ready buyers of bills from the discount market has, therefore, led to no great expansion in the demand for short loan accommodation. At all times the supply of credit has been about sufficient to meet requirements. The drain on bank cash is shown in the Bank return, in a fall of £18,896,000 to £120,048,000 in bankers' deposits. The Treasury has utilised the bulk of the receipts indicated

by this decline in repaying indebtedness to the Bank, and Government securities have fallen by £13,346,000 over the week. Thus the increase in public deposits amounts to £2,257,000 only and leaves this item at the comparatively low level of £10,618,000. The note issue maintains its persistent upward trend, the rise in the past week amounting to £2,661,000, carrying the total of notes in circulation to £706,697,000 and reducing the unissued notes in reserve to £23,544,000.

Rise in the Circulation

The search for convincing explanations of the rise in the note circulation continues to exercise many minds. It will probably be found that the increased use of cash as against cheques in commercial operations accounts for a substantial part of the recent abnormal expansion. The use of notes in "black market" transactions has already been mentioned

in these notes. The responsibility of this particular factor for the total expansion of recent months is probably of a quite minor character. More important is the use of notes in dealings by traders who are prompted by the ros. in the income tax to hide their turnover from the inspection of the taxation authorities. That is a field where useful co-operation between the banking and inland revenue authorities might yield appreciable results. Of more normal character is that part of the increased circulation which is due to the curtailment of banking facilities. The closing of many branches, the less frequent opening of many sub-branches in country districts, to say nothing of the general shortening of banking hours, have meant greatly restricted facilities for depositing cash with the banks. As a result many farmers and traders in rural localities are forced to hold far more cash than was their wont. The restrictions of travel facilities, and, in particular, the increasingly severe rationing of petrol, have the same effect, inducing many people living far from the nearest bank offices to bank their cash at far longer intervals than was their custom in normal times. Another factor in the increased demand for cash has been the transfer of population from the salary to the wage earning classes. Many clerks who were paid by monthly cheques are now munition workers receiving weekly cash wages. These contributory explanations of the steep expansion of the note circulation are not equally welcome; but they all emphasise the absence of any urgent inflationary implication in the movement

Notes and Deposits

In order to view the movements in the circulation in their true perspective they should, moreover, be compared with the concurrent expansion in bank deposits. Three series may be used for such comparison, first, the clearing bank deposits, secondly, the active circulation of the Bank of England, thirdly, the circulation, including coins, estimated by the Bank of England to be in the hands of the public, i.e., after deduction of notes held by the banks. The following table shows the percentage changes in these three series since the beginning of the war, over the year to the end of October and over the last six months of that period. The figure of the total circulation in the hands of the public for the end of October has had to be estimated, but given the available evidence, that can be done with a reasonable measure of accuracy.

	Clearing Bank Deposits	Percentage Increases	B. of E. Circulation	Net Circulation
End Aug., 1939, to end Oct., 1941	41.3	31.0	40.8	
Year to end Oct., 1941	19.1	17.2	18.8	
Six mths. to end Oct., 1941	12.1	11.2	13.3	

It will be seen that the expansion in the circulation since the beginning of the war and over the past year has not quite kept pace with the rise in bank deposits. It is only over the past six months that the circulation in the hands of the public has shown any indication of outstriking the

expansion in deposits—and then only by a very small margin.

Bank Credit and Government Borrowing

The Chancellor of the Exchequer was asked in the House this week what steps were taken to ensure that conversion by the banks of Treasury deposits into National War Bonds did no more than represent the investment of genuine savings deposited with them. Sir Kingsley Wood in his reply stated that "the money out of which the banks lend to the Government is, broadly speaking, derived from deposits made by customers in the ordinary course of their business, and there is no question of banks creating credit for the purpose of lending money to the Government." The Chancellor in his answer strayed quite unnecessarily on to dangerous general ground. If bank credit has not been created by direct Government borrowing from the banks since the outbreak of the war, one would like to know by what miraculous process bank deposits have, since September, 1939, risen by some £930 millions, especially as bank advances have, over this period, fallen by about £150 millions. The Chancellor was "speaking broadly"; he may have cause to welcome that modest qualification to a very sweeping statement.

Royal Bank of Scotland Profits

The report of the Royal Bank of Scotland covering the financial year to the second Saturday in October provides the best indication so far available of the general trend of banking profits over the past year. In this respect it confirms all the previous indications that there has been an appreciable falling off as compared with the previous year. The net profits, after providing for taxation and bad and doubtful debts, amounted to £491,522, a drop of £65,837 on those for 1939-40. The explanation—apart from the heavier burden of taxation—is not far to seek. The most remunerative type of asset, loans and advances, has fallen by £2,170,037, while it is in Treasury deposit receipts and investments that the expansion in the balance-sheet figures derives its main stimulus. These items are up by £4,000,000 and £5,498,310 respectively. Deposits have risen over the year by £6,915,856 and the note circulation by £807,146. But given the comparatively high rates still paid on deposits in Scotland, it is evident that with the redistribution in assets which has occurred over the past year, a considerable proportion of the bank's resources are now employed on an extremely narrow margin of profit. Expenses, for their part, have tended to rise. In this combination of factors there will be found ample explanation of the drop in the published profit figure. The distribution policy has fortunately been exceptionally conservative in the past, and it is thus found possible to repeat the 17 per cent dividend, while still allocating £130,272 to reserves, premises and pension funds.

Investment

Treasury Intervention

The last few days have brought signs that the investor is inclined to abandon new favourites for old, and there has been some recession in overseas investments, with a modest recovery in first-class industrial equities and the Funds. The explanations advanced for this change are a string of rather favourable company reports and such events as the Chancellor's statement concerning the Viscose arbitration. The operative factor is, however, likely to be the consideration that prices in both sections have been either unchanged or subject only to minor fluctuations without any real trend for a matter of weeks, or in some cases months. So far as Government securities are concerned, the attached table, showing some of the peaks and depressions of the past year, is instructive. In the ten months ended mid-September, there was a steady upward trend, affecting

	Mid-Nov. 1940	Aug. 22, 1941	Sept. 12, 1941	Sept. 22, 1941	Oct. 1941	Nov. 1941
Consol 2½%	75½	81½	82½	82	82½	82½
Local 3%	88½	95½	95½	95*	95½	95½
War 3½% 1952 & after	101½	105	106½	105½	106½	104½
Conv. 3½% 1961	101½	105½	106½	105½	106½	106½
Consol 4% 1957	110½	110½	112½	111½	112½	112½
Funding 4% 1960-90	112½	114½	116½	115½	114½	114½
3% 1959-69	98½	100½	110½	100½	100½	100½
2½% 1956-61	92½	94½	94½	94½	94½	94½
Nat. Def. 3% 1954-58	101½	101	101½	101½	101½	101½
War 3% 1955-59	100½	101½	100½	100½	101½	101½
Conv. 2½% 1944-49	99½	99½	100*	100	100½	100½
Nat. War 2½% 1945-47	100½	100	100½	100½	100	100½
Conv. 2% 1943-45	98½	99½	99½	99½	99½	99½
5% 1944-64	107½	107½	107½	107½	105½*	105½

* Ex-dividend.

all maturities. In the ten weeks since then, there has been little definite direction in such movements as have occurred. The explanation lies in the fact that the institutions are not in the market—their investments going into tap issues—while the general public is still seeking its fortune elsewhere. It is possible that the process of consolidating the advance in gilt-edged, by reducing the yields on all other types of investment, has not yet reached the point where it will start another rise in the premier securities, even without the assistance of the institutions. It is also probable that the volume of real saving by individuals and companies, apart from that portion invested in the tap issues, is falling, but it seems likely that some move will be made before long to provide the small stimulus needed to put the circle of falling yields into operation once more. The action of the Treasury in offering to buy lodged American securities, and in taking up the internal Argentine loans, may help a little. The permission to public utilities to convert to a lower basis will also work in the same direction, and the three together will involve a considerable sum, for although public issues of utilities covered by the permission are few, they have substantial amounts of debentures available for conversion.

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“Motes” and “Mites”

The Economist strongly favours salvaging paper before it is used rather than after, and no one will deny that members of the Stock Exchange can make their contribution to that end. Brokers and jobbers would, however, be more than human if, when forbidden the free distribution of lists, they did not contrast the reduction in size and number of their own product with the growth in the number of forms, often of unnecessary dimensions and almost always on paper of good quality, which they are called upon to compile for the assistance of the authorities. Apparently, there is no ban on distribution provided a payment is demanded. But, unless the payment were made large, it would probably not greatly reduce the total output, whereas it would entail additional accounting which would be costly of labour—the shortest commodity on the Exchange—as well as of paper. It seems a great pity that, in a matter where no possible harm could have been done by prior consultation, the committee should have been left in ignorance of official intentions and that the order should have been put into force without notice or explanation. The two types of publication principally affected appear to be lists of closing prices and lists of stocks on offer. The latter are essential to anything like an active market in the Funds and all other trustee, or near trustee, securities, while the former are needed for the compilation of accurate closing prices, disseminated throughout the country by the press and other agencies. After some talk of “mites” and of “motes,” jobbers have carried on with publication, until they are given further instructions, feeling, doubtless, that the letter of the law can always be complied with, but wishing to know what the authorities really intend. On this point, it is difficult to escape the conclusion that there has been insufficient study of the machinery with which it is proposed to tamper. The proper solution can only be reached after consultation.

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Pledged Dollar Stocks

It will be recalled that, following the agreement for a loan of \$425 millions from the American Reconstruction Finance Corporation to this country, the Treasury, early in August, gave notice that all holdings of a short list of some 22 American securities must be placed at their disposal for use as collateral security. Holders of these were given to understand that, in the normal course of events, their securities would be returned to them, but that they had no actual right to claim the release at any time and that the Treasury could dispose of the holdings if it so wished. This had, of course, the effect of freezing these investments. It has now been announced that owners of all but five of the list may sell them to the Treasury at any time, while holders of the remainder, consisting of four types of share in W. R. Grace and Co. and of Virginian Corporation 5 per cent collateral trust notes, Series “M,” may dispose of them abroad, subject to the consent of the RFC. This permission apparently applies only to the restricted list of 22 securities. Presumably, the much larger lists, which provided part of the remaining cover for the loan, were either holdings already vested, but not sold, or

trade investments in the U.S.A. of British industrial or commercial concerns. The nominal value of the holdings which the Treasury is prepared to buy amounts to some \$46½ millions, plus some 727,000 shares of no par value and some others. The step thus constitutes a considerable measure of unfreezing, for which some holders will be duly grateful. Whether the present is a good time for the sale of most American investments is a matter of some doubt, but holders should bear in mind that they have no absolute right to the return of their stock. The Treasury has to find, in addition to the half-yearly interest payments of \$6,375,000, a sinking fund appropriation of \$7,500,000 per annum, starting from October 1st last, and a reserve account of not less than \$6,375,000. As was pointed out on page 509 of *The Economist* of October 25th, the annual earnings of the British insurance companies come within measurable distance of covering the whole service. The Treasury may wish to provide a larger reserve or even to expedite repayment of the loan, but the main reasons for the step are to afford relief to would-be sellers and stimulate demand for other securities.

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Rhodesian Copper Prospects

Apparently the investing public has miscalculated the demand for copper by the war industries of this country, in the same way, but to a less extent, as it originally miscalculated the demand for oil. The first of the full accounts of the Rhodesian group for 1940-41, those of Roan Antelope, show, as was suggested, a rise in costs of almost £150,000, but this is only one-third of the total fall in net profit before tax, the remainder being due to a decline of some 9 per cent to just over £3,000,000 in copper sales account. Unless the generally accepted statement that the price paid by the Government is virtually unchanged on the year is misleading, this can only mean substantially smaller sales, and since stocks show a modest reduction, a slightly larger decline in output. Actually taxation, although very heavy—it still absorbs 63 per cent of net profit—is down on the year from £800,000 to £730,000, of which the provision for NDC is only £43,500, against £73,000. The tax provision includes £118,000 in respect of the rise in the rate of tax levied on the profits of 1939-40, and only covers tax on those of the year just ended at the current rate of 10s. in the £, less Dominion Income Tax Relief. After maintaining the appropriation of £100,000 to reserve, and paying the dividend of 10 per cent, against 20 per cent, there is a draft of some £27,000 on the carry forward, against one of almost £53,000 a year before. Capital expenditure during the year was less than £200,000, mainly on housing, and a third reverberatory furnace. There is a comparatively small increase in total liquid assets, and a negligible decline in their excess over current liabilities to just under £800,000. Since the mine is at the height of its capacity, there is no reason to suppose that its small sales are exceptional, and it will probably prove a favourable specimen of the companies operating in the area. The accounts cover a year during much of which industrial output for war purposes was only slowly getting under way. It may be doubted, however, whether recent additions to our effort have been in a direction which particularly favours copper producers. Presumably a time will come when this demand will increase. Meanwhile, shareholders have the consolation that, had sales been markedly higher, a large part of the increase would have gone in EPT, and that, as things are, their wasting asset is being used up more slowly than they expected. The price of the 5s. shares, at 14s. 4½d. ex dividend, giving a yield of a mere £3 9s. 7d., suggests that investors are not too depressed as to the outlook.

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Company Notes

Cunard Dividends

Since the announcement last September that *Cunard White Star* was to redeem from reserves the company's debt to the Treasury to a total of £7,950,000, markets have been optimistic regarding the possibility of payments on ordinary capital. Consequently, the decision of the *White Star* board to declare in the current year a 5 per cent dividend, less tax, the first since its formation in 1934, is hardly a surprise. The payment requires £500,000 gross, which does not unduly strain the accumulated carry-forward of £1,414,351. The payment is to be partially passed on to

the general investor through the decision of *Cunard Steam Ship*, which owns 62 per cent of the *White Star* capital, to pay off two years' arrears on 5 per cent cumulative first preference capital. The payment, which is less tax at 10s., requires £150,000 gross and will bring payments up to June 30, 1933, leaving gross arrears on this class of £712,500 to end December next. Arrears on the 6 per cent preference issue, which are cumulative since June 30, 1931, will amount to £690,000 and the end of the current year. Clearly, ordinary stockholders in *Cunard Steamship* have a considerable distance still to go before they can expect to receive a dividend, but a start has now been made. After the announcement, the £1 ordinary stock changed hands at 15s. 4½d., the 5 per cent preference stock at 111 and the 6 per cent preference stock at 108.

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Bass, Ratcliff and Gretton

Like those of the majority of breweries, the accounts of Bass, Ratcliff for the year September 30th last show a rise in gross income, from £1,503,980 to £1,574,417, and a moderate decline in earnings after tax. Since depreciation absorbs only £66,312 against £78,346, while rents, rates and taxes are less than £80,000 higher at £640,217, the decline in equity earnings amounts to only some £9,000 to £525,059. With the tax free ordinary dividend maintained at 20 per cent, to which it was reduced from 25 per cent in the previous year, the company is able to transfer £50,000 to reserve for contingencies as before and to raise the carry forward from £844,852 to £872,784. The tax free cover is down from 23.9 to 23.4 per cent, equivalent to a rise from 41.5 to 46.8 per cent.

	Years ended September 30th.		
	1939	1940	1941
Total income.....	1,545,450	1,503,980	1,574,417
Depreciation	76,986	78,346	66,312
Rents, rates and taxes	445,086	562,649	640,217
Renewals, fees, etc.	93,755	72,822	89,877
Debenture interest	190,089	187,590	184,951
Prof. dividends	68,000	68,000	68,000
Ordinary stock : †			
Earned	611,531	534,573	525,060
Paid	558,910	447,128	447,128
Earned %	29.9	23.9	23.4
Paid %	25	20	20
Reserves	50,000	50,000	50,000
Carry forward.....	807,407	844,852	872,784
† Tax free. ‡ After deducting £28,551 for depreciation of investments.			

The balance sheet shows a fall in stock from £635,619 to £490,880, which indicates that shortage of supplies rather than any failure in demand has set the limit to gross revenue. This decline and the reduction in cash from £775,059 to £688,455 provides for the rise in Government securities from £836,814 to £1,086,814. Increases in creditors and debtors are both moderate, while general and property reserves are unchanged at £1,000,000 and £200,000 respectively. The company's War Damage Contribution has not yet been written off out of profits and, consequently, appears on the assets side of the account to a total of £88,940. The report emphasises the stability of the leading breweries. The £1 ordinary stock, at 138s., yields £2 19s. 3d. per cent, tax free.

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Anglo-Iranian Results

The Anglo-Iranian preliminary statement for 1940 shows a slight fall in net profits from £2,986,358 to £2,841,909, for which higher taxation is no doubt mainly responsible. Thus, it is probable that income before tax is somewhere near the previous year's level of £7,722,778, to which it declined from £10,583,985 in 1938. Extra depreciation requires £625,000 against £571,250, and there is a consequent fall in equity earnings from £1,343,874 to £1,145,675, representing 6.4 against 7.7 per cent. The ordinary stockholders again receive 5 per cent, to which the customary 20 per cent payment was reduced in 1939, and the whole of the surplus goes to raise the carry forward from £962,551 to £1,101,350. As far as can be judged from the preliminary figures, the severe blow to revenue sustained by the considerable rise in refining costs and the inter-

ruption of normal communications in the first year of the war was not accentuated in 1940, Anglo-Iranian being scarcely involved in the European losses which so seriously affected the Shell group. That relatively satisfactory results were obtained last year must be attributed largely to the political acumen which prevented a German coup in the Middle East. The market was encouraged by the statement, and the £1 ordinary stock rose by 2s. 6d. to 43s. 1½d., at which price it yields £2 6s. 11d. per cent.

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Anglo-Dutch Accounts

Accounts of Anglo-Dutch in 1940 show a rise in total income for the third year running from £387,580 to £394,410. Increases in total tax provision from £155,700 to £164,000 and in general charges from £14,657 to £18,023 are responsible for a small fall in earnings for ordinary dividend from £179,776 to £177,815. Thus, the 6 per cent dividend is earned only to the extent of 5.9 per cent and the carry forward is reduced from £57,253 to £55,068. Cash profits of the wholly owned Dutch subsidiary and associated companies were converted at Fl. 7.53, the average exchange rate for 1940, while current assets and liabilities were converted at Fl. 7.60, the rate ruling at the date of the balance-sheet. Owing to its failure to arrive from Java, the customary consolidated statement is not included in the accounts. The report shows that the rubber crop rose last year from 11,934,358 to 15,425,012 lb. There was, however, a severe fall in the coffee crop from 25,264 to 13,328 cwt and the tea crop was some 1,200,000 lbs lower at 12,168,238 lbs. The large increase in rubber sales at rising prices far outweighed the effects of smaller tea and coffee crops and gross profits of the operating company increased by some 20 per cent. This was, however, more than offset by a rise from Fl. 524,000 to Fl. 1,579,000 in taxes, including in the last year Fl. 150,000 War Profits Tax. In consequence, the net profit is lower, despite smaller depreciation, and the small rise in Anglo-Dutch income is due to appreciation of the florin. The Anglo-Dutch balance-sheet shows a reduction in the total of investments at or under cost—other than in subsidiary companies—from £496,151 to £364,714, having a market value of £358,582. Cash and debtors are both higher at £283,196 against £227,573 and at £28,863 against £4,750 respectively. On the liabilities side of the account, creditors including taxation are reduced by more than half from £114,535 to £55,069, while exchange suspense account stands at £118,749 against £122,986. General reserve is unchanged at £375,000. The general development and replanting policy appears to be going forward satisfactorily. The £1 ordinary stock, 17s. 1½d., yields £7 os. 2d. per cent.

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Malayalam Report

Gross revenue of Malayalam rose in the year to March 31st from £716,401 to £770,653, an improvement which outstripped the increase from £398,057 to £439,380 in general production costs and net expenditure on fixed assets. Total tax provision rose from £147,000 to £185,000, while other charges against profits remained approximately stable. Thus, equity earnings declined from £154,735 to £129,237, representing a reduction in the rate only from 13.6 to 13.3 per cent. Stockholders receive 10 per cent as usual, less income tax at 9s. 3d. No doubt investors will be gratified by the chairman's announcement that the directors intend to use the dividend equalisation reserve, increased by the current allocation of £10,000 to £70,000, when occasion demands. General reserve receives £15,000 against £20,000, bringing the fund to a total of £160,000, and the carry forward is raised from £100,075 to £101,916. The balance sheet shows a rise in net liquid assets from over £457,000 to nearly £477,000. On the liabilities side, creditors, including taxation, are up from £117,482 to £222,200. Among assets, the increase in cash and investments from £582,028 to £666,649 includes a jump in British Government securities, etc., from £70,572 to £299,425. Stocks are up from £114,888 to £221,688, while debtors have declined from

FREE TRADE LEGION

With reference to the advertisement of the above which appeared in *The Economist* on November 15th, the advertisers wish to state that the address given was incorrect. The correct address is 38, Bedford Street, W.C.2

£109,330 to £34,701. The chairman, Mr H. J. Welch, states that the fall in the average yield of tea per acre from 543 to 540 lbs. is due to a cut in the internal Indian export quota. The rubber crop, however, increased from 6,321,786 to 6,343,132 lbs., and it appears that the whole crop was exportable as against 66½ per cent, subject to internal cuts, in the previous year. Both tea and rubber estates suffered damage last year, the former from a drought and the latter from a cyclonic storm. In the current year, crop prospects appear satisfactory, and it is estimated that the whole rubber crop, reduced by some 4 per cent owing to the storm, will again be exportable. The £1 ordinary stock, at 28s. 3d., yields £7 1s. 7d. per cent.

AEC Dividend

The preliminary statement of AEC announces the maintenance of the total tax-free ordinary dividend at 7½ per cent for the year to September 30th last. Thus, the effective rate less tax is raised approximately from 13 to 15 per cent. Net profits of £132,500 compare with £196,500 in the previous year, a figure which, however, included £7,852 profit on sale of investments. Thus, the amount available for equity payments was £188,648 in 1939-40, representing a tax-free rate of 12.6 per cent. On the assumption that last year's net profit figure contains no fortuitous credit from disposal of securities, the current dividend is covered by tax-free earnings of 8.8 per cent, leaving £20,000 for transfer to general reserve, which received £82,000 in the previous year, or for addition to the carry forward. It is probable that the accounts will show a relatively stable figure of gross earnings, which rose from £451,200 to £717,799 in the previous year, leaving higher taxation to account for the drop of between £50,000 and £60,000 in probable equity earnings. The £1 ordinary stock, at 51s. 9d., yields £2 19s. 1d. per cent, tax free.

Joshua Hoyle Prospects

The full accounts of Joshua Hoyle for the year to September 30 last show that the rise in profits from £194,164 to £211,580, before income-tax but after EPT, is largely to be attributed to the special circumstances resulting from concentration in the textile industry. Thus, the outlook appears rather less favourable than was suggested by the preliminary statement discussed in *The Economist* of November 15th. Ability to meet the War Damage contribution of £22,992 and to repeat the transfer of £50,000 to depreciation without reducing equity earnings by more than £1,868 to £71,544—representing a rise in the rate from 16.9 to 19.5 per cent—is due largely to the clearance of stocks from mills which have been closed down. Moreover, income tax last year, as in 1939-40, claimed no more than £30,000, since, as the chairman, Mr H. A. Enright, points out in his statement, it has been possible up to the present to offset losses incurred in previous years. In future, income-tax liability must rise substantially. For the present, however, the company is able to repeat the 7½ per cent ordinary dividend, the transfer of £25,000 to general reserve, raising this fund to £85,000 in the balance sheet and the transfer of £10,000 to benevolent fund, while increasing the carry forward from £58,731 to £67,749. The balance-sheet shows no striking change. EPT provision accounts mainly for the rise in creditors, including taxation, from £515,567 to £633,599. Stocks are nearly £40,000 lower at £476,921 and debtors are down from £371,186 to £324,055. These changes are compensated by a rise in cash from £463,778 to £556,850 and in investments from £105,419 to £281,822. Shareholders must look for some reduction in earnings in the current year, though satisfaction may be drawn from the fact that such mills as remain in production have been declared nucleus plants. The 2s. shares at 28s. 6d. ex dividend yield £6 per cent.

Joseph Lucas Profits

Joseph Lucas is in the fortunate position of possessing a relatively favourable EPT standard and, consequently, disclosed profits for the year to August 7th last, struck after taxation and other charges, are reduced only from £299,317 to £286,703. With provisions for fees and staff funds unchanged, there is a decline in equity earnings from £273,835 to £262,259, which provides a rate of 26.7 against 24.0 per cent. After paying the usual 15 per cent dividend, the company is able to repeat the previous year's transfer of £100,000 to general reserve, bringing the total of this

fund to £1,000,000, and to raise the carry forward from £65,986 to £81,200. Clearly a company specialising in the production of electrical accessories for use in motor vehicles will have been producing to capacity last year. The balance sheet shows a shortage of working capital already evident in the case of certain aircraft companies called upon to expand rapidly. Thus, cash is down from £179,246 to £9,025 and British Government securities from £95,870 to £28,495. The chairman, Sir Peter F. Bennett, points out in his speech that, since the date of the accounts, an accumulated sum of £150,000 has been invested in Government securities in the course of Birmingham's Warship Week. None the less, the balance sheet shows that a bank overdraft of £546,726 was incurred last year, while a footnote to the accounts states that the overdraft of a subsidiary has been guaranteed up to £5,000. The rise in stocks from £1,158,108 to £1,642,258 and in debtors from £1,844,851 to £3,101,601 indicates that the cash shortage is due solely to existing production conditions. Creditors, including tax and subsidiary companies, are up from £2,292,747 to £3,461,623. There is a decline in fixed assets indicating that new works, which the chairman says are well distributed, have been erected at the public expense and remain public property. The £1 ordinary shares, at 61s. 10½d., ex dividend, offer a conservative yield of £4 16s. 11d. per cent, indicating market confidence that the company will be able to maintain dividend rates for a substantial period of years.

Kaffir Results

The report of *Luipaards Vlei* shows that the mine had another excellent year. Percentage of payability in development was again high at 65.5 per cent, and tonnage milled increased by 290,000 tons to 946,000. The plant, which has a capacity of 85,000 tons per month, is to be still further expanded to 100,000 tons a month. Future prospects are excellent. The *Consolidated Main Reef* report shows that development on the South Reef continues to open up good payable values, but on the other reefs development has been generally poor or irregular. The mine is going through a difficult phase, and ore reserves show a further decline which represents, however, four years' supply to the mill. Profit on trading continued to decline, and it may be difficult to maintain dividends for long at the present rate. The main development of *Modderfontein East* has reached the boundaries of the property, except to the north and east. The report discloses that, to the north, development results have again been poor, while to the east payable ground continues to be opened up. The available ore reserves show a substantial increase and are about five years ahead of the mill. The future of the mine will become more and more dependent on development to the north and east, and prospects appear to be unfavourable. The following table gives the latest results for the three developed mines:—

Reports to	Ore Reserves	Payability	Dividend 1940-41	Dividend 1939-40
June 30th	000's tons	dwt.		
Luipaards Vlei ...	3,294	4.8	11d.	1/-
Cons. Main Reef ...	10,564	3.6	27½%	30%
Modder East ...	7,200	3.8	37½%	40%

Outstanding among developing mines, *Blyvooruitzicht* has recently been so consistently a market favourite that the report is rather an anti-climax. The Carbon Leader was intersected in No. 1 shaft at 4,685 feet and development on the 5th level gave 82.5 dwts. over a width of 16.6 inches for a total of 205 feet sampled. Development on the 3rd and 4th levels should soon be started. A mill with a capacity of 8,000 tons a month should be in commission early next year to crush development rock, whose profit will supplement working capital to carry on development. The present abnormally high value of the 10s. ordinary shares at 30s. cannot continue indefinitely. The *Libanon* report shows all work was at No. 1 shaft, and that intersections were made at the 5th, 6th, 7th, 8th and 9th levels. The rate of development was retarded owing to the broken ground and the water fissures, which had to be cemented off. Work will now be concentrated on the 6th, 9th and 12th levels. Of the footage sampled, 1,005 feet, or 26.3 per cent, was payable, averaging 4.8 dwts. over 42 inches. The results of development in *Libanon* have been rather disappointing and compare unfavourably with its neighbour, *Venterspost*.

London

Note: all dealings are for cash

The firm tone at the end of last week reflected the markets' satisfaction at the revision of the Neutrality Act, but sentiment at the reopening was rather subdued owing to Far Eastern developments and the American labour crisis. The general tone was firm and the uncertainty found expression in lower turnover rather than in adverse price movements. On Tuesday, however, conditions improved with considerable activity in the industrial market, where stock was in short supply.

A slight revival of activity in the gilt-edged market before the week-end led to gains of ¼ for 2½ per cent Consols, 3½ per cent War Loan and Local Loans, while 3½ per cent Conversion advanced ¼. In more subdued conditions, 3½ per cent War Loan and Conversion Loan both improved ¼ on Monday, when 2½ per cent National War Bonds 1945/47 advanced the same amount. The following day 3½ per cent War Loan eased ¼, but 4 per cent Funding Loan and Victory Bonds each gained ¼, 3 per cent National Defence Bonds improving ¼. In midweek slight selling was sufficient to depress prices. Quiet conditions ruled in the foreign bond market throughout. Japanese issues, after some improvement, fell back in the early part of the current week, the 5½ per cent loan of 1930 and the 6 per cent loan of 1924 losing 2½ and 1½ points respectively in midweek. Among Chinese bonds the 4½ per cent loan of 1898 advanced 1½ points and the Boxer loan 1 point on Monday. Interest in South American issues was slight. Among Argentine issues the "Roca" loan fell a point on Monday, when Brazilian bonds were generally easier, but later the market, apart from Japanese issues, was steady.

In a quiet but firm home rail market, most issues were unchanged immediately before and after the week-end, although Berwick 5 per cent pref. gained ¼ on Friday. In common with other sections, interest revived on Tuesday, moderate buying raising Southern pref. 1 point and GW ordinary ½ point. Quiet support for senior issues was reflected in numerous small gains. Moderate buying in midweek raised GW ordinary 1½ points among other gains. Good traffic receipts encouraged mild support for Argentine rail issues in the foreign rail market before the week-end, but prices in the early part of the current week were slightly easier. BAGS and BA Western ordinary both declined ¼ on Monday, while the following day Central Argentine issues were weak, the 4 and 5 per cent debentures each losing a point. In contrast Canadian Pacific issues were persistently strong.

Steady buying coupled with a marked shortage of stock resulted in many strong advances in the industrial market. Demand was well spread, but interest centred mainly on brewery issues. Gains of 1s. were general. Distillers, Bass and Ind Coope all improving that amount on Tuesday, when Charrington was prominent with an advance of 1s. 6d. Steady support for aircraft and motor issues, among which Rolls-Royce, and Raleigh Cycle Holdings were prominent, led to numerous rises. The iron and steel group was quiet, but prices were generally firm with small gains for Swan Hunter, Richard Thomas pref. and ordinary, and Hawthorn Leslie. Shipping shares attracted some demand and most issues improved. Coast Lines were outstanding with persistent gains, while both Cunard

THE STOCK EXCHANGES

and Royal Mail advanced. In an otherwise quiet textile group, Courtaulds rose 2s. on Tuesday following the Chancellor's statement on the Viscose settlement. On Tuesday, renewed buying of tobacco shares resulted in gains of ¼ for Imps, and ½ for BAT and Godfrey Phillips. Stores issues were in demand on Monday when Harrods and Barkers each improved 1s., while among miscellaneous issues Emmies, United Molasses and Beechams defd. were all in demand. Prices continued to advance in midweek on steady buying, with brewery issues outstanding.

After closing quietly at the week-end, Cape buying occasioned a general advance in the *kaffir* market in the early part of current week. Dividend paying shares were especially in demand, Sub Nigel repeating Monday's gain of ¼ the following day when E. Geduld gained ¼, Geduld ½ and Crown Mines ¼. In midweek, Cape selling reversed the trend, Libanon falling 1s. 6d. among other smaller losses. Turnover in the rubber market was small, but prices in the early part of the week were steady. Despite a general decline of interest in the oil market, prices before Tuesday were generally firm. Anglo-Iranian on the preliminary statement and VOC each gained ½ before the week-end, while at the reopening Attock, Lobitos and Ultramar all improved ½. On Tuesday, however, prices turned easier, and Anglo-Iranian and Burmah both declined ½, while Trinidad Petroleum Development lost ½. In midweek Shell advanced ½, and later demand improved strongly.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices
			30 Ord. Shares* 20 Fixed Int.†
Nov. 13...	3,650	1,629	79.8 132.2
" 14...	3,252	2,429	80.1 132.2
" 17...	3,803	1,866	80.3 132.1
" 18...	3,486	2,606	80.9 132.1
" 19...	3,840	1,872	81.3 132.1

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary Shares, 1941 highest, 81.3 (Nov. 19); lowest, 66.8 (April 24). 20 Fixed Int., 1941; highest 132.2 (Nov. 14); lowest, 126.1 (Jan. 2).

New York

APART from some earlier hesitation, the actual revision of the Neutrality Act had little marked effect on Wall Street before the week-end. Major interest in the current week centred on the coal strike, but despite the general uncertainty sellers held off in the hope of prompt action by Congress. Far Eastern developments restrained any speculative element, and cautious dealing in a generally dull market led to narrow and irregular price movements. The impending holiday strengthened the tendency to wait and see in midweek, and conditions continued dull.

The *Iron Age* estimates steel mill activity at 97.5 per cent of capacity, the same as in the previous week.

New York Prices

STANDARD STATISTICS INDICES (1935-36=100)

	1941		Oct. 29 1941	Nov. 5 1941	Nov. 12 1941
	Low Nov. 12	High Oct. 1			
347 Industrials...	77.8	83.9	80.1	80.4	77.8
32 Rails...	66.7	71.7(a)	69.3	71.7	66.7
40 Utilities...	73.6	80.1	76.7	76.4	73.6
419 Stocks...	76.5	82.6	79.0	79.3	76.5
Av. yield*	7.00%	6.41%	6.77%	6.75%	7.00%

* 50 Common Stocks.

(a) November 5.

DAILY AVERAGE OF 50 COMMON STOCKS

Nov. 6	Nov. 7	Nov. 8	Nov. 10	Nov. 11	Nov. 12
95.8	95.6	95.6	95.1	(a)	92.9

1941 High: 105.8, January 10. Low: 90.7, April 30. (a) Remembrance Day.

Total share dealings: Nov. 13, 830,000; Nov. 14, 840,000; Nov. 15, 350,000; Nov. 17, 630,000; Nov. 18, 680,000; Nov. 19, 800,000.

* Two-hour session.

	Close Nov. 10, 1941	Close Nov. 11, 1941	Close Nov. 12, 1941
1. Railroads.			
Atlantic Coast...	24½	25½	Chrysler 53½
Can. Pacific...	4½	4½	Distillers-Seag. 17½
Gt. Nthn. Pf...	23½	23½	Eastman Kdk. 133½
N.Y. Cent...	9½	9½	Gen. Elec. 27½
Pennsylvania...	22½	23½	Gen. Mgtors. 38½
Southern...	16½	16½	Inland Steel 70½
2. Utilities, etc.			
Amer. Tel...	150	148½	Int. Nickel 26½
Amer. W'wks...	32½	32½	Int. Paper 16½
Pac. Light...	31½	32½	Liggett Myers 79½
People's Gas...	44	44½	Nat. Distillers 22½
Sth. Cal. Ed...	22½	22½	Nat. Steel 48 47½
W. Union Tel...	28½	28½	Phelps Dodge 27½
3. Commercial and Industrial.			
Am. Smelting...	36½	36½	Sears Roebuck 66½
Am. Viscose...	24½	24½	Std. Oil N.J. 45½
Anacosta...	26	26	20th Cen. Fox 7½
Beth Steel...	58½	57½	U.S. Steel 52½
Briggs...	18	17½	West'house. El. 74½
Celanese of A...	21½	21½	Woolworth 28½

* Ex-dividend.

Capital Issues

Week ending November 22, 1941. Nominal Capital versions. New Money.

Particulars of Government issues appear on page 639.	Year†	Including Conversions	Excluding Conversions
1941...	1,380,213,214	1,326,605,932	
1940...	1,281,515,279	928,259,246	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1941...	1,322,329,797	4,206,135	70,000
1940...	927,274,574	984,672	Nd

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1941...	1,319,508,914	527,394	6,565,624
1940...	912,169,710	1,561,005	14,628,531

† Includes Government Issues to Nov. 11th only. Above figures include all new capital in which permission to deal has been granted.

BY TENDER

East Worcestershire Waterworks Company.—Offer for sale of £40,000 4 per cent Preference Stock at a minimum price of £100 per £100 Stock. Last day for tenders December 1, 1941. Total revenue years ended June 30, 1939, £36,840; 1940, £42,020; 1941, £48,035.

Shorter Comments

Lake View and Star.—Bullion proceeds and sundry revenue £1,343,992 (£1,381,646) for year ended June 30, 1941, net profit £465,293 (£551,666). Depn. £41,407 (£45,960), spec. devpt. nil (£40,552), taxation £230,000 (£220,000), divs. £197,750 (£210,000), carry fwd. £6,086 (£19,950).

General Cinema Finance.—This company has filed particulars of a debenture, charged on the company's property and undertaking, dated October 27th, to secure all moneys due to the National Provincial Bank.

Young Accumulator.—The merger between Crompton Parkinson, the above company and the latter's subsidiary, Assoc. Elec. Vehicle Mfrs., has now been ratified by a requisite majority and becomes absolute.

(Continued on page 640)

Industry and Trade

Statement on Production

The recommendations on labour problems made by the Select Committee on National Expenditure in their twenty-first report of the 1940-41 session, have drawn replies from all the Supply Departments; and these have been combined in a "Statement Relating to Production" issued last week by the Committee as its twenty-fifth report. The statement not only comments upon the thirty-two recommendations of the Committee's twenty-first report, but also deals with problems of labour and production not covered by that report. The replies reveal the difficulties still to be overcome in the quest for higher production, as well as showing that a good deal has been, and is being, done to carry the Committee's recommendations into effect. One of the principal recommendations of the Committee related to the need for the assumption, by the Supply Departments, of a greater measure of direct responsibility for ensuring that labour and materials are used to the best advantage. While the need for achieving this end is fully admitted in the official answer, the Statement rightly emphasises that the primary responsibility for the efficient use of labour and materials by contractors must necessarily rest with their managements. At the same time, the reply recognises that the Supply Departments themselves can do a good deal in preventing waste by the extension of the "fixed price" contract, and, where "cost plus" contracts have to be let, by the investigation of costs and the disallowance of excessive charges. Another important point made by the Committee was that factories and plant should be employed for as many of the twenty-four hours as possible. But the extent to which this is possible depends on the available supply of labour. The Supply Departments are, in fact, impressing upon firms, whose products are urgently required, the need for organising double and even treble shifts wherever practicable. And an increasing number of plants are understood to be operated all round the clock. But the fact that many are not so employed emphasises the need for speeding up the inflow of munition workers. There are many other problems concerning labour relations, management and wages, which are being currently tackled by the Supply Departments. Every effort is also stated to be made to improve the transport of workers to and from their places of work, to provide incentives for bigger production and to secure better feeding conditions. The Government is obviously alive to the need for improvement under the various headings of the Committee's recommendations. What is needed is a decided increase in the speed with which improvement is brought about.

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Speeding Up Inland Transport

The growing intensity of the war effort on the home front is tending to increase the strain on inland transport facilities, especially during the winter when movements are inevitably slowed down by the lengthening of the night and when the demand for coal shows a seasonal increase. According to estimates made by the Ministry of War Transport, coal traffic alone will be heavier than last winter by about a quarter of a million tons a week. Substantial increases are also expected in other freight traffic and in the number of workers to be conveyed to and from the war factories. To meet the increasing demand for transport at least 100,000 more wagons and lorries will be required. But as these additional facilities cannot be put at the disposal of the transport industries this winter, the only solution lies in an increase in the utilisation of existing equipment and in a further drive to economise transport. In order to secure an increase in carrying capacity by the better utilisation of existing railway wagons and lorries, the Ministry of War Transport has launched a campaign designed to speed up the turn round of wagons and lorries. It appears that wagons are frequently still left idle for days because more loads are forwarded at one time than the consignee can discharge. An investigation carried out in the second quarter of this year showed that the average number of wagons standing idle under inward load for more than 48 hours was then nearly 60,000. Such a wastage of capacity is inexcusable, but in its attempt to reduce it, the Ministry of War Transport must rely on the close collaboration of traders.

Post-War Export Planning

In an address to the Institute of Export some time ago Mr R. Huntley-Davidson made a vigorous plea for a revision of the British attitude to export trade, in order that this country may be ready to meet the extremely difficult conditions which are to be expected in international commerce after the war. He pointed out that the industrialisation of other countries is likely to be accelerated, that scientific and industrial knowledge will tend to be more rapidly internationalised, and that the movement towards collective action in trade and industry will continue and expand. Britain cannot therefore hope to secure an adequate share in international trade by the old methods. Mr Huntley-Davidson claimed that "a serious volume of export trade cannot be built upon the economics of home trade. . . . To participate effectively in international trade we shall have to concentrate on the economics of production and distribution most suitable for export trade." To do this will require a considerable measure of State control, unless each industry undertakes the necessary co-operative planning for itself—the only way, in Mr Huntley-Davidson's opinion, by which the dangers of economic totalitarianism can be avoided. When Mr Huntley-Davidson attempts to demonstrate the importance of export trade, however, he appears to fall into a fallacy which recalls Adam Smith's predecessors. "From the angle of national economy, so long as the sale of exports secures in hard currencies more than the hard currencies used in the acquiring of the raw material content of such sales, does not that surplus represent a gain to an industry's or a nation's economic power of survival?" The answer is that it does, but not necessarily as great a gain as might have accrued from the use of the same amount of resources in production for home use or for some other form of export. Arguing from this fallacious premise that any export which brings into the country a net import of cash is a desirable export, Mr Huntley-Davidson reaches this conclusion: "Provided that export production and distribution costs are based on maximum efficiencies, conforming to export requirements, is it not sound economics to distribute over our home trade, and even over certain classes of exports, the cost of lowering prices of other exports to overseas competitive levels, by means of levies or similar expedients?" This dangerous doctrine of subsidised dumping on the Nazi model should not, however, be allowed to obscure the value of a reasoned plea for a more far-sighted attitude on the part of individual industries towards the international market.

* * *

Coupons for Overalls

When the most exclusive women's shops in the West End of London begin to advertise bib and brace overalls free of coupons, it is clearly time for the Board of Trade to take action. The Board itself foreshadowed at the outset of the scheme that steps would be necessary to see that coupon-free overalls were only obtained by *bonâ fide* workers, and it has now issued an Order to implement this promise. At the same time as well-to-do women were saving coupons by wearing dungarees, those women workers for whom men's overalls free of coupons were unsuitable have been giving up as many as seven coupons to obtain the type of overall appropriate to their work. Both these injustices are to be remedied by the abolition of coupon-free overalls and the application of a low coupon rating to all types of industrial overalls. To qualify for this low rating, the garment must be unlined and made of plain or twill weave cotton material in plain single colour. A boiler suit conforming to these requirements will in future require four coupons; bib and brace overalls, wrapover coats and overall long coats take three coupons; overall trousers, overall jackets and aprons will need two coupons. After the end of January, 1942, these low ratings will only apply to garments made of utility cloth No. 311. More coupons will be required for garments made from other materials.

* * *

Fuels for Producer-Gas Vehicles

In the application of producer-gas (a mixture of gases derived from the combustion of solid fuel in a suitable generator) to road transport, Great Britain is far behind

Europe; there are only a few hundred such vehicles in this country, compared with some 150,000 in German Europe. This is not surprising, in view of the relative inefficiency of this method of propulsion compared with the petrol engine and the fact that adequate supplies of liquid fuel have hitherto been available for essential purposes. Nevertheless, for certain transport services in time of war, the producer-gas unit, despite its technical inferiority, has a definite part to play in economising imported motor fuel; and this is reason enough why its use should be encouraged, wherever feasible. But an important question, naturally, is whether sufficient supplies of home-produced solid fuel are available to make an appreciable extension possible. Actually, many fuels may be used in gas generators, including coal, coke, wood, charcoal and peat—though even the Germans have not yet succeeded in designing an apparatus capable of operating efficiently on any one of these fuels at present. Because authoritative information regarding supplies of suitable fuels is not available in this country—after two years of war—the Secretary for Mines has invited the Henley Committee (which last year considered low-temperature carbonisation processes) to study the problem. The Committee were asked to estimate the quantity of solid fuels that could be made available at present, and to report on any measures required to increase supplies if necessary. Its findings will be awaited with interest; for they will fix the limits within which a change-over to producer-gas propulsion would be physically possible. Official encouragement is at present confined to the promise that home-produced solid fuels for gas generators will be duty-free for five years. Further assistance might be necessary if the wider use of producer-gas equipment is to be made a commercial proposition.

* * *

Scrap Shortage in America

The American iron and steel industry, which has been operating virtually at capacity for many months, is beginning to be affected by a shortage of scrap. Indeed, the latest cables suggest that the production of ingots is already hampered by inadequate scrap supplies. No doubt there are ways and means of increasing supplies in the United States and there is still considerable scope for a curtailment of steel consumption for unessential purposes. But it is probable that exports of scrap and pig-iron to Great Britain will be further curtailed and that the British iron and steel industry will have to rely increasingly on its own resources. There are indications that the rate of collecting scrap has tended to increase and that stocks are substantial. But unless vigorous measures are taken now to ensure a steady expansion in the flow of scrap to the steel mills, a shortage may develop next year. For example, the machinery for the collection of railings is far too cumbersome; if additional powers are required to secure a speed-up in this collection, they should be taken forthwith. A shortage of scrap must be prevented at all costs if the increase in the output of munitions is to be maintained.

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Malaya's Tin Export Duty

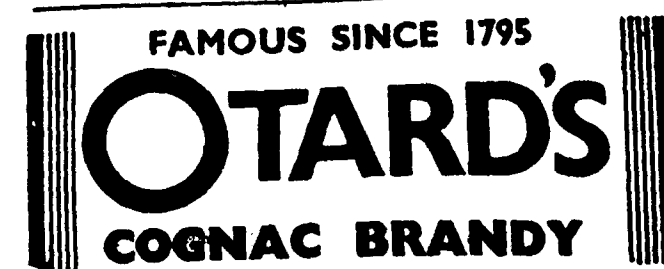
The establishment of a large tin smelter in the United States has led to a controversy about Malaya's tin export tax. This duty was introduced at a rate of 40 per cent *ad valorem* in 1903 and amounts now to \$30 per picul of tin ore exported from Malayan mines to smelters outside the British Empire. The duty at this rate is prohibitive; it was never intended to produce revenue, but was introduced to ensure the monopoly of tin smelters in the Straits Settlements and the United Kingdom. In the past ten years, the extension of the Banka (Dutch East Indies) refining capacity as well as the establishment of modern Chinese, Dutch (Arnhem) and Belgian (Antwerp) tin refineries has greatly reduced British predominance in tin smelting, although for the present most of the new refineries are cut off from their ore supplies. Hitherto, all new tin refineries were erected by important mining interests. In the case of the new American refinery, however, the position is different. That country is the most important tin consumer but does not produce tin ore. The United States Government agency (the Metal Reserve Corporation) has concluded agreements for the supply of ore with Bolivia and the Dutch East Indies, but many of the Malayan mines are understood to be anxious to participate in the supply of ore to the smelter in the United States. As a result, the Tin Producers' Association has sent a resolution to the Colonial Secretary this week asking for the repeal of the tax in order to give tin mining companies freedom of action. In con-

sidering the maintenance or repeal of the tax the Government must consider both immediate and long-term implications. For the duration of the war, the Texas City smelter is of great strategic importance to the Allies, especially if war breaks out in the Pacific. Any British ore required by the smelter during the war should, therefore, be made available to America. After the war, conditions may be very different. Past experience has shown that tin smelting costs in the United States are higher than elsewhere, so that the continuation of operations in that country after the war may involve the introduction of an import duty on refined tin. Such a duty would hit smelters outside the United States and may endanger the Liverpool tin-smelting industry. An indefinite suspension or permanent repeal of the Malayan export tax should, therefore, be made subject to satisfactory arrangements between the British and United States Governments, securing the maintenance of duty-free imports of refined tin into the United States. The Tin Producers' Association in its resolution this week pointed out that the duty in its present form represents a discrimination against non-British buyers and thus is contrary to the principles of the Atlantic Charter. This fact cannot be denied. But the introduction of an import duty on refined tin aimed against non-United States refineries would be a similar infringement.

* * *

Antimony Supplies

The growing tension in the Pacific, especially the possibility of an early Japanese offensive against the Burma Road, has brought the problem of antimony supplies to the fore. Antimony is an essential war material, and, as a hardener of lead, it is extensively used for the production of munitions, battery plates and other vital products. In the ten years preceding the Sino-Japanese war, China supplied over two-thirds of the world's total output of antimony, chiefly from the Hunan province. The recent successful Chinese counter-stroke at Changsha has cleared the Chinese antimony area from Japanese troops, but this achievement would be of little value if communications were cut further south. Fortunately, the dislocation of the Chinese antimony industry since 1937 has led to substantial changes in the world's antimony industry which have tended to reduce the dependence of the democracies on Chinese supplies. Last year, China exported only 5,493 metric tons of antimony in metal and concentrates against 16,348 tons in 1936 and well over 20,000 tons in good years. This decline has been more than offset by the expansion in production, with American financial aid, in Mexico and Bolivia. In 1940, Mexico supplied no less than 11,286 tons of antimony against 6,719 tons in 1936. Simultaneously, Bolivia raised its output from 6,040 tons to 10,813 tons. In 1941, both countries have taken steps to expand their output still further, and recent reports indicate that at least 25,000 tons will be available from the two countries this year. Virtually the whole of this supply is available to the United States. Countries other than Mexico, Bolivia and China produced between 12,500 and 15,000 metric tons of antimony last year. Of this total nearly 4,000 tons came from Yugoslavia, 1,000 tons from Czechoslovakia, 1,000 tons from Peru, about 1,250 tons from the British Empire (chiefly from Canada and Australia), 800 tons from Italy, 850 tons from French North Africa and 500 tons from the United States. These figures indicate that supplies available to the democracies will remain something like four times as large as Axis supplies, even if China's exports were entirely cut off. Last year, the United States consumed about 15,000 tons of imported antimony, but since then consumption has greatly increased. Simultaneously Great Britain has lost its Balkan supplies and will probably require United States' assistance to make good the deficiency. Despite the increased supplies from Mexico and Bolivia, therefore, the interruption of Chinese shipments would constitute an important loss to the anti-Axis front, although it would not endanger their great superiority in supplies, which are comparatively limited in Axis countries.



During the year they had had further securities, standing in their books at £39,985, requisitioned outright by H.M. Treasury. The Treasury had also required them to place at their disposal certain securities to be used as part collateral for the loan of \$425 million from the Reconstruction Finance Corporation to this country. The terms gave the owners no right to sell them if, and when, they desired to do so, but, on the other hand, the British Government, or the Reconstruction Finance Corporation, were, in effect, to have an option to sell them at any time without reference to the owners, when the owners would receive only the proceeds of the sale. The directors felt that, as the securities were borrowed by the Government in the interest of the nation as a whole, in equity the company, and the other owners, should be indemnified against any loss if the securities were sold by, or on behalf of, the British Government at a price below the market price ruling at the date of the Treasury Order. By a supplementary Order announced only two days ago, the

THE rise in tin prices was maintained, and on Thursday of last week standard cash was as high as £258 10s.-£259 per ton, the highest price quoted for three months. On Wednesday standard cash was quoted at £257 5s.-10s. per ton, the same as the week before. Three months tin was £260 5s. 10s. per ton against £260 10s.-15s. Prices of cotton cloth have risen slightly; for example, 36-inch shirtings, 75 yds., 19 x 19, 32's and 40's, have risen by 3d. to 40s. 6d.

Import and Export Control.—From November 13th, the Board of Trade required applicants for licences to import goods from China to undertake to pay for these imports through a bank in China approved by the Exchange Control authorities, and to pay within a specified period. The Export of Goods (Control) (No. 39) Order, which comes into force on December 1st, consolidates the previous export control Orders. Licences will in future be required for the export, to all destinations, of caps and sprinkler tops wholly or mainly of metal; to certain specified destinations of manufactures wholly or mainly of wool (other than carpets and floor rugs) not previously controlled. A Board of Trade Order, making 670 additions to the "Black List" of traders in neutral countries with whom it is unlawful to have dealings, came into force on November 19th.

Woolen Goods Exports.—The export of woven tissues and blankets containing more than 15 per cent by weight of wool, is prohibited from November 21st, except under Board of Trade licence. An open general licence has been issued to cover exports to certain countries. Export rations for certain countries will later be allotted to exporters. Exporters will be required to make a return of their exports during a specified period. A committee representative of the trade is to be consulted by the Board of Trade in determining the amounts to be licensed. Goods licensed for export before rations are announced will count against the ration.

Utility Clothing.—The Board of Trade has made the Limitation of Supplies (Cloth and Apparel) (No. 4) Order, which consolidates and extends the provisions relating to the cloths and knitwear on special quota. The existing cloth and knitwear schedules in the three previous

Treasury were now prepared to take over at once and to pay a just price for many of the securities borrowed, and he congratulated them on the decision.

The report was unanimously adopted.

The twenty-ninth ordinary general meeting of Leach's Argentine Estates, Limited, was held, on the 14th instant, in London, Baron F. A. d'Erlanger, the vice-chairman of the company, presiding.

The following is an extract from the review of the vice-chairman on the year's operations, which was circulated with the report: The profit on trading at £177,293 is less than last year's figure by £52,668; £9,220 was paid in May last in respect of the year's interest on the 5 per cent. Funding Certificates and £15,000 as an interim dividend of 3 per cent. on 6 per cent. Cumulative Preference stock. The directors now recommend the payment of the balance of 3 per cent. on the Preference stock and that there be set aside £5,972 to the Funding Certificates Redemption Fund and that the remaining balance of £30,000 be applied to the payment of the 6 per cent. non-cumulative dividend on the Ordinary stock.

As regards future prospects, owing to the loss of sugar in Tucuman, we took steps towards the end of our crop whereby the output originally aimed at was slightly increased. Given normal markets, we should be justified in looking forward with confidence to the results of the current year.

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

For the week ended Nov. 15, 1941, total ordinary revenue was £38,279,000, against ordinary expenditure of £79,028,000, and issues to sinking funds of £155,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £1,858,422,000 against £1,554,525,000 for the corresponding period a year ago.

Revenue	Estimated 1941-42	Receipts into the Exchequer (£ thousands)			
		April 1 to Nov. 15, 1940	April 1 to Nov. 15, 1941	Week ended Nov. 16, 1940	Week ended Nov. 15, 1941
ORDINARY REVENUE					
Income Tax	756,000	148,328	255,071	5,418	12,692
Surtax	80,000	16,867	17,705	1,041	92
Estate etc.,				1,041	1,990
Duties	82,000	49,960	55,967	1,471	1,990
Stamps	14,000	8,388	7,771	280	310
N.D.C.		13,257	13,250	280	570
E.P.T.	210,000	35,053	141,678	1,405	5,565
Other Indl. Rev.	1,000	260	217	10	—
Total Indl. Rev.	1143,000	272,113	491,659	9,605	21,733
Customs	310,700	189,280	226,127	6,770	9,810
Excise	266,660	109,550	204,700	1,850	5,600
Total Customs & Excise	577,360	296,830	430,827	8,620	13,410
Motor Duties	39,000	12,518	12,154	116	10
P.O. (Net Receipts)	3,300	10,150	11,100	1,050	1,800
Crown Lands	1,100	650	610	—	—
Receipts from Sundry Loans	2,600	871	2,862	—	8
Miscell. Receipts	20,000	15,804	45,530	455	1,14
Total Ord. Rev.	1786,560	608,936	994,742	19,844	38,272
SELF-BALANCING P.O. & Bridge	99,346	50,050	50,000	1,250	1,25
Total	1885,706	658,986	1053,742	21,094	39,52

Expenditure	Estimate, 1941-42	£ (thousands)			
		April 1 to Nov. 16, 1940	April 1 to Nov. 15, 1941	Week ended Nov. 16, 1940	Week ended Nov. 15, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	160,968	183,370	619	96
Payments to N. Ireland	9,200	4,759	4,593	...	...
Other Cons. Fund. Serv.	7,800	3,703	4,123	...	6
Total...	272,000	169,430	192,086	619	102
Supply Services.	933,495¹	198,734	265,436²	67,000	78,000
Total Ord. Exp.	420,695¹	215,686	248,449	67,619	79,000
SELF-BALANCING P.O. & Broadcastg	99,346	50,050	59,000	1,250	1,200
Total...	430,041	220,634	290,449	68,869	80,200

After increasing Exchequer balances by £458,676 to £2,996,769, the other operations for the week (no longer shown separately) raised the gross National Debt by £41,639,598 to about £13,215 millions.

Radio and Telegraph	1
Anglo-Turkish Armaments	1
Overseas Trade Guarantees	2

NET RECEIPTS

Land Settlement Facilities	
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Aggregate issues and receipts from April 1, 1941, to November 15, 1941, are :—

(£ thousands)

Ordinary Exp.	2,846,449	Ord. Revenue	994,742
Inc. in bal.	570	Gross borr.	1,815,520
		Sinking dis.	6,714
		Net borrowing	1,808,806
		Miscell. Receipts (net)	43,271
	2,846,819		2,846,819

(£ millions)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1940					
Nov. 16 1941	845.0			Not available	
Aug. 9	960.0			Not available	
" 16	960.0			" " "	
" 23	960.0			" " "	
" 30	970.0	1525.3	213.0	1.0	513.0
Sept. 6	970.0			Not available	
" 13	970.0			" " "	
" 20	970.0			" " "	
" 30	2577.2		246.5	0.7	600.0
Oct. 4	970.0			Not available	
" 11	970.0			" " "	
" 18	970.0			" " "	
" 25	975.0	1558.9	241.8	...	662.5
Nov. 1	975.0			Not available	
" 8	975.0			" " "	
" 15	975.0			" " "	

(£ millions)						
Date of Tender	Amount			Average Rate of Allotment	Per Cent Allottee at Min. Rate	
	Offered	Applied	Allotted			
1940				s.	d.	
Nov. 15	65.0	140.8	65.0	20	4.56	32
1941						
Aug. 1	75.0	165.2	75.0	20	0.14	27
" 8	75.0	159.1	75.0	20	0.16	30
" 15	75.0	161.8	75.0	20	0.31	34
" 22	75.0	133.2	75.0	20	0.95	57
" 29	75.0	152.3	75.0	20	3.17	38
Sept. 5	75.0	148.8	75.0	20	3.46	41
" 12	75.0	165.8	75.0	20	2.73	29
" 19	75.0	165.0	75.0	20	2.63	26
" 26	75.0	186.5	75.0	19	10.65	37
Oct. 3	75.0	159.4	75.0	20	0.47	35
" 10	75.0	161.5	75.0	20	0.48	35
" 17	75.0	155.6	75.0	20	0.54	32
" 24	75.0	148.1	75.0	20	0.59	38
" 31	75.0	159.6	75.0	20	0.33	28
Nov. 7	75.0	168.3	75.0	19	11.90	25
" 14	75.0	163.5	75.0	20	0.20	27

On November 14th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of the following week were accepted as to about 27 per cent of the amount applied for, and applications at £100 for higher prices in full. Applications at £100 for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury bills are being offered on November 21st. For the week ending November 22nd the banks will be asked for Treasury deposits to a maximum amount of £50 millions.

((thousands)				
Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Oct. 7	3,887	2,690	11,535	31,170
" 14	3,638	2,537	10,320	30,523
" 21	4,387	2,599	8,537	19,673
" 28	4,313	3,081	11,939	8,366
Nov. 4	4,592	2,592	7,672	9,905
" 11	4,190	2,965	8,083	18,327
" 18	...	...	9,439	...
Totals to date	394,595*	358,636*	389,074*	113,898

* 4 weeks

* 103 weeks. † 46 weeks. ‡ 6 weeks.
 § Including series "A" £106,494,077 to date.
 Interest free loans received by the Treasury up to
 Nov. 18th amounted to a total value of £40,931,617.
 Up to Oct. 25th, principal of Savings Certificates to
 amount of £48,222,000 has been repaid.

NOVEMBER 19, 1941	
ISSUE DEPARTMENT	
Notes Issued:	
In Circ.	706,696,984
In Bank. De- partment	23,544,591
Govt. Debt. . . .	11,015,100
Other Govt. Securities	716,157,453
Other Secs. . . .	2,315,065
Silver Coin. . . .	512,382

	£		Govt. Secs.	150,877,838
Props.' Capital	14,533,000		Other Secs.	
Rest.	3,184,551		Discounts &	
Public Depts. *	10,618,877		Advances	3,032,492
			Securities	23,070,438
Other Depts. :				
Banks	120,048,345		Notes	26,102,924
Other Accts.	52,971,406		Gold & Silver	23,544,591
			Coin	850,826
				201,376,175

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

Both Departments		Compared with	
		Amt. Nov. 19, 1941	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	706,697	+ 2,662	+ 114,040
Deposits: Public	10,619	+ 2,257	+ 11,768
Bankers	120,048	- 18,896	+ 7,654
Others	52,971	+ 337	+ 1,571
Total outside liabilities	890,335	- 13,640	+ 114,143
Capital and res.	17,738	+ 21	—
COMBINED ASSETS			
Govt. debt and securities	878,050	- 13,493	+ 110,600
Discounts and advances	3,053	+ 95	+ 90
Other securities	25,366	+ 106	+ 1,156
Silver coin in issue dept.	512	+ 2	+ 10
Coin and gold bullion	1,092	- 135	+ 10
RESERVES			
Res. of notes and coin in banking department	24,395	- 2,797	- 13,949
"Proportion" (reserve to outside liabilities in banking dept.)	13.6%	...	- 6.9%

	(£ millions)			
	1940		1941	
	Nov. 20	Nov 5	Nov 12	Nov 19
<i>Issue Dept. :</i>				
Notes in circulation	592.7	699.9	704.0	706.5
Notes in banking department	37.6	30.3	26.2	23.5
Government debt and securities*	626.6	727.3	727.3	727.3
Other securities	3	2.2	2.2	2
Silver Coin	0.0	0.5	0.5	0
Gold, valued at s. per fine oz.	0.2	0.2	0.2	0
	165.00	168.00	168.00	168.00
<i>Deposits :</i>				
Public	112.4	10.5	8.4	10
Bankers	22.4	120.0	138.9	120.0
Others	51.4	54.9	52.6	53.5
Total	186.2	185.4	199.9	183.5
<i>Banking Dept. Secs. :</i>				
Government	140.8	144.3	164.2	150.3
Discounts, etc.	3.9	3.7	3.1	3
Other	20.8	23.6	23.1	23.5
Total	165.5	171.6	190.4	177.3
Banking depart. res.	38.3	31.5	27.2	24.5
	%	%	%	%
" Proportion "	20.5	16.9	13.6	13.6

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £680 millions to £730 millions on August 20, 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; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Melite Iran, of Nov. 23rd; Lithuania, of Nov. 30th, 1940; Egypt, of May 10th; Yugoslavia, of June 7th; Bulgaria, of Aug. 9th; Greece, of Aug. 23rd; Hungary, of Sept. 13th; International Settlements and Sweden, of Sept. 20th; Portugal, of Sept. 27th; Roumania, of Oct. 4th; Switzerland, Federal Reserve Reporting Member Banks, Japan, New Zealand, Turkey, of Nov. 1st; Prague, South Africa and Reichsbank, of Nov. 15th, 1941.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
	Nov. 14, 1940	Oct. 30, 1940	Nov. 6, 1941	Nov. 13, 1941
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treasury	19,394	20,559	20,557	20,557
Total reserves	19,712	20,848	20,830	20,831
Total cash reserves	2,208	2,275	2,258	2,244
Total U.S. Govt. sec's	2,254	2,184	2,184	2,184
Total bills and sec's	2,267	2,199	2,200	2,201
Total resources	23,042	24,162	24,063	24,088
LIABILITIES				
F.R. notes in circ.	5,643	7,385	7,475	7,520
Excess mr. bank res.	6,800	4,660	3,410	3,540
Mr. bank res. dep.	14,052	12,631	12,629	12,630
Govt. deposits	404	191	193	181
Total deposits	16,144	15,456	15,349	15,303
Total liabilities	23,042	24,162	24,063	24,088
Reserve ratio	90.5%	91.3%	91.3%	91.2%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	21,637	22,796	22,788	22,793
Treasury & bank currency	3,062	3,219	3,221	3,222
LIABILITIES				
Money in circulation	8,395	10,307	10,421	10,472
Treasury cash and dep.	2,615	3,124	3,128	3,020

CENTRAL BANK OF ARGENTINA

Million paper pesos

	Oct. 15, 1940	Sept. 15, 1941	Sept. 30, 1941	Oct. 15, 1941
ASSETS				
Gold at home	1,115	1,068	1,068	1,068
Other gold and for. exch.	200	447	445	436
Non-int. Govt. bonds	119	119	119	119
Treasury bonds	395	394	394	394
LIABILITIES				
Notes in circulation	1,174	1,240	1,251	1,249
Deposits: Government	139	214	176	152
Banks	388	543	523	526
Certs. of participation	197	29	31	30
Reserve ratio	78.8%	75.3%	75.9%	75.8%

AUSTRALIAN COMMONWEALTH BANK—Million £'s

	Oct. 7, 1940	Sept. 22, 1941	Sept. 29, 1941	Oct. 6, 1941
ASSETS				
Gold and English ster.	16.08	18.96	18.96	18.96
Other coin, bullion, etc.	8.16	7.21	7.01	7.07
Call money, London	45.67	33.90	34.71	27.59
Serits. and Treas. bills	97.24	63.27	66.07	66.26
Discounts and advances	51.35	19.92	20.13	20.10
LIABILITIES				
Notes issued	61.62	71.61	72.11	72.36
Deposits, etc.	117.10	112.46	115.87	108.73

RESERVE BANK OF INDIA

Million rupees

	Nov. 1, 1940	Oct. 1, 1941	Oct. 1, 1941	Nov. 1, 1941
ASSETS				
Gold coin & bullion	444	444	444	444
Rubee coin	302	302	302	302
Other gold and for. exch.	490	502	502	502
Govt. securities	1,415	1,557	1,557	1,557
Govt. imp. bonds	490	685	685	685
Investments	79	84	84	84
LIABILITIES				
Notes in circ.	2,208	2,745	2,770	2,800
Deposits: Govt.	114	192	192	192
Govt. bonds	156	194	194	194
Other	485	466	448	508
Reserve ratio	63.8%	65.5%	65.3%	65.1%

BANK OF CANADA

Million Can. \$

	Oct. 23, 1940	Oct. 1, 1941	Oct. 1, 1941	Oct. 15, 1941
ASSETS				
Reserve: Gold	36.2	109.3	15.84	22.50
Other	579.9	662.4	665.71	668.06
LIABILITIES				
Note circulation	354.3	436.9	440.73	444.51
Deposits: Dom.	59.3	125.6	22.13	28.61
Chartered banks	253.0	207.2	208.87	208.34

MONEY MARKET

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between Nov. 15th and Nov. 21st. (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 (12-11) 7-58-62; mail transfers 7-58-64. 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. Piastre (110) 520. Italy. 71-25 lire.

Market Rates

The following rates remained unchanged between Nov. 15th and Nov. 21st.
Egypt. Piastres (97) 97½-1. India. Rupee (18d. per rupee) 17½-18½.
Hongkong. 14½-15½d. Singapore. \$ (28d. per \$) 28½-29½d. Belgian Congo. Francs 176½-1. Shanghai. 24-3½d.

SPECIAL ACCOUNTS are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay for which no rate of exchange is quoted in London.

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 Nov. 15th and Nov. 21st:—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, 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 ½%; at notice ½%.

Shorter Comments

(Continued from page 635)

Socony-Vacuum Oil Company (\$000s).—Operating income for 1940 \$87,988 (\$84,089), deprec., etc., \$52,364 (\$46,212), net operating income \$27,944 (\$32,142), other income \$19,129 (\$12,126), taxes \$7,680 (\$5,735), net income \$36,409 (\$34,453), equal to \$1.17 (\$1.10) per share. Div. for year \$15.603 (same) equal to 50 cts. (same) per share, contingency res. \$75,000 (nil), surplus \$71,626 (\$125,820).

Argentine Bond Purchase and Conversion.—Full instructions have been issued by the Treasury to British holders of the Argentine internal loans which have already been lodged with, and are now

to be transferred to, the Treasury against payment in sterling. There are thirteen loans to be transferred at payment stated to be not less than the market value on November 18, 1941. The Argentine Government will shortly decree conversion of 1,450,000,000 pesos (about \$85,000,000) of National Mortgage Bonds.

Tanganyika Concessions.—Inclusion of £47,000 unrequited tax reserve raises year's profit to £25,660 (Dr. £24,722), which has been put to reserve.

Pennsylvania Water & Power Co. (\$000s).—9 months ended September 30th: Gross rev. \$5,140 (\$5,089), operating exes. incl. taxes \$3,297 (\$2,923), fixed charges \$531 (\$589). Net income \$1,581 (\$1,576), paid for Pref. divs.

\$80 (same), common divs. \$1,289 (same), surplus \$211 (\$206).

American Viscose (\$000s).—Nine months' net earnings \$5,466 (\$6,198). Third quarter net earnings \$2,099 (\$2,130) after tax provision \$1,446 (\$468).

Argentine Navigation Co., Mihanovich, Ltd.—Arg. P. \$000s. Gross earnings for September \$4,022 (\$2,525). Aggregate gross earnings January 1st to September 30th, \$31,762 (\$27,370).

Mount Lyell Mining & Railway Co. Net profit year ended September 30th £169,318 (£183,095), after charging prospecting and development £32,95 (£28,489), depreciation £63,018 (£64,446) and taxation £54,996 (£50,018).

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.
Breweries, &c.													
Baird (Hugh) & Sons	Aug. 31	5,736	—	5,436	9,353	2,000	1,775	5	1,000	+ 661	5,717	5,209	5
Bass, Ratcliff & Gretton	Sept. 30	1,574,417	66,312	593,059	1,437,911	68,000	447,128	20½	50,000	+ 27,931	1,503,980	602,573	20½
Bristol United Breweries	Sept. 30	150,259	—	103,662	153,755	13,800	76,050	18½	15,000	+ 1,188	153,562	103,764	18½
Northampton Brewery	Sept. 30	354,908	—	46,552	135,937	8,250	28,637	15	—	+ 9,665	261,918	54,627	15
Coal, Iron and Steel													
Braby (Frederick) & Co.	Sept. 30	347,093	28,255	68,865	126,976	14,950	45,500	10	5,000	+ 3,415	349,840	63,315	10
Instone (S.) & Co.	June 30	46,817	—	19,767	113,794	—	—	—	—	+ 19,767	59,275	32,265	10
Financial, Land, &c.													
Court Estates Limited	April 30	21,690	—	Dr. 2,871	Dr. 2,871	—	—	—	Dr. 2,571	+ 4,237	206,189	111,862	Nil
Daily Mail & General Trust	Sept. 30	251,749	—	151,919	267,895	60,000	87,682	6½	—	+ 34,279	46,280	3,671	Nil
New London Properties	June 24	39,006	1,135	Dr. 2,796	Dr. 2,796	—	—	—	—	—	299,317	282,317	15
Motor, Aviation, &c.													
Lucas (Joseph) Ltd.	Aug. 7	286,703	—	269,703	335,689	7,444	147,045	15	100,000	+ 15,214	299,317	282,317	15
Rubber													
Anglo-Dutch Plantations of Java	Dec. 31	489,168	112,159	177,815	235,068	—	180,000	6	—	+ 2,185	484,708	179,770	6
Bukit Kajang	June 30	58,099	—	16,099	20,735	—	17,500	10	—	+ 1,401	35,167	27,545	10
Caledonian (Ceylon) Tea & Rubber	June 30	18,804	1,845	2,565	3,313	1,920	1,750	5	Dr. 1,000	+ 105	17,086	5,324	6
Castelford (Klang)	June 30	63,037	—	24,225	29,561	—	20,000	10	3,000	+ 1,525	43,260	31,666	10
Central Johore	Mar. 31	18,891	—	2,441	5,452	—	2,320	7½	—	+ 121	13,666	4,380	12½
Craigfield	Mar. 31	60,700	—	15,742	32,092	—	14,203	8	—	+ 1,539	45,418	21,418	10
Kahidjook	Mar. 31	27,850	432	9,124	10,702	800	6,750	7½	—	+ 7	10,457	7,841	8
Kuala Reman	Mar. 31	40,627	1,765	7,557	9,124	—	5,000	4	4,000	+ 124	23,021	6,907	6
Malayalam	Mar. 31	329,415	—	124,237	224,312	—	97,396	10	25,000	+ 1,841	316,828	152,235	2½
Merah	Mar. 31	8,180	484	4,028	7,971	—	3,400	4	—	+ 628	5,207	3,175	4
Parnall Aircraft	July 31	98,165	—	4,662	54,516	—	37,500	5	—	+ 3,162	185,236	87,786	10
Seaport (Selangor)	June 30	31,098	—	4,178	20,200	—	4,688	5	—	+ 510	17,570	5,471	5
Singapore Para	June 30	24,531	—	13,042	18,562	—	13,049	10	—	+ 7	17,548	12,175	10
Trusts													
London Maritime Investment	Sept. 30	22,874	—	20,307	35,307	13,438	6,250	2½	—	+ 619	29,666	27,158	2½
Second Industrial	Sept. 30	44,666	—	27,845	60,419	9,506	11,609	5½	—	+ 6,730	48,998	31,024	5
Second Scottish Investment	Oct. 5	233,203	—	73,846	132,725	53,011	10,718	7	—	+ 10,117	250,330	91,713	7
Other Companies													
British Piston Ring	July 31	49,195	—	49,195	81,752	4,000	30,000	20	15,000	+ 195	48,811	48,811	20
Bursledon Brick Co.	June 30	7,118	1,000	1,929	6,892	914	—	—	—	+ 1,015	6,384	1,148	Nil
Dick (R. & L.)	Aug. 31	36,803	324	15,429	27,680	7,312	4,875	10	5,000	+ 1,758	44,018	25,351	10
Goadard (William) & Sons	June 30	44,782	—	23,998	26,756	14,050	—	—	5,000	+ 4,948	53,833	34,543	Nil
Hocht, Lewis & Kahn	Mar. 31	182,341	281	110,459	121,439	22,393	31,250	12½	—	+ 56,816	216,081	41,051	10
Midland Tar Distillers	July 31	60,715	12,413	13,074	15,955	12,823	1,780	10	—	+ 3,056	92,916	22,744	5
Morland & Impey	June 30	9,685	2,000	Dr. 81	3,060	—	18,750	15	10,000	+ 2,472	84,798	47,994	10
Palace and Derby Castle	Aug. 31	75,252	7,470	31,222	55,669	1,125	1,875	5	—	+ 329	7,575	3,565	5
Rigby (John) & Sons	Sept. 30	7,067	—	3,329	77,006	—	12,500	10	—	+ 6,133	30,704	29,504	10
Smedley's Hydropathic Works	Aug. 2	19,533	—	18,633	1,517	—	10,000	1	—	+ 8,483	95,335	48,107	2½
Smith's Stamping Works	June 30	26,826	—	1,517	40,328	—	2,300	4	—	+ 659	2,162	1,029	2½
Steauna Romana (British)	July 11	6,490	—	2,959	3,046	—	—	—	—	+ 3,898	101,893	61,295	14½
Strand Electric Holdings	Sept. 30	100,161	—	60,398	166,310	13,000	43,500	14½	—	—	—	—	—
Walmesley (Bury)	Sept. 30	100,161	—	60,398	166,310	13,000	43,500	14½	—	—	—	—	—
Totals (000's) :													
Week to Nov. 22, 1941	No. of Cos. 40	5,368	257	2,130	4,171	334	1,432	—	234	+ 129	5,300	2,331	—
Jan. 1 to Nov. 22, 1941	1,784	344,582	27,348	158,948	246,858	37,449	97,703	—	15,865	+ 7,901	332,731	179,833	—

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, Nov. 11, 1941	Price, Nov. 18, 1941	Yield, Nov. 18, 1941	Prices, Year 1941		Last two Dividends	Name of Security	Price, Nov. 11, 1941	Price, Nov. 18, 1941	Yield, Nov. 18, 1941
High	Low	High	Low					High	Low					
77	68	82	76	British Funds										
111	103	113	110	Consols 2½	82	82	3 s. d.	27/10	21	15	Iron, Coal, &c.—cont.	26/9	26/9	9 s. d.
98	98	100	98	Consols 2½ (after 1957)	112	112	3 0	0	17	11	Hadfields Ord. 10/-	16/3	16/10	6 10
100	95	100	98	Conv. 2½ 1943-45	99	97	2 1	0	49	42	South Durham Ord. 10/-	25/-	25/-	4 16
103	97	103	101	Conv. 2½ 1944-49	100	100	2 1	0	49	41	Staveley Coal Ord. 10/-	45/-	45/-	2 17
103	97	103	101	Conv. 3½ 1948-53	103	103	2 1	2	9	35	Stewarts and Lloyds 10/-	45/-	45/-	5 11
103	97	103	101	Conv. 3½ after 1961	106	106	3 5	9	24	19	Swan, Hunter Ord. 10/-	33/9	35/-	5 14
112	107	108	104	Conv. 5½ 1944-64	105	105	3 3	0	17	14	United Steel Ord. 10/-	23/9	23/-	6 19
92	86	95	91	Funding 2½ 1956-61	94	94	2 1	7	0	9	Vickers Ord. 10/-	17/6	17/6	5 14
98	92	100	97	Funding 2½ 1952-57	99	99	2 1	6	8	9	Textiles			
99	95	101	98	Funding 3½ 1959-69	100	100	2 1	8	3	2	Bradford Dyes Ord. 10/-	8/6	8/-	Nil
114	105	116	111	Funding 4½ 1960-90	114	114	2 1	6	6	3	British Celanese Ord. 10/-	7/4	6/9	Nil
102	98	101	100	Nat. Def. 2½ 1944-48	100	100	2 1	6	6	6	Coats, J. & P. Ord. 10/-	38/-	37/6	5 6
102	95	101	100	Nat. Def. 3½ 1954-58	101	101	2 1	6	6	6	Courtaulds Ord. 10/-	35/-	36/6	5 9
100	100	100	99	War Bonds 2½ 1945-47	100	100	2 1	9	6	15	English Sewing Ctn. 10/-	27/6	27/6	5 9
100	100	100	100	War Bonds 2½ 1946-48	100	100	2 1	9	9	15	Lanes Cotton Corp. 10/-	23/-	23/6	6 9
112	105	114	110	Savings Bds. 3½ 1955-65	100	100	2 1	8	0	10	Patons & Baldwins 10/-	47/6	47/6	2 2
101	98	101	100	Victory Bonds 4½	114	114	2 1	9	6	10	Electrical Manufacture			
103	93	106	102	War Loan 3½ 1955-59	101	101	2 1	8	0	15	Associated Electrical 10/-	43/9	43/9	4 11
83	80	96	89	War Loan 3½ aft. 1952	104	104	3 6	10	7	5	British Insulated Ord. 10/-	91/3	90/-	4 8
94	85	99	93	Local Loans 3½	95	95	3 2	9	2	6	Callenders Cable, &c. 10/-	75/-	73/9	4 0
101	97	101	100	Redemption 3½ 1986-96	99	99	3 0	6	36	9	Crompton Park, 'A' 5/-	20/-	20/-	5 0
71	59	80	70	Austria 3½ 1933-53	101	101	3 0	3	84	7	English Electric Ord. 10/-	36/3	36/3	5 10
97	82	100	96	India 2½	80	80	3 2	3	55	7	General Electric Ord. 10/-	77/6	78/1	4 8
107	101	105	103	Do. 3½	99	99	3 1	10	38	3	Johnson & Phillips 10/-	55/-	55/-	5 9
105	100	106	103	Dom. & Col. Govts.										
110	106	111	107	Australia 5½ 1945-75	104	104	4 0	0	36	3	Clyde Valley Electric 10/-	37/6	37/6	4 5
110	106	111	107	New Zealand 5½ 1946	104	105	3 1	8	30	2	County of London 10/-	35/-	35/-	4 1
110	106	111	107	Nigeria 5½ 1950-60	110	110	3 1	6	40	11	Edmundson Ord. 10/-	27/6	27/6	4 7
116	104	108	106	Corporation Stocks										
85	78	93	84	Bir'ham 5½ 1946-56	107	107	3 8	9	30	2	Gas Light & Coke Ord. 10/-	12/9	13/3	4 8
84	77	93	87	L.C.C. 3½	92	92	3 4	10	36	2	Lancashire Electric 10/-	29/4	29/4	4 14
104	97	105	100	Liverpool 3½ 1954-64	97	97	3 3	6	39	3	North-East Electric 10/-	35/-	35/-	4 0
92	71	93	87	Midx. 3½ 1957-62	104	105	3 1	11	40	3	Northmet Power Ord. 10/-	38/1	38/1	4 0
36	20	48	31	Foreign Governments										
35	20	48	31	Argentina 4½ Stg. Bds.	93	93	4 1	10	19	11	Yorkshire Electric 10/-	39/4	39/4	4 0
35	20	48	31	Brazil 5½ Funding 1914	48	48	5 4	0	11	3	Austin 'A' Ord. 5/-	16/10	16/10	2 19
40	12	39	26	Chile 6½ (1929)	24	25	6 0	0	11	3	B.S.A. Ord. 10/-	22/9	22/9	7 1
40	12	39	26	China 5½ (1913)	35	35	1 0	0	11	3	Bristol Aeroplane 10/-	10/6	10/9	9 6
40	12	39	26	Egypt Unified 4½	79	79	5 1	3	13	9	De Havilland Aircraft 10/-	36/3	36/3	6 19
40	12	39	26	Greek 6½ Stab. Loan	13	14	19	6	0	11	Fairey Aviation Ord. 10/-	13/3	13/3	4 1
40	12	39	26	Japan 5½ 1930	29	28	11	6	0	11	Ford Motors Ord. 10/-	24/6	24/6	4 1
40	12	39	26	Portuguese 3½	73	73	3 1	5	4	10	Hawker-Siddeley (5/-)	12/3	12/3	13 6
40	12	39	26	Spanish 4½	34	34	11	11	9	10	Leyland Motors Ord. 10/-	70/-	70/-	2 16
40	12	39	26								Lucas (Joseph) Ord. (10/-)	60/-	61/3	2 18
40	12	39	26								Morris Motors 5/- Ord.	31/3	32/-	2 14
40	12	39	26								Rolls-Royce Ord. 10/-	80/-	85/-	4 14
40	12	39	26								Standard Motor Ord. 5/-	15/9	16/-	4 10
40	12	39	26								Shipping			
40	12	39	26								Cunard Ord. 10/-	15/-	16/6	5 2
40	12	39	26								Furness, Withy Ord. 10/-	23/6	23/6	5 1
40	12	39	26								P. & O. Def. 10/-	29/-	29/6	4 7
40	12	39	26								Royal Mail Lines Ord. 10/-	25/-	25/-	4 7
40	12	39	26								Union Castle Ord. 10/-	19/-	19/-	5 5
40	12	39	26								Tea and Rubber			
40	12	39	26								Allied Sumatra Rbr. 10/-	8/1	8/1	9 17
40	12	39	26								Anglo-Dutch of Java 10/-	16/3	17/-	7 0
40	12	39	26								Jokai (Assam) Tea 10/-	32/6	32/6	6 2
40	12	39	26								London Asiatic Rbr. 2/-	2/10	2/10	7 0
40	12	39	26								Rubber Plant. Trust 10/-	28/3	28/6	7 0
40	12	39	26								United Serdang Rbr. 2/-	2/1	2/1	8 8
40	12	39	26								Miscellaneous			
40	12	39	26								Anglo-Iranian Ord. 10/-	40/-	41/10	2 7
40	12	39	26								Apex (Trinidad) Ord. 5/-	28/6	29/6	5 1
40	12	39	26								Burnah Oil Ord. 10/-	59/4	59/4	1 16
40	12	39	26								Shell Transport Ord. 10/-	55/-	55/-	1 16
40	12	39	26								Trinidad Leaseholds 10/-	70/-	66/3	3 15
40	12	39	26								Investment			
40	12	39	26								Assoc. P. Cement Ord. 10/-	48/9	50/-	3 0
40	12	39	26								Barker (John) Ord. 10/-	38/1	40/-	5 0
40	12	39	26								Boots Pure Drug Ord. 5/-	35/-	36/3	3 0
40	12	39	26								British Aluminium 10/-	33/9	34/9	3 11
40	12	39	26								Brit. Amer. Tobacco 10/-	93/9	95/-	3 16
40	12	39	26								British Oxygen Ord. 10/-	66/3	66/10	4 9
40	12	39	26								British Plaster Board 5/-	17/6	18/1	5 16
40	12	39	26								Cable & Wir. Hdq. Stk.	68	70	5 14
40	12	39	26								Carreras 'A' Ord. 10/-	110/-	112/6	4 14
40	12	39	26								Dunlop Rubber Ord. 10/-	37/9	38/-	5 9
40	12	39	26								Elec. & Mus. Ind. 10/-	13/3	14/-	4 5
40	12	39	26								Ever Ready Co. (G.B.) 5/-	29/3	29/6	6 15
40	12	39	26								Forester Land Ord. 10/-	26/-	26/-	6 18
40	12	39	26								Gallagher Ld. Ord. 10/-	112/6	112/6	4 18
40	12	39	26								Gestner (D.) 5/-	22/6	22/6	5 9
40	12	39	26								Harrisons & Cros. Def. 10/-	90/-	91/3	5 9
40	12	39	26								Harrods Ord. 10/-	31/3	35/-	2 6
40	12	39	26								Imperial Chemical Ord. 10/-	33/-	33/-	12 6
40	12	39	26								Imperial Smelting Ord. 10/-	12/6	12/6	3 2
40	12	39	26								Imperial Tobacco Ord. 10/-	6/4	6/4	3 2
40	12	39	26								International Nickel n.p.	442	442	4 14
40	12	39	26								Lever & Unilever Ord. 10/-	26/10	27/6	3 12
40	12	39	26								London Brick Ord. 10/-	51/3	51/3	4 9
40	12	39	26								Lyons (J.) Ord. 10/-	95/-	95/-	4 13
40	12	39	26								Marks & Spencer 'A' 5/-	36/-	37/6	4 11
40	12	39	26								Metal Box Ord. 10/-	3/4	3/4	4 7
40	12	39	26								Murex 10/-	91/3	91/3	4 0
40	12	39	26								Pinchin Johnson Ord. 10/-	22/6	22/6	4 14
40	12	39	26											

the farm labourer and the farmer are to get more money, it must come from somewhere, and the source must be the community at large, whether as taxpayers or as consumers. The dimensions of the cost that the community will have to pay to realise the farmers' dream are very rarely realised. Sir Daniel Hall has estimated that in 1938-39 agriculture was costing the community over 100 millions a year in subsidies, remission of taxation, and prices above the world level. Since then the wages bill has been increased by between £30 and £40 millions a year. The policy of higher prices and guaranteed markets is also very costly; it was calculated in *The Economist* in January, 1939, that the peacetime cost of applying it, even with prices and quantities far lower than those now contemplated, might well be over £30 millions a year. In short, the cost of doing what the farmers want could not be very much short of £200 millions a year.

This is an enormous figure. The question immediately arises whether it is not altogether too large to be considered as a permanent burden for peacetime. However the money is raised, it must be regarded as an addition to the cost that the nation pays for its food. There is some risk of the basic fact being forgotten that the fundamental purpose of the agricultural industry is not to provide farmers and farm labourers with a living but to provide the people with food. Certainly there has been no slackening during the war, but rather an intensification, of the determination to improve the nutrition of the nation, and no twisting of logic can pretend that an increase of something like 10 per cent in the nation's food bill is a step in that direction.

Small but Prosperous

But, in any case, whether the limit is set at £100 millions or £150 millions or £200 millions, there must be a limit somewhere. At some point the agricultural interest will have to realise the choice that is before them between a *prosperous* agriculture and a *large* agriculture. Whatever the sum of money that the public will find, it can either be used to secure high wages and high prices for a limited volume of production or less wages and high prices for a larger volume of production. The higher the cost of maintaining a thousand men on the land, the fewer thousands can be maintained for a given cost. Some excuse might be needed for harping on this very simple arithmetic if it were not so frequently ignored, or left to be evaded by some (undisclosed) magic of "greater efficiency." Greater efficiency is, of course, to be desired—indeed, to be demanded if subsidies are to be provided on this scale. But however great the efficiency of cultivation, it will still be true that the higher the costs of production (whether through higher wages or higher profits) the smaller the industry that can be maintained for a given price. This being so, the only answer that the community can make to the new agricultural policy that is being asked for, is this: If higher wages, fixed prices, assured markets and increased returns are provided by the State, they must be accompanied by a severe limitation of the volume of agricultural output. Indeed, if they are to be provided on the present scale, it may be necessary to reduce the size of British agriculture below its pre-war level. A prosperous agriculture in this country must be a small agriculture. If it is to be large, prosperity cannot be guaranteed.

Of these two alternatives, there is little doubt that the small, prosperous agriculture is to be preferred. The community's money, however much it may turn out to be, can better be spent on improving the lot of those—or some of them—who already draw their living from the land than on increasing their numbers. There are two main reasons for this choice. First, the history of material progress is one of the movement of workers away from the land and into urban pursuits. Even with maximum efficiency, the productivity of one man-day's work in agriculture is less than that of one man-day's work in industry or in other non-agricultural occupations. The chief reason for the high standard of living in Great Britain is to be found in the low proportion of the total labour force engaged in the relatively unproductive

calling of agriculture. To attempt to raise this proportion by artificial means would be a retrograde step. Secondly, a greater total production of food inevitably, with a stable population, means lower imports (any increase in consumption is, of course, out of the question, if the cost of the community's existing food is to be increased by some £200 millions. The American Government has already invited British assistance in freeing the channels of international trade. Apart altogether from the serious repercussions on British export trade, it would cause the most serious objections, not merely in the United States, but in the Dominions, too, if Great Britain were to start the new era by a deliberate choice of restriction and autarky.

Against these two arguments, the only reason that can be advanced for a larger domestic production of food, in peacetime, is the need for security in war. But it is a very poor argument. It is quite true that, for the second time in a generation, the British people are short of food. But it has also been shown for the second time in a generation that sea-power can keep the ocean routes open. Security can be much more cheaply and effectively obtained by a reserve of shipping and by stocks of food than by any practicable, permanent increase in the output of British agriculture. Moreover, there are dangers in the familiar argument. It has been conclusively demonstrated that the supreme bottleneck in the British war effort is neither food nor shipping but manpower, and there is nothing more wasteful of manpower than to grow food at home. The greatest advantage that Britain has over Germany lies in the fact that it takes 162 men in Germany to provide food for 1,000 consumers, and only 98 in this country. Britain would be not stronger but weaker for war if, in peacetime, she grew more of her food at home, and it is very questionable whether the ploughing-up campaign has not already been driven too far and imposed an unnecessarily large burden on the supply of man-power.

Cheap Food

The apparent willingness of the British public to pay more for its food than it is compelled to is not an economic decision; however the details of its application are arranged, it will reduce the standard of living below what it might otherwise be. But the incidence of the burden will, of course, be very different according to the methods adopted for raising the money. Broadly speaking, the money can be taken from the taxpayer or the consumer; and, again speaking broadly, the method of taking it from the taxpayer means that the reductions in the standard of living can be arranged to fall on luxuries, while taking it from the consumer inevitably means a lower consumption of food. It was on this subject that Mr Hudson uttered some remarks which must have taken the Commons' breath away, since there is no other way of explaining the absence of immediate protest. He congratulated the representatives of the Trade Unions on their abandonment of the cry of cheap food.

It was the cry of cheap food which depressed agricultural wages and kept them depressed. Cheap food . . . meant sweated labour, and, above all, sweated land in the primary producing countries overseas, and it was, incidentally, also responsible . . . for much of the curtailment of our export trade, and much of the consequent unemployment.

One is astonished only at Mr Hudson's moderation in not pursuing his argument to the logical conclusion that the more the people of England pay for their food the better off they will be. How is it possible, in this year of grace, for a responsible Minister to use such language? How is it possible for him to forget that, even in peacetime, the diet of half the people of this country could be improved with advantage to their health, or that at least one-fifth—and much more than one-fifth of the children—are definitely under-nourished? How is it possible for the Conservative Party to pretend that it is interested in the welfare of the people if it permits its leaders to talk nonsense like this?

The argument for cheap food is not only, and not

mainly, one of equity; it rests on the fundamental economics of Great Britain's place in the world. The only natural advantages that this country ever possessed were plentiful coal, a native spirit of enterprise and a position at the cross-roads of the world. The first is now of dwindling importance; the second is being choked by the monopolistic economics and the growing rigidities of the social structure; only the third remains, and the ability of a crowded and poorly dowered island to retain almost the highest standard of living in the world rests on the skill with which the nation takes advantage of its place in the world. This is not, of course, new doctrine; it has been the very foundation of British wealth and greatness for a century past, and still is. The Englishman's ability and willingness to get his food and his raw materials cheaper than any of his competitors have given him a headstart in competition—it is the only advantage that

remains. Whatever amendments and modifications are made to the old uncontrolled structure of Free Trade and *laissez-faire*—and many will have to be made—this basic principle must remain untouched. There must be no interference with cheap food or cheap materials. That way ruin lies. It is only because the nation is wealthy that subsidies to agriculture can be contemplated. It follows that their burden must fall entirely on the nation's margin of luxury, and not at all on the price of food, which is at once a necessary of life and, through its effect on industrial wages, a basic constituent of the cost of production. The cost of assistance to agriculture must come out of the ordinary Budget, and be raised, in the ordinary way, by taxation adjusted to the capacity to pay. The community has a right to choose in which ways it will dispense its bounty. And its ruling must be that food comes before farmers.

African Front

THE battle for Libya has entered its second phase. The first began with the opening of the offensive at dawn on November 18th. British columns swept across the frontier below Sidi Omar, advanced far into enemy territory, swung to the sea, and presumably attempted an immediate junction with the defenders of Tobruk. The fact that this encircling movement trapped the bulk of General Rommel's mechanised forces in a rough triangle between the sea, the Egyptian frontier and the line of the British advance suggests that the attack came only just in time to forestall an Axis attempt to invade Egypt.

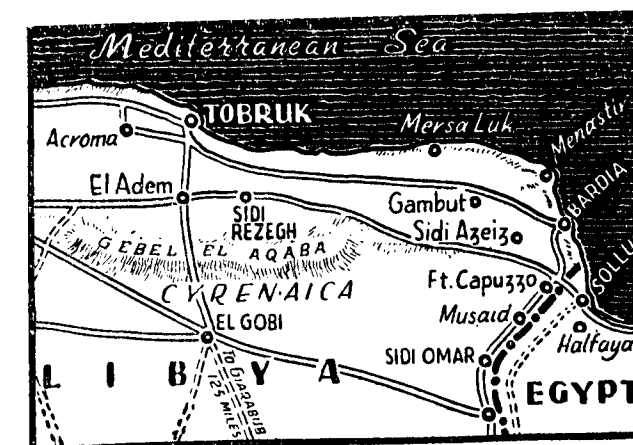
The second phase opened with the attempt of the British—by a sortie from Tobruk and by a further advance from the south-east—to close the line behind the trapped Axis armies. The Germans' counter-efforts to force their way through the gap between the raised ground of the Gebel el Aqaba and the outer perimeter of Tobruk's defences brought the opposing forces to a standing battle round Sidi Rezegh. Here a struggle has developed unique in military history. On the open desert, the tanks manoeuvre for position like ships at sea, and the two terrifying armadas first remained locked in a gigantic struggle for over five days, the line of battle swaying backwards and forwards through Sidi Rezegh. Then, after a pause for regrouping and reinforcements, the battle has been joined again. Its outcome is still in doubt. Meanwhile, a column of New Zealanders, after capturing Bardia and Gambut, is advancing in the rear of Rommel's armies, and another British column has driven south, to Jalo and Aujila, only one hundred miles from the Gulf of Sirte.

The success of the opening phase is all the more remarkable in that to most observers—including General Rommel—it can have seemed only a matter of time before the blow would fall. To anyone, save the most inveterate "western frontier," Libya was the obvious scene for the longed-for British offensive. Only in Libya did German and British armies face each other across a land frontier. Only in Libya were the problems of supply facing the two armies of equal complexity. The only problem was whether Britain's new commitments in the Middle East had made such a claim on the Army of the Nile that the offensive could not be mounted.

The immediate objective of the campaign is, naturally, the clearing of Libya. If Great Britain were in control at the frontiers of Tunisia, the Allied defence line would stretch from the waist of the Mediterranean to Murmansk and Singapore. The acquisition of Benghazi and Tripoli as naval air bases would greatly increase Britain's striking power against Italy. In the air, the scope of the devastating bombing attacks of recent weeks, during which the southern Italian supply ports have been battered ruthlessly, could be extended to new and more distant military and industrial targets. The more nearly Italy is reduced to impotence, the greater charge it becomes upon Berlin

and the more wavering will be its support in the event of German reverses on other fronts.

The naval advantage of controlling Tripoli is obvious enough. It is a fully equipped base and it would provide the Navy with a centre for operations much nearer the dangerous straits between Sicily and Tunis. The exploitation of such an advantage to ensure a complete opening of the Mediterranean for the conveying of British supplies to the Caucasian battlefield would, however, depend upon the situation in Tunis. Bizerta is the key to the Straits—the "pistol pointed at the heart of Italy"—and if, under new pressure, the French were to permit the Nazis to "protect" Tunis against the advancing British, the shipping position in the Mediterranean might for a time become still more hazardous, even if the whole Libyan coastline were in British hands.



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The problem of Libya thus cannot be divorced from the problem of North Africa as a whole. The conquest of Libya would place Great Britain in a position to take a direct hand in the political and strategic game which is being played out in the French North African dependencies. Once strongly ensconced on the Tunisian frontier, Great Britain would be able to strengthen the faltering hands of Vichy, or, if necessary, take over the cards. Any British action in French North Africa is of course impossible until the common land frontier is established—and it would be very foolish to count any unhatched chickens. But if it can be established, these territories, from Dakar to Tunis, should prove one of the decisive fronts of the war. "Hemisphere defence" has carried the United States to Iceland, to Newfoundland, to the Caribbean, to Dutch Guiana, to joint bases in Brazil; but hemisphere defence may well be to the next phase in American policy what Cash-and-Carry was to Lend-Lease. If fighting overseas comes to be seen and to be accepted as a necessary

part of the task of defeating Hitlerism, the entry point for American intervention is geographically and strategically obvious—in the great westward hump of Africa opposite the Caribbean. From this point of view, the fighting in Libya is the first stage in a vast campaign stretching out in time and space and turning on control of the sea coasts of French Africa.

Germany's increased pressure on Vichy shows that the Nazi leaders are alive to Libya's significance in the general perspective of the war. Pétain abandoned General Weygand almost in the hour of the launching of the British attack. The diplomatic offensive in Berlin, Paris and Vichy for effective control in North Africa can be likened to a race run with the armies of General Auchinleck. Who will reach the frontiers of Tunisia first, the Allies by crushing the resistance of Rommel's army or the Nazis and their quislings by thrusting from office France's loyal colonial civil servants and officers? It is possible, of course, that Pétain, by throwing General Weygand overboard, is only lightening the sledge, not changing its direction. The Germans are reported to have made other demands than for Weygand's dismissal: for the use of the French Mediterranean bases and for the conveying by the French fleet of Axis soldiers. It has been a custom at Vichy to combine a certain amount of concession with some measure of resistance, and it is suggested in some quarters that neither General Juin nor General Barreau, who are to divide the military command of French North Africa between them, nor the Secretariat which is to take Weygand's place, is likely to surrender lightly all the positions of control to the Nazis

—and there is fairly general agreement that, so far, Nazi penetration in North Africa has been on a limited scale.

It requires a great deal of optimism, however, to rely on this interpretation. The melancholy history of French collaboration has proved the folly of any policy of half agreement. Even if the Nazis do not advance three steps at a time, one step at least is conceded and each time the ground of independence upon which Vichy stands is lessened by so much. A year of collaboration has increased the Nazis' stranglehold and given a growing number of Frenchmen a vested interest in it. The prisoners of war are still in Germany and in the background there is the new technique of mass execution. From North Africa are arriving reports of widespread changes in the staffing of France's colonial army and administration. This can mean one thing only. Weygand is to be followed out of office by Weygand's men. The officials who take their place will be the creatures of Darlan.

The probability of a wholesale deterioration in the integrity and independence of French North Africa does not affect the immediate issue of the campaign in Libya. It only increases the urgency of a speedy British success. If Vichy and the North African administration are still wavering, a resounding German defeat might restore to them a little of the courage they so sadly lack. If they have sold the pass, it is essential that a powerful British army should be within striking distance of Bizerta before the Germans have time to exploit Vichy's surrender. Even more than in Syria, speed and decision are the key to victory.

Women's Pay

WOMEN are scarce. In the last war, nearly 1,700,000 women entered industry from domestic service, household duties and idleness. In this war, the need is even greater. Twenty-one months ago, Mr Churchill called for another million women in war industry, and only a few days ago Mr Bevin appealed for a million more wives to do war work. Inside industry, there has been a large transfer of women from civilian work; and, if the women's auxiliary services are included, it may be that more than a million women have already entered war employment from outside. The task now is to call up the reserves; and this will not be done in sufficient time or on a sufficient scale unless their pay and conditions of work are made economically attractive.

Numerically, women have been at a discount in this country for a generation; they outnumber men, and the jobs traditionally open to them are narrowly restricted. In wartime, they are at premium as workers; and, for efficient mobilisation, no less than for the sake of fairness, it is necessary for this fact to be registered in the structure of wages. In peacetime, outside the narrow range of specifically women's jobs, such as domestic service and nursing, all ill-paid, women tended to be employed in commerce and industry because they could be induced to work for lower pay than men; because of their restricted openings, the supply of women workers always tended to exceed the demand. In wartime, the boot is on the other foot; women must be mobilised for industry because there is a shortage of men. Whereas, formerly, many women competed for relatively few jobs in a range of occupations limited by tradition, prejudice, training and aptitude, the demand for their services now threatens to outrun the supply. In consequence, it is expedient as well as right that women should gain on the roundabouts of warwork what was denied them on the swings of competitive employment in the past.

This is not a simple exercise in social justice, but a problem in industrial economics. The point is that the war has changed the standing of women in the labour market. "Equal pay for equal work" is obviously a right principle—in peace or war. It is always a target to be striven for. If wages could be decided solely on moral

grounds, there would be no more to be said, for the old argument that women should be paid less than men because "they have no families to keep" is completely fallacious. Women very often do have dependants; men often do not; and, in any case, wages are not fixed by family circumstances or the number of a worker's dependants. Nor, however, are they fixed by moral considerations. By and large, they are fixed by supply and demand. If the price of labour is fixed at a level higher than would bring the demand for workers and the supply of them in the market into balance, there will be unemployment; and, in peacetime, the demand for women workers in gainful occupations was artificially restricted by custom and convention, and women's chief work, which is still in the home, was not paid at all. The economic reasons why women's wages tend to be lower than men's are plain enough.

This does not mean, however, that, even in peacetime, the inferiority of women's rewards is unchangeable. The demand for women's work is not an immutable economic fact, but rather a social phenomenon quite capable of being changed. The position of women can be improved in normal times, not simply by raising their wages all round—which, other circumstances being unaltered, would only throw a proportion of them out of work—but by altering the outlook which dictates that women should be employed only in a certain limited range of occupations. The path of the reformer in peacetime is clear. It is to increase the demand for women's services by removing the existing arbitrary restrictions on their employment, as, for instance, the ban, which runs through the professions and enters into commerce and industry, on the employment of married women; and to spread the supply by establishing the desirability, from the woman's point of view as well as that of society, of bringing women into occupations which they have not previously thought of entering.

The immediate point is that, temporarily at any rate, the war has done the reformers' work for them. The demand for women workers has been increased; and the number of occupations into which they are eagerly admitted is growing. But in spite of the greatly increased

number of women coming forward, there is still a shortage; and the problem is to secure a sufficient supply. It is necessary as well as desirable that the altered bargaining power of women in the labour market should be allowed to have its effect.

In industry, the issue needs no thrashing out. It was thrashed out twenty-five years ago. Mr Lloyd George laid down the principle in the last war that "if women turn out the same quantity of work as men, they should receive the same pay." It is a principle that cannot be gainsaid. Minimum wages were then fixed for women war workers; fully skilled women were to be paid men's time rates; men's piece rates were to be paid to women workers; and the low wages in the traditional women's occupations were to be levelled up towards the wages being paid to women replacing men in men's jobs. There was evasion by employers, it is true. But women's wages in industry, which averaged no more than 10s. or 12s. a week in 1913, were trebled in five years. These principles have been stated again this time. What is needed is to apply them fully and effectively. Once more, there is a wide gap between the wages of women in women's jobs and the wages of women replacing men. For the trade unions, "equal pay for equal work" is mainly the means of safeguarding the pay and conditions of men replaced by women. In the general run of women's jobs in factories or, for instance, in the Post Office, wages seem to range between 45s. and 50s. a week. In engineering, women over 21 start at 43s. a week, and can rise with overtime to 60s. London bus conductresses, replacing men, start at 73s. 10d. and can rise to 90s. The fact that women engineers in training are paid 4s. a week more than when they start on production work is a stupid anomaly. In the cotton industry, an established women's trade, wages are too low to attract married women back to work.

In general, therefore, the right and proper policy in wartime is to allow women's pay to find the level set by the importance of women's work to the war effort. To a considerable extent "equal pay for equal work" is a practical proposition. There are, however, special problems. The supply of unmarried women is being used up, and the need now is for wives and mothers, with their peculiar responsibilities. It was argued in the last war, by employers, that women should be paid less than men, even at the same work, because they produced less, and because they raised expenses by requiring special supervision and facilities. Married women with family ties need time for shopping and other duties; and special provision has to be made for the care of their children. This is not an argument either against their employment or for their being paid inadequately. They must be employed because the war effort needs them. There is no alternative, and they will not come forward unless they are to be in a position to discharge their domestic and financial responsibilities.

It is too little realised, in fact, that the women have the whip-hand. The problem is simply to make war-work

sufficiently attractive. The effect of income tax upon the earnings of married women illustrates how recruits are, in fact, being held back. It is wholly irrational that a married woman in war work, if her husband's income reaches the full income tax level, should therefore receive as net income only half the income received by an unmarried woman doing the same job. Both are equally needed; and there is a very strong case—in peacetime as well as in wartime—for the separate assessment of the earned income of husband and wife. If the women are wanted to win the war, they must be given the same net inducement (after taxes and family expenses) as men. It can, of course, be argued that they could all be conscripted. There is indeed a case, on the ground of equality between the sexes, that women should be conscripted for the services as men of military age are. But men in industry are not conscripted, and it would be unfair if women were compelled to do their war work on less favourable terms than men, because of discrepancies which are the fossilised remains of an older attitude and a different state of affairs.

The war will not end the problem. After the last war, one of the major changes was the expansion of women's work and the improvement of women's status. There is little doubt that this will be the case again. The old fears remain; the dread that women will take or keep men's jobs and cause unemployment is frequently voiced. But no man of sense can subscribe to the view that the fewer workers a nation has, the better off it will be. Even if it were not the case that the working population of this country will fall in numbers in the coming generations, it would still be desirable to raise to a maximum the brains and hands available to do the nation's work. The standard of living and of leisure must increasingly be based upon the work of women as well as men in the production of goods and services; and the nation's need for women workers is more than a wartime phase.

The long-term solution, for the sake of the women and the community alike, can be simply stated. It is, first, that in the professions—in teaching and the Civil Service, for instance—there should be no discrimination between men and women, because in these occupations it is as individuals with set personal qualifications and capacities that they are employed. It is, secondly, that, in industry, every effort should be made to reduce the disparity between men's and women's earnings. In the lower ranks of industry, it is perhaps as "hands" rather than as individuals with set qualifications that workers are employed, and it cannot be denied that, in many occupations, though by no means in all, a man's hands can do more than a woman's. This fact will always impede complete equality of wages; but the effort should be to get rid of all disparities that are founded on less solid bases. The war has given the community the chance to start again on a fairer and more efficient foundation; and over a great part of paid employment, there is little doubt that the only obstacles to "equal pay for equal work" are the prejudices which have hitherto compelled women to seek their living only through a narrow funnel of ill-paid jobs.

NOTES OF THE WEEK

The Spirit of the People

The debate on the Address ranged far and wide, the most bizarre contribution perhaps being a meticulous recital of the history of the "bona fide traveller." But some very clear themes stood out, and one was a sense of frustration—not of defeatism, for the notes of resolution and confidence were very marked, but rather of questioning. Sir Richard Acland voiced it when he claimed that conflicts of economic interest, many of them quite natural and inevitable as things are, were holding up the war effort. Sir George Schuster voiced it when he recorded the remark that, at a meeting of twelve industrial magnates in his constituency, "there was not a man sitting round this table who has not a feeling of grievance against the Government, a feeling that he has been messed about and that his desire for help has been frustrated." Sir Roger Keyes voiced it when he spoke of

"the strength of the negative power which controls the war-making machine in Whitehall." Mr Griffiths voiced it when he told the story of the old Welsh miner who said "I can see that we must all pull together to destroy Hitler, but after that—what?" Serving members voiced it when they indignantly attacked the disparity between high pay in industry and meagre allowances in the forces. It is a peculiarity of the House—and of the country—that almost complete unanimity about the war is combined with serious doubt about the efficiency of administration, widespread uneasiness about the inequality of war sacrifices and general questioning about the post-war world. This is not opposition. It is democracy; and it is to be hoped that the Prime Minister, even at this flood time of more active warfare, will find time to hear these murmurings. They are the stuff of which the country's resistance and determination are made; and they

should be echoed in every Government department until plain answers and remedies are found. This is the only way to win the war—and the peace.

Reward for Service

There is no doubt that the last word has not yet been said on the pay and allowances of soldiers. When everything has been said about the free board and lodging that serving men and women receive, it still cries out for notice that it is possible for young boys to earn more in civilian war work than men in the Services, and more, too, than skilled miners and farm labourers. High earnings, for boys or adults, are very much more rare than rumour says, and often they are only earned by long, laborious overtime. In individual instances, they are merely evidence of an abnormal, and perhaps temporary, demand for a particular product or class of labour. Moreover, it is not the purpose of war to level out all the hills and valleys in remuneration which made gainful employment so unequal before the war. The trouble is that the absence of a wages policy and of any special restraint upon other excess incomes, except profits, has probably accentuated the differences; and the current comb-out of civilian employment for the last drop of manpower for the forces means that these differences are set more than ever in relief. Even though differences in consumption, as distinct from income, are limited by restrictions and rationing, it is still economically, as well as morally, expedient that there should be a wages policy; and serving men cannot be expected to wait patiently for action while their dependants go shorter than other families and their savings run out as others' savings mount. It may be that there is some reluctance to raise allowances to their wives because the wives are now wanted to work; but this should be no bar to higher allowances for soldiers' children. Indeed, if the vagaries and unfairnesses of wartime remuneration are to be restrained, as they should be, there is everything to be said for family allowances all round to ensure that, while adults do not "profiteer," children do not suffer.

ABCP Front in Washington

The dangers inherent in any attempt to reach a settlement with an aggressive Power are obvious—that some other weaker country's interests may be sacrificed and that, in making concessions, the aggressor is probably only buying time and manoeuvring for position. Both dangers have obviously been in President Roosevelt's mind throughout the protracted negotiations with Japan, for they are present in an acute form. The weaker Power is obviously China. The Japanese insist that the "China incident" must be isolated from a general settlement of the Pacific problem. China is no concern of the other Powers, and their attempts to assist China—by loans, by the despatch of war supplies, by holding open the Burma Road—are unwarrantable interference in matters "internal" to East Asia. The other danger—that concessions made now are only interim measures—is borne out by Japanese history; on at least two occasions the nation has accepted terms, consolidated its position and struck again. Thus the problem facing President Roosevelt and the British, Australian and Dutch Ambassadors, whom he called into conference in Washington during the past week, has been whether there was any contribution they on their side could make to lowering the temperature in the Far East. At one point it must have seemed that there was, for rumours circulated of a suggested 90-day "truce" and even of some return to more normal trade conditions. But a sharp protest from Mr Hu Shih, the Chinese Ambassador, appears to have put the talk of "concessions" into its right perspective. In the long run it is obvious that the great industrial Powers of the Western world could do much to assist in creating healthy economic and political relations between China and Japan, in expanding Japan's internal and external market, in encouraging a rising standard of living among Japan's depressed masses, in assisting Japan's transition from war to peace economy. But the move from war to peace must come first, otherwise any concessions and assistance would merely render more easy the waging of war and the consolidation of conquest. In other words, the concessions were all up to Japan. Would the Japanese evacuate China? Would they withdraw from Indo-China? Would they scale down their war expenditure? Would they accept the role of friend and collaborator in China's nascent industrial development? These are the questions Mr Kurusu had

to meet, and the breakdown of the Washington talks is proof that he could not provide the answers. Now, unless Japan stages a sudden *volte face*, the period of diplomatic exchanges is at an end.

The Moscow Offensive

After a lull during which the Germans confined themselves to local action round Moscow, testing out the strength of the defences, a new attack has been launched with redoubled fury, its main weight falling on the sectors to the north and south of the city. Advancing from Kalinin and Volokolamsk, the Germans claim to be beyond Klin, while in the south they appear at last to have penetrated the defences in the Tula area. At the same time, a heavy battering is going on in the Mozhaisk sector where the Germans seem to be exploring the Russian line for a point of entry. The Russian communiqués recognise the danger, but the tone of headquarters, press, and wireless is far more confident than in the great crisis of October. During the lull, the defences have been strengthened, fresh troops have been brought in and more material brought up. It is, of course, exceedingly foolish to characterise the new German offensive as "a last desperate effort" in which Hitler is "staking all" on a final "gamble." Almost every offensive the Germans have launched so far has been a "desperate gamble," yet they have reached the gates of Moscow. Nevertheless, the Russians' picture of Germany as "a dangerous animal, a wounded and bleeding animal who hopes to find in Moscow warm winter quarters" is probably nearer the truth than the Germans find comfortable. They claim that the new offensive is designed to encircle the city. So far the circle is barely one-third complete, but a break through beyond Tula would interfere dangerously with Moscow's supply lines to the south and east. Yet, as Leningrad has shown, almost complete encirclement would not necessarily ease the Germans' embarrassment with regard to winter quarters. Nor is it at all certain that they can maintain the present offensive with sufficient force to carry them to the east of the city. In the Donetsk sector, Russian counter-attacks round Vorishilovgrad have driven the Germans back, and it may be necessary to draw off some troops from Moscow to reinforce the German position. In the extreme south, the struggle for Rostov is raging in the streets of the city, but the line of the Don still holds.

Dead Hand?

The regret of Sir Roger Keyes that it has not been possible to bite deeper and more often into the enemy's extended coast-line by amphibious strokes is shared by everyone; and his complaints about the negative and procrastinating approach of official committees will find a flock of echoes. The unmistakable suggestion that the Prime Minister himself is hobbled by his permanent advisers would be profoundly disturbing, if it could possibly be taken as true. It is Mr Churchill's duty—and, by universal belief, his character—to lead. If it were a fact that the chiefs of staff and their supporting network of inter-departmental committees had prevented Sir Roger Keyes, as Director of Combined Operations in charge of commandos, ships and naval personnel, from "altering the whole course of the war" since July, 1940 by seaborne raids, despite the Prime Minister's backing, it would show a fatal conflict at the centre. It would be sound cause for alarm and despondency; and it would be a heavy indictment of Mr Churchill and his colleagues, who are alone responsible for the conduct of the war. Sir Roger should have addressed the charges he made in the Commons on Tuesday to the War Cabinet, and not to the chiefs of staff or that "section of the war machine whom I had criticised earlier in the war"—which, by cross reference, would actually appear to be the Admiralty. By associating Mr Churchill with his frustrated keenness to act, Sir Roger said too much or too little. The fact that a greater spirit of daring and initiative may well be needed among high officials and officers ought not to obscure the fact that Sir Roger may well have been wrong; and the last word in this discussion, now it has been started, should come from the Prime Minister—for his own sake as well as his advisers'.

Regulation 18b

On Wednesday, the Government refused to amend Regulation 18b to bring it into line with Lord Atkin's dissenting judgment in *Rex v. Liversidge*. The most telling of the arguments brought forward by the supporters of the

amendment is that the wording of the original regulation was changed, from "if the Home Secretary is satisfied" to "has reasonable cause to believe," at the instance of Parliament itself. Sir John Anderson, however, denied that this change meant that the Home Secretary's action in detaining persons could be challenged in a court of law. Both he and Mr Morrison declared that the change was an attempt to find additional safeguards within the procedure contemplated—reference to an advisory committee with the Home Secretary's decision as final; it was a direction to him to be doubly careful, but that was all. It is certainly strange that Parliament has never awakened to the difference in wording before Lord Atkin pointed it out, although cases have come to the courts before that of Mr Liversidge. There is the further point that although the House of Commons in November, 1939, and November, 1941, was anxious to restrain the Home Secretary, in May, 1940, it was anxious lest his powers were not strong enough. Members' vigilance for the liberty of the subject is very naturally inclined to vary with the fortunes of the hour, but the Home Secretary's vigilance for the safety of the State must be unwavering and unceasing day and night. It is on this ground that the Government made its stand. The emergency is still there; consequently the emergency powers must be there too, and the normal checks on the Executive must yield. One of the best of the checks is the obligation that lies on the Executive to disclose—to dis-oblige to an independent body, whether the legislature or the judiciary, the reasons for its actions. If the Home Secretary's advisory committee for Regulation 18b were replaced by a court of law or an independent tribunal, that is, a tribunal whose judgment the Home Secretary would have to accept, he might find himself called upon to disclose more evidence than would be justified by the principle of the safety of the State and evidence that might defeat the activities of the Secret Service. Whether, in detaining persons under Regulation 18b, any individual injustice has been done, no one—not even Mr Morrison—can tell. But if the House of Commons had less than reasonable cause to believe that injustice was being done, it could make his position quite untenable.

Total War

This week, a variety of speakers in both Houses of Parliament have done very little service to ATS recruiting. There was too much heavily male talk about glamour, mirrors and lipstick—all of which, admittedly, have their importance—and too little realisation of the imperative necessity which lies upon the Government and the women to cke out the nation's man-power. Lord Trenchard seized the opportunity on Tuesday to restate the case, which has been fully argued within the higher command of the ATS itself, for the policy of complete segregation which the need to free every available man for fighting has made it necessary to discard. By implication, he vastly exaggerated the moral and other perils of the mixed work that is being organised in the Anti-Aircraft Command, where the immediate need to release men for overseas service is greatest—and thereby did a notable ill-turn to the call for recruits. He said nothing about the dangers which the women of this country would share if too few men were freed to win the war. It is, of course, true that cooks, orderlies and clerks can usually be organised in quite separate units, and, indeed, they are so organised. It is equally true that great numbers of additional men could be released, as Lord Trenchard argued, if women were to take over the Army's accounts and records; there should be no able-bodied men left needlessly in offices. But, if Lord Trenchard believes that this would remove the need for women to do other non-domestic and non-clerical work for the Army, he is oddly unaware of the nation's lack of numbers—and of the resentment that is very properly aroused in many women by the doctrine that, women's place being in the home, their only openings outside should be to scrub, to work, to sew and to type. The need to free the gunners and drivers for all the fronts remains; and the policy of AA Command which is aimed at releasing one man for active service for every woman recruited and trained is an outstanding contribution to the war effort. Lord Trenchard's remarks did no justice to this constructive programme or, in the strictures on "mixed discipline," to the able and conscientious work of women officers who, although the operational duties of their troops are necessarily and rightly under the command of men, are in fact responsible for their discipline and their welfare.

To run the ATS according to a male military pattern, as was attempted earlier in several ways, would, of course, be fatuous—though uniforms and the military trimmings have far more attraction for women than the pundits allow. But the service is an essential and integral part of the Army, and it cannot be run as either a nunnery or a girls' school.

American Labour

The strike in the "captive" coal mines was called off at the end of last week. The United Mine Workers then decided to accept the President's suggestion, which they had previously declined, that the issue of the "closed shop" should go to arbitration. The arbitrators, who were promptly appointed, are Mr John L. Lewis himself, Mr Fairless, president of the U.S. Steel Corporation, the largest of the owners involved, and Dr John R. Steelman, of the Department of Labour. The decision will obviously be Dr Steelman's and if, as some observers expect, it is in favour of the closed shop, Mr Lewis will have won the substance, even if he has yielded in form to Mr Roosevelt's insistence that there must be no strikes against defence work. Whether the "labour crisis" is over remains to be seen. The next hurdle is the railway strike threatened for next week—another labour rejection of an arbitration award. This particular issue may well be compromised, since the railway brotherhoods do not seem to be in a very belligerent mood, and the attitude of public and Congress alike is still menacing. But it is difficult to believe that, with a strong demand for labour, two rival federations competing for the workers' favour, and the absence from either one of them of a sense of responsibility for the public good, there can be an undisturbed period of industrial peace.

The First Five Years

This week's two-day conference in Berlin has carried through the renewal of the Anti-Comintern Pact by its original signatories and provided a number of satellite powers with an opportunity of adhering to it. The pact was originally signed on November 25, 1936, between Germany and Japan for a period of five years. Later signatories included Italy and Spain and, in the spring of this year, various Balkan puppet governments. Delegates to Berlin included plenipotentiaries of all previous signatories and of such marginal supporters of the Axis as Denmark and Finland. Twelve countries in all were represented. It would certainly be a false estimate to write off the function as window-dressing, although this aspect of the discussions was by no means absent. In a sense it is true that the Berlin Conference was a face-saving substitute for the Congress of Vienna, which Hitler is generally believed to have planned for this autumn to mark the end of the Russian campaign and the proclamation of peace in Europe. A more serious explanation of the willingness of the German Government to waste even two days on the despised conference method lies in the necessity of preserving Japanese solidarity with the Axis. It was no accident that Japan and not Italy was the foundation partner of the pact. For

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whether it was in fact directed primarily against Russia, primarily against the British Empire or equally against both, full Japanese co-operation is still as essential as Ribbentrop knew it to be in 1936. In the last five years, official anti-comintern policy has taken strange forms, each of the original signatories concluding agreements with the USSR. But pragmatic justification has been afforded by the fact that these overtures have assisted Germany to overrun Eastern Europe and Japan to subjugate a sufficient area of China to make an attack elsewhere a strategic possibility. The fifth anniversary finds German troops at the gates of Moscow. Yet it also finds the risk of Japanese defection unusually great. Japan is still not finally committed and she has recently been willing to carry on discussions with the United States in Washington. Reaffirmation of her anti-comintern vows before many European witnesses is, consequently, a matter of vital concern to Germany, more vital for the present than the ratification of the New Order.

Defence of Dutch Guiana

The importance of the transfer of a contingent of United States troops to assist Netherlands forces in the defence of Dutch Guiana is more prospective than actual. The presence in the colony of vitally important bauxite mines, whose significance for the United States' import needs is discussed in an article on page 651, is in itself sufficient reason for ensuring the presence of an adequate garrison. And it is fully in line with the declared policy of the American republics that the garrison should be provided by the United States, rather than by the re-drafting of Dutch troops at present required for service in the Netherlands East Indies. Both the intervention of the United States and the co-operation of the Brazilian Government, which is to exercise military vigilance on the frontier, demonstrates a determination to defend the American hemisphere as a whole—a policy agreed by the Havana Convention. The practical necessity for improving the defences of Dutch Guiana is to be found in the recent deterioration in Vichy's resistance to German demands, coupled with the geographical situation of Dutch and French Guiana. French Guiana, which borders the Dutch colony on the east, is not very far from Dakar. If Hitler, or a subservient Vichy, were in control of it, it might well serve as the spring-board of a Nazi invasion of the New World. Whether or not it would be advisable at the present juncture to forestall Nazi aspirations by the entry of United States forces into French Guiana, and possibly by the acquisition of Martinique and Guadeloupe, it would clearly be criminal negligence to leave Dutch Guiana inadequately protected. The New World cannot afford to lose the output of the bauxite mines at Surinam, whether by seizure or by sabotage; nor can it afford to allow Germany to acquire a bridgehead in South America, however remote the time may be when Hitler could attempt to exploit it. Thus the future of the French colonies in the New World turns on United States estimation of the *bona fides* of the Vichy Government. If Vichy is just another puppet government, there can be no justification for allowing the independence of its possessions across the Atlantic to bring the Nazi menace to the doorstep of the American continent.

The Second Savings Year

The second year of the War Savings Campaign ended on November 22nd. Complete figures are not yet available owing to the time lag in collecting them, but the total up to November 18th (that is, with four days missing) was £600,395,406, compared with £463,883,446 to the same date in the first year. Lord Kindersley's target figure of £620,000,000 will probably be reached when the full returns are in. This is a creditable result. But perhaps of greater significance than the twelve months' total is the fact that the latest weekly figures have shown a persistent declining tendency. The reason is not very far to seek. Deduction of income-tax at source, at the new standard rate and with the reduced personal allowances, has begun for weekly wage-earners and will begin this week for monthly salaries. Its full effect can be expected to be spread over fifteen weeks, as the usual office or factory savings scheme has a life of that period and it is only when a new period begins that taxpayers will revise their rate of savings. At the same time, it is evident from a number of signs that there is plenty of money about. Black markets are probably small in extent, but grey markets flourish exceedingly and every avenue that is open to expenditure is being very freely

explored. In Germany, where little reliance has hitherto been placed on savings, the same problem of a great head of dammed-up purchasing power pressing against the restrictions on civilian consumption has recently led to the institution of the so-called "iron savings" scheme, of which some details are given in the "German Europe" section on page 654. In this country, the position appears to be that, while there is a substantial proportion of the national income that is neither required for necessities nor finds its way back to the Exchequer in taxes or loans, the yield of the Savings Movement is tending to decline. This would suggest that there are still sections of the community who have not been reached by Lord Kindersley's movement. Perhaps the only way to reach them will be by compulsory savings.

Restraint of Trade

The reduction in the number of firms or shops which war economy makes desirable is regarded in various ways. In the context of war policy, it is a means of freeing manpower for war work; the trouble is that, outside the limited range of "concentrated" industries, it is left to haphazard bankruptcy to bring about the reduction. To some economists it is a chance, as in the case of retail trade, to increase efficiency by getting rid of "redundant" units which the "imperfect competition" under which they normally operate does not provide. To many trade associations, on the other hand, it is simply a stepping stone to corporative organisation and monopoly, and the registration of builders, like the licensing of shops, is a first step. The aim of the building associations, for instance, is to achieve a "qualitative" control of building, by which they mean that the trade should be limited to firms of "standing." This can be just as dangerous as "quantitative" control. The purpose, it is said, is simply to ensure high standards of construction and business conduct—which ought, in any case of course, to be done by a disinterested authority, and not by the trade associations in any way; but the incidental consequences could hardly fail to be organised price-fixing and something very like a "closed shop" in building. There is nothing that the Government's reconstructors should look at more warily than the tendency of necessary wartime measure to lead towards monopoly and the restraint of trade.

The Balance in Spain

The offensive in Libya and the new German pressure on France may well end the diplomatic lull which the Russian war brought to Western Europe. The Spanish attitude to Germany's military plans does not appear to have altered materially. The old split remains, with the Falange representing the extremist, modernising, "New European" attitude, and with the Caudillo and the Army, supported by all the more responsible elements, taking a cautious view both of Spain's internal stability and the likelihood of a total German victory. It was significant, for example, that neither General Franco nor the army leaders were present when the eighth anniversary of the Falange was celebrated with the usual fireworks against Freemasonry and pluto-democracy on October 29th. The relative strength of the two tendencies varies, of course, with Germany's fortunes of war, since the irresponsible Suñer has identified himself and his party completely with a German victory and a German New Order. But the grim facts of Spain's internal position—facts which Suñer waves away with extravagant plans for "Ibero-American solidarity" and for the development by Spain of "the imposing left shoulder of beheaded Africa"—tell all in favour of the moderate statesmen. There were 8,000 cases of typhus last winter, of which over a thousand were fatal, and the Director-General of Health has warned the country that the epidemic is still rampant. It has proved impossible to increase the very small bread ration in spite of large imports of American grain. The shortages have bred a fever of hoarding, profiteering and speculation which the Government since November 1st has been trying to counter by the extreme measure of the death penalty. Since 1939, exports have fallen by 589,994 tons, imports by only 3,821 and the exchange problem, aggravated by wartime conditions, is insoluble. The weakness in the Caudillo's position is the extent to which Spain must depend economically upon German Europe. German technicians are active in all branches of reconstruction, Germany is the main export market—which includes the export of workers. The Cau-

dillo's strength lies where it always lay, in continued British resistance, in the growing American war effort, and now, by a paradox, in the Russian armies which Spain's "Blue Division" is fighting in the field.

The Colonies in Parliament

The fifth day's debate on the Address was given up to the discussion of colonial affairs. Because of the occasion, the discussion was on very broad lines, but most speakers concentrated on economic problems and urged the speeding up of the new policy epitomised in the Colonial Development and Welfare Act. The speakers, however, hardly touched on the main economic problem of the colonies—how to raise their standard of living. They were mainly concerned with the conditions of life, which is a different matter. It is with these that most of the recent official action has been taken—the appointment of labour advisers; labour legislation and now the establishment of a Labour Advisory Committee at the Colonial Office; Sir Frank Stockdale's welfare schemes in the West Indies, and so on. But social services of this sort are no substitute for a higher standard of living, and the third stage of colonial policy, which, as Lord Hailey said recently, we have now reached, should include far more than the expansion of the social services. It should be, in his words, "of a positive and constructive character"; development must march along with welfare. Lord Hailey's fourth stage, the extension of self-government, was hardly discussed in the debate, except by Mr Creech who was drawn into it by Mr Noel-Baker, who drew attention to the dangerous situation which has arisen from the amalgamation of Europeans in the two Rhodesias for the amalgamation of the two territories and Nyasaland. Unfortunately Mr George Hall, in his reply, made no mention of the matter, although it is known that the Prime Minister of Southern Rhodesia is working hard to force amalgamation on the British Government. An early statement that the Government has no intention of handing over the three million natives of Northern Rhodesia and Nyasaland to a Government whose native policy is based on sharp discrimina-

tion is clearly called for; and it would be to prevent matters like these from going by default that a standing Parliamentary committee on colonial affairs would be particularly desirable. There must be no Munich in the colonial empire.

Shorter Notes

Last week's reports of a settlement of all the outstanding difficulties between the United States and Mexico have proved incorrect or possibly premature. The oil companies refused the terms proposed by the Mexican Government and Mr W. Farish, president of the Standard Oil Company of New Jersey, has issued a statement on behalf of all the oil companies condemning the proposed oil agreement as "vague and ambiguous." All through the Mexican oil dispute it has been difficult to be clear about the points at issue, and the obscurity remains. On the surface, the oil companies appear to be rejecting a proposal that their claims should be arbitrated between the two Governments. The real position may be, however, that part of their claims—specifically, the claim for compensation for the loss of subsoil rights—is excluded from the arbitration. One thing that is reasonably clear, however, is that the Mexican Government has succeeded in driving a wedge between the United States Government and the oil companies, and there is talk of action by the former to coerce the companies.

Within a week of each other, four important personalities of the *Luftwaffe* have met their death, two air aces, Von Werra and Moelders, and two highly placed administrative officers, General Wilburg and Udet, the Quartermaster General of the *Luftwaffe*. As all these men, with the exception of Von Werra, were killed in accidents, the outside world is permitting itself the luxury of a "revolt" inside the German Air Force. No doubt the Germans interpreted the loss within one fortnight this summer of four trans-Atlantic bombers as a "revolt" in the Atlantic Ferry Service.

THE WORLD OVERSEAS

American Bauxite Supplies

(By a Correspondent)

November 25th

THE United States and Dutch Governments have arranged that, for the duration "of the present danger," United States troops will be sent to Surinam (Dutch Guiana) to co-operate with the local Dutch forces in the protection of the bauxite mines. The Brazilian Government will contribute to the defence of the Guiana bauxite deposits by exercising an especial measure of military vigilance in its northern frontier zone and by sending a mission to Paramaribo, the capital of Surinam. This is the first occasion on which the United States Government has taken steps to secure its raw material supplies from a foreign source by military protection.

This action is a clear proof of the importance the United States has attained as a source of supply of bauxite for the United States aluminium industry. The United States itself is one of the most important bauxite-producing countries in the world; in 1940 the mines in Arkansas, Alabama and Georgia produced the record total of 445,958 metric tons, against 381,331 tons a year previously. This year, an increase of no less than 50 per cent in the country's bauxite output is expected, and investigations made by the United States Bureau of Mines indicated that even this year's output could be multiplied if required. Nevertheless, the Office of Production Management decided last summer that, while United States bauxite mines should be fully equipped to meet any possible emergency, imports should be maintained at a high rate as long as possible in order to conserve domestic reserves.

Among the foreign bauxite sources of the United States, Surinam is predominant. In 1940, when the record total of 629,552 tons of bauxite (against the previous record of 520,179 tons in 1939) were imported into the United States, Dutch Guiana supplied no less than 585,993 tons, or 93 per cent of all imports. Of the remainder, 29,929 tons came from British Guiana and 13,630 tons from the Dutch East Indies. This year, United States requirements will be much larger than in 1940. The country's total bauxite consumption in 1941 can be taken at 1,400,000 metric tons, against 958,695 tons last year. Of this huge quantity United States mines may supply 660,000 tons, while at least 740,000 tons will have to be imported.

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There is every likelihood that Surinam will be able to meet the increased requirements. Last year, Surinam produced 615,434 metric tons, compared with 511,619 tons and 377,213 tons, respectively, in the two preceding years. Since then, production has been greatly expanded. The *Surinaamsche Bauxite Maatschappij* started a new bauxite crushing and drying plant at Paranam in February, 1941; its ore basis is a newly developed and rich deposit at Topibo in the Para Creek district. The new plant has a production capacity of 150 tons of dried bauxite an hour, while the company's old plant at Moengo on the Cottica River, which has so far supplied the bulk of the Surinam bauxite and which is still in operation, has an hourly capacity of only 100 tons. In addition to the expansion of this company, the *N.V. Billiton Maatschappij*, which interrupted its bauxite mining operations in Surinam in 1940, in order to concentrate on its work in the Dutch East Indies, re-entered the field early in 1941, and started the construction of a crushing and drying plant on the Surinam River near Paranam in February last. Whether this plant has already come into operation is not yet known, but it is safely assumed that Surinam will produce 800,000 metric tons of bauxite this year and will increase the output to over 1,000,000 metric tons in 1942. As the Surinam bauxite reserves are so extensive that their probable total has not yet been established, the rapid increase in production since the outbreak of war will not cause any technical difficulties.

Additional Supplies

While Surinam will still be able to supply the bulk of the United States' bauxite imports, the U.S. aluminium industry has a direct interest in the opening of additional American bauxite resources, especially as the country's aluminium output is still far from its scheduled peak and ever-increasing bauxite supplies will be needed within the next few years. The only important American bauxite deposits so far developed outside the United States and Surinam are situated in British Guiana. The latter territory, in which the production of bauxite started in 1914 (Surinam in 1922) produced less bauxite than Surinam between 1927 and the outbreak of this war. Last year, however, both the expansion and rate of production in British Guiana reached an unprecedented level, and 700,000 metric tons, against 483,653 metric tons and 382,409 metric tons, respectively, in the two preceding years, were produced. The Demerara Bauxite Company, Ltd., a subsidiary of the Aluminium Company of Canada, continued to account for the bulk of the output from its extensive Demerara River deposits, which stretch over long distances on both sides of the river. Moreover, an investigation into new bauxite deposits in the districts of Essequibo and north-west Guiana was completed by this company last year and will probably lead to the opening up of new mines. Meanwhile, the Berbice Company, Ltd., started the construction of a new bauxite crushing and drying plant early this year to utilise the ore from a new rich 4,000-acre concession near the Demerara River. British Guiana also, therefore, has every prospect of bringing its output to within reach of 1,000,000 tons a year before the end of 1942. As has been shown, British Guiana has so far supplied only a very small percentage of the United States' bauxite imports. Almost the whole of its output is shipped to Canada and to a minor extent to Great Britain. As, however, the Canadian aluminium industry has concluded huge aluminium supply contracts with the United States Government early this year, the United States is directly interested in the protection of the British Guiana deposits, even if the British colony continues to supply only limited quantities of bauxite to the United States direct. In this connection, it is not unlikely that the American forces in Dutch Guiana will collaborate closely with the British forces and administration in British Guiana, although so far no official statement has been made.

While the development of the bauxite output of the two Guianas since the outbreak of war has given the United States cause for satisfaction, the expectations of its aluminium industry in the opening up of the huge bauxite deposits on the plateau of Pocos de Caldes in Minas Geraes (Brazil) has proved a disappointment. In 1940, the Reynolds Metals Company, the new United States aluminium producer, concluded an agreement for the first 100,000 metric tons of Brazilian bauxite on a f.o.b. Santos basis. The bulk of the ore has since piled up at Santos, but shipment has become economically impossible, as the freight rate between Santos and United States ports has increased from \$5 to \$15 per ton since the conclusion of

the contract. The freight alone is thus more than twice as high as the domestic bauxite price in the United States. As United States aluminium prices are now 25 per cent lower than at the outbreak of war, and may be reduced still further through the intervention of the Office of Price Administration and Civilian Supply, there is little likelihood that they will rise to a level at which shipments of bauxite from Brazil to the United States will become a commercial proposition.

Vichy's Internal Policy—II

[BY A CORRESPONDENT]

November 11th

AN article in last week's *Economist* described the fiasco which has attended the Vichy Government's attempts to find a new constitutional principle. Official policy towards the trade unions shows a similar record of failure. Soon after the armistice the *Confédération Générale de Travail* held a congress at Toulouse, where its leaders tried to save their organisations by adopting a compromising attitude towards Vichy. This was of no avail. In September, 1940, the CGT was banned. In November, an accord was reached between the CGT and the Christian trade unions to "lay the foundations of a new French syndicalism." This last attempt to save the movement was also brought to nothing by Vichy. But to ban trade unionism was not enough; the cadres of the movement, with their social tradition, which has not yet lost all its vitality, might become a danger to the regime were they left intact. Vichy set out to demoralise them, and has scored some success, though only of a negative kind. There had been no lack of Left Wing defeatists among the CGT whose services Pétain could enlist. There had also been a strong, deeply rooted bias against parliamentary democracy and politics, instilled into French trade unionism by Sorel's ideology. Both these factors, defeatism and syndicalist prejudices, have played into the hands of Vichy. The number of trade union leaders who have agreed to be the tools of the Marshal and his cliques has been comparatively high. It is enough to mention Belin, an old prominent disciple of Sorel; Dumoulin, the former popular leader of the workers in the north; Gitton, the former Communist vice-president of the CGT; and Delmas, once the Radical spokesman of the Teachers' Union. But, like the Fascist leaders, these Left Wing henchmen of Pétain are engaged in a fierce struggle for the leadership. Some of them went so far as to turn the remnants of their trade unions into recruiting offices of labour for Germany; yet, again like their Fascist counterparts, they too have proved themselves incapable of winning any popular support. This can be illustrated by the fact that the membership of the Metalworkers' Union in Paris, which some time ago amounted to 200,000, has now fallen to 1,500.

The most recent development is the *Charte du Travail*. Under it, monopoly trade unions under State control will be set up. The *Charte* provides for separate unions of employers, employees and technicians, as well as for mixed committees endowed with arbitration powers, but supervised by governmental officials. Unions and mixed committees alike are to be organised on a local, regional and national scale. The activity of the unions is to be strictly confined to the limits of their respective trades. No organisational link between unions of different trades—no *confédération générale*—will be allowed; this should prevent them from becoming involved in politics. No free independent unions will be permitted. It is not yet clear whether it will be compulsory for employees to join the new unions, as has been the case with the *Arbeitsfront* and with their more immediate model, the Italian corporations. In view of the hostile attitude of the working classes, the reform can hardly lead to anything but the growth of a new bureaucratic apparatus, without any real mass support at its base.

Strengthening the Police

The regime has so far relied in its internal policy on two factors—besides the external pressure of the ubiquitous invader—on its military and police force and on the authority of the Marshal. The lower the latter declines—and it can hardly be rescued by such melodramatic gestures as the Marshal's rumoured offer to hand himself over as a hostage to the Germans—the more scope is being given to

the terror of the military and police apparatus. One of the first measures taken by Darlan, on the assumption of his present office, was to advance 3,000 million francs for the modernisation of the police. France, which was short of tanks in the war against the external enemy, has now endowed its police with tanks and highly mobile equipment to keep down its own people. Multiple types of special courts to deal with political offences have been busily at work throughout the country. But the police itself, inherited from the Third Republic and therefore "infected with the spirit of liberalism," has frequently proved unfit for its new tasks. (Even the Riom Court, whose members had been carefully chosen to try the "war culprits," and refused to comply with all the orders issued to them, and Pétain himself had consequently to assume the rôle of a self-appointed Supreme Judge.) Hence the overhauls, transfers and purges to which the administration—along with the municipalities—has been ceaselessly subjected. To this should be added the daily heresy-hunting from which nobody can feel immune; one of its latest objects is none other than Pétain's former Minister of the Interior, M. Peyrouton, unmasked as a freemason.

The opposition to the regime has been as widespread as it has been politically amorphous. The catastrophe of June, 1940, has broken the backbone of the old political parties. None of them—either on the Right or on the Left—has emerged from the wreckage of the Third Republic with a clear record, unstained by defeatism or treachery. Such parts of the old movements as have remained morally and politically sound can only be rallied very slowly, unless they are stimulated by some definite German reverses on the battlefield. The only exception is the Communists, whose activities have received momentum recently; not because their war record has been any better than that of the other movements—it has rather been even worse—but because the outbreak of the Russo-German hostilities gave them a new political purpose—the preservation of the USSR has always been their *suprema lex*—and restored much of the coherence of their cadres. They have toned down their specific Communist propaganda, and of their own accord have declared their unconditional support for General de Gaulle, regardless of his well-known royalist outlook. This, in itself, may be taken as a proof of the ever-growing popularity of the de Gaulle movement. In fact, this movement has become the only rallying ground for all those forces which, without distinction of class or political creed, work for the restoration of French independence.

Swiss-German Economic Relations

[FROM OUR GENEVA CORRESPONDENT]

October 14th

THE news that, as a result of the recent German-Swiss trade treaty, Britain would no longer grant navicerts for goods intended for Switzerland caused much surprise and comment here, but as Britain is still said to be ready to facilitate the transport of foodstuffs to Switzerland, it is felt that some Anglo-Swiss arrangement is not excluded. The British measure mainly concerns raw materials and manufactured goods, of which Switzerland is now so short that there is no danger of these being re-exported.

It is estimated in Britain that Swiss industry is now completely under German control, and that Swiss factories are all working for Germany. This is not exactly the case. It is clear that Switzerland, as a democracy, had morally defeated at the same time as France. Alone and isolated, Switzerland could not hold out very long against an attack so that, for the time being, she could not avoid abiding by some of the German claims. Politically she is free, but economically she is under the Reich's influence; and it is rather surprising that, in the circumstances, she has succeeded in maintaining a great part of her overseas trade. Germany was always Switzerland's chief purveyor, especially in regard to raw materials; and this is the position to-day, with the difference that the Nazis not only charge a very high price for their deliveries, but also choose the Swiss goods and products they want in exchange. Thus Germany is supposed to deliver some 18,000 tons of iron and 20,000 tons of coal a month, while she is to get in exchange Swiss cattle, milk, butter, cheese and fruit. This

explains why the monthly ration of butter in Switzerland is 8 ounces, that of cheese 9½ ounces and that of milk about one pint a day.

On the other hand, Switzerland refused to issue a German loan here or make direct loans to Germany; but as all imports are prepaid, and as these advances will not be repaid through the clearing for some months, Swiss industrialists are thus lending to Germany funds which at the end of this year will be well over 1,000 million francs.

Some factories in the machine, metal and watchmaking industries are carrying out German orders—mostly peace-time products—and use for that purpose raw materials supplied by Germany. Many other factories occupied in peace work are receiving raw materials from various sources and selling their goods to all countries. In fact, the Federal Government is taking the greatest care that raw materials from Allied countries should not go to the Axis partners, while materials supplied by the Axis are not allowed to go to Allied countries. The same control is applied to imported foodstuffs and other articles, which cannot be re-exported.

The worst evil menacing the country is the rise in unemployment following the closing down of factories as a result of the lack of raw materials. Moreover, the Government fears that this situation, coupled with a rise of about 30 per cent in the cost of living, may lead to labour unrest; and it is therefore considering starting public and other works and finding employment for the greatest possible number of workers. All national resources are being fully utilised. Scrap metals are collected, and the few metal deposits exploited to the utmost. Work is to be resumed in the Delemont (Jura) iron mines, while it is in full progress in the Gonzen (St. Gallen) and Chemin (Valais) mines, which are daily yielding a few tons of iron ore; as that ore cannot be melted here, it is sent to Germany, which in return supplies cast iron. Work is also in full swing in the Canton Valais anthracite mines of Ferden and Chandoline; this coal is rather poor; nevertheless, it is helping industry to some extent. Every effort is being made to produce substitutes, and last September the Lausanne Samples Fair was a striking example of all that is being done to keep industry at work. Another remarkable instance of Swiss effort was the recent show at Geneva and Zurich of women's dresses made of Swiss textiles, either of real or artificial wool, cotton and silk, and of embroidery; the Swiss Chamber of Textiles, which organised the display, proved that Swiss industry is not only capable of creating a Swiss fashion and entirely supplying it, but also of supplying textile fashions in other countries, as is shown by the important orders received from America.

Switzerland is thus doing her best to adapt herself to present conditions. Her position is a most delicate one; economic difficulties and possible unrest would be a boon for German designs on the country; and it is hoped that Britain will give her as much help as possible to save her from being thrown into the hands of the Axis.

Books Received

- The Reciprocal Trade Agreements Program.* By G. Beckett. (London) H. Milford. 142 pp. 13s. 6d. net.
Appeasement Before, During and After the War. By P. Einzig. (London) Macmillan. 215 pp. 10s. 6d. net.
Economic Peace Aims. By O. Dutch. (London) Edward Arnold and Co. 280 pp. 12s. 6d. net.
The Educational Philosophy of National Socialism. By G. F. Kneller. (London) H. Milford. 299 pp. 21s. 6d. net.
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German Europe

Steering Purchasing Power.—For some time the German public has shown uneasiness about financial developments. There has been a continued rise in revenue, but a considerable increase in borrowing has overshadowed it, and there has been a rumour that new taxes are contemplated. Some people expected a tax on capital, others a war surcharge on all property taxes; and the mass of the people feared the requisitioning of savings.

The method of the war surcharges previously imposed on income tax and excise duties had the desired result of producing more revenue; but it discriminated against certain sections of the population. Private employers, for example, paid 50 per cent surcharge on income tax, while joint-stock companies paid no surcharge on corporation tax. Workers whose weekly earnings were increased by overtime work discovered that a considerable part of the increase was taxed away.

In offices, the deduction of taxes and various levies from wages became extremely cumbersome; a wages clerk had to struggle with eight regular deductions; that is, wages tax, war surcharge, civic tax, defence tax (imposed on men who were not conscripted), three different contributions to social insurances and the contributions to the Labour Front and to the "Winter Help." A number of stamp duties made a great deal of work in the district offices of the Treasury. Some reform was obviously needed. The first step was to simplify the deductions from wages. Wages tax and war surcharge are now one item—which arouses the suspicion among workers that the increased tax will be maintained after the war. The defence tax has been suspended.

The second step, taken at the end of August, was a war surcharge of 25 per cent on corporation tax, and private employers may now apply for a reduction in the war surcharge on income tax—a maximum of 10 per cent of the profits may be freed from the additional charge. The Government was forced, probably under some pressure, to meet the wishes of private employers thus far. The increase in the corporation tax, which is the second largest item in total revenue, has made possible the repeal of a number of stamp duties.

The latest new measure is called the "steering" of purchasing power. There is, first, a kind of deferred wages, called "iron savings," applicable only to wage and salary earners; a worker who undertakes to save regularly a fixed part of his wages may deduct this from his wages for purposes of tax (the amount deducted being limited to Rm. 6 a week) and the sum is credited to him in a special savings account. Withdrawals from these special savings will not be allowed until 12 months after the end of the war. Once "iron saving" has begun it becomes compulsory. It is clear from this innovation that savings were unsatisfactory during 1941. No statistics about savings deposits have been published since January, 1941, when it was stated that, from September, 1939, to December, 1941, total savings deposits increased from Rm. 19,800 millions to Rm. 27,400 millions, or by 38.5 per cent.

The object of "iron savings" is to "steer" the excess purchasing power resulting from increased wages into savings, and employers have been given a chance to do the same with company revenues. Any employer may pay into the Treasury depreciation accounts or reserves, which cannot be used during the war, and at the end of the war these sums will be paid back to the firms, the amount in this case being limited to half the declared depreciation accounts of the financial year 1940-41. After the war, replacements financed by these refunded amounts will be tax free. This is designed to relieve the pressure of excessive wartime liquidity on the capital markets.

As it is, the pressure of excess purchasing power has made a direct increase in taxation necessary. The war surcharge on cigarettes and tobacco has been raised from 20 per cent to 50 per cent of the retail price, the war duty on brandy by Rm. 1 per litre and that on champagne by Rm. 1.50. There is no increase on the price of beer. It is expected that the consumption of tobacco and brandy will fall accordingly. Drinks and tobacco are almost the only goods not directly rationed in Germany, and scarcities have led to long queues. Official statistics put the consumption of cigarettes at 62,400 millions in 1939 and 74,800 millions in 1940, but nearly half of the increase is

accounted for by the incorporation of new territories, and the forces are said to consume nearly 40 per cent of the total.

The latest revenue returns show the following trends:—
(Rm. 1,000 millions)

	April/Sept., 1940	April/Sept., 1941	Increase in %
Total revenue.....	13.2	15.8	19.7
Income tax.....	5.4	6.7	24.1
Corporation tax.....	1.8	2.4	33.3
Turnover tax.....	1.9	2.1	10.5

The three taxes shown in this table account for roughly 70 per cent. of total revenue. The yield from the "Profit-Stop" has proved to be extremely small—roughly 0.4 per cent. of the total. A total revenue of Rm. 32,000 millions is expected for the financial year 1941-42, against Rm. 27,200 millions in 1940-41, an increase of 17.6 per cent. Revenue plus the war contributions of the communes plus the charges levied on the occupied countries are expected to total Rm. 45,000 millions, and if borrowing went on at the present rate the total available for public expenditure would amount to Rm. 90,000, so that revenue, borrowing and foreign tribute would exceed four-fifths of the gross national income of Greater Germany.

*

Employment.—The latest statistics published by the Ministry of Labour suggest that, between January and September, 1941, 700,000 additional women were brought into employment, against only 300,000 between September, 1939, and December, 1940. The number of foreign workers increased from 1,560,000 in December, 1940, to 1,700,000 in September, 1941. No exact figure of employed prisoners of war is given, but in January, 1941, it was stated that the number of employed prisoners of war had reached one million. In July, 1941, 437,000 men and 174,000 women were working as labour conscripts. There is no doubt that the total number of workers employed in Germany has fallen since the beginning of the year, when an increasing number of men were called up in preparation for the war against the Soviet Union, which has involved large-scale mobilisation. New prisoners of war are mainly employed in the zones of occupation.

The labour turnover is still large. During the first six months of this year, five million workers changed their employment or were set to fresh work under the direction of the labour exchanges. The fact that, at the end of each month from January to July, 1941, 1,500,000 jobs were registered as vacant at the exchanges does not mean that there was a shortage of 1,500,000 workers. The actual figure is much smaller. Women workers now account for some 40 per cent of the total workers, excluding prisoners of war. The total number of unemployed at the end of September, 1941, was 10,000.

An interesting step is the prolongation of compulsory labour service for girls from 6 to 12 months. During an additional six months of labour service, the girls will be employed in administration for the forces, in the Civil Service, in hospitals and as helpers for children evacuated from danger areas. The total number of girls now serving is roughly 300,000.

*

Synthetic Oil.—The Dutch paper, *De Economist*, has published the following figures about annual synthetic oil production in Greater Germany:

(1,000 metric tons)			
Hydrogenation.....	2,100	Benzol.....	500
Other synthetic processes.....	1,300	Alcohol.....	500
Coal tar distillation....	700	Regenerated lubricating oil.....	100
Total.....			5,200

These figures may be near the actual output. It is rather surprising that they should have been published in a German-controlled paper. On the basis of them, the total output of synthetic and natural oil in German Europe would be nearly 14 million tons, compared with the more conservative estimate of some 12 million tons.

THE BUSINESS WORLD

War Transport

GREAT BRITAIN entered the war with an inland transport system that was not only capacious in relation to peacetime needs, but also flexible, in that rail, road, coastwise shipping and canals often provide alternative facilities. But just as the effective carrying capacity of sea transport was reduced by the reintroduction of the convoy system, the need to avoid normal sea lanes, delays in port through the concentration of traffic on the western ports, sinkings, and the transfer of ships to the fighting services, domestic transport has been hampered by the blackout, by the graphical redistribution of the density of movement, by the damage caused to roads and railways by bombing, by the danger to coastwise shipping from air raids and mines, and by the transfer of carrying capacity to the fighting services. In fact, inland transport, like shipping, became one of the tightest of the ruling bottlenecks. But while ocean-going shipping was pooled soon after the outbreak of war, and utilised in accordance with a schedule of priorities, the need for adopting a similar policy for inland transport was not recognised at first. This was largely because, unlike ship-transport, inland transport is not a homogenous commodity; it consists of four different facilities which, in normal times, compete with each other. But competition between independent shipping companies differs in no fundamental sense from competition between rail and road. The scarcity of transport last winter should have been sufficient to prove that inland transport, like shipping, was one industry—with four branches, that carrying capacity, like shipping space, should be pooled and rationed in accordance with the national interest. Since then, the Ministries of Transport and Shipping have been merged into the Ministry of War Transport under a new Minister, Lord Leathers. The time has come for an examination of the progress that has been made this year with the organisation of the supply of and demand for transport.

An efficient system of allocation and rationing was impossible until the supply of transport had been sufficiently organised. And before the supply of carrying capacity could be pooled, it was necessary, as a first step, to secure a greater measure of central control over the four separate transport systems. Substantial progress has, in fact, been made towards this first objective. Government control over the railways was tightened on August 9th, when Sir Alan Anderson was appointed Controller of Railways and chairman of the Railway Executive Committee, which consists of the general managers of the main-line railways and of the chairman of the LPTB. The selection of Sir Alan Anderson as chief executive officer of the railway system is of special significance, since his interests had previously been mainly in shipping. Secondly, the revised agreement between the railways and the Government, which was announced on August 28th, substituted a fixed payment to the railway companies for the sliding scale of the previous agreement. This change for the first time made it a matter of financial indifference to the railways if traffic which might have come to them was diverted to other means of transport. The Ministry of War Transport is therefore at last in a position to utilise the railways irrespective of the financial consideration. Even before the conclusion of the new agreement, last May, the Ministry was instrumental in the formation of the central wagon control, by which all wagons are pooled; this scheme enables the Government, not only to distribute railway traffic to the best advantage, but also to avoid delays and eliminate bottlenecks by means of a continuous record of the movement and location of all wagons.

A good deal of headway has also been made towards the fuller utilisation of the canal system. As a result of a special investigation carried out by the late Mr Frank Pick, the Ministry of War Transport, on September 19th, announced its decision to set up a Central Canal Committee, which is under the chairmanship of Colonel J. J. Llewellyn, Parliamentary Secretary to the Ministry of War Transport, to advise on questions of policy affecting inland waterways, and to co-ordinate the work of the six regional canal

committees. The main functions of these committees, which are composed, apart from canal members, of representatives of other forms of transport and of Government departments, are to organise the effective operation of the canals and the efficient working of craft; to survey traffic possibilities and to make sure that traffic conveniently water-borne is allocated to the canals; to minimise empty running; to arrange, if necessary, for the pooling of barges; to investigate unreasonable delays; and to ensure adequate maintenance and dredging of waterways. The improvement in the utilisation of the canals is revealed by the fact that they are now carrying 15 per cent more coal—their principal freight—than a year ago.

Coastwise shipping had already been effectively organised before the Ministry of War Transport was set up; liners were requisitioned in October, 1940. Carrying capacity has been severely reduced by the transfer of vessels to the Admiralty and by air raids and mines. Owing to the reduction in the intensity of air raids after the spring, it has been possible to increase the volume of traffic carried.

Progress towards cohesive organisation and closer Government control has been slowest in the case of road transport, mainly because the very large number of independent units in the industry made it administratively the most difficult to fit into a scheme of war transport. Before the war, some 148,000 lorries were operated by no fewer than 61,000 A and B licence holders and 365,000 vehicles by 178,000 C licence holders. Moreover, the carrying capacity of road transport was allowed to shrink far too rapidly early in the war, when many thousands of vehicles were requisitioned by the fighting forces. The Road Haulage Consultative Committee, consisting of representatives of A and B licence holders, with an official chairman and secretary, which was set up in August, 1940, for the purpose of facilitating "discussion between the Ministry and the road haulage industry," was devoid of executive power and, though useful, did little to organise the industry. But the need for making better use of road transport was recognised during the intense air raids and the shortage of carrying capacity last winter; and in January the Ministry of Transport took the first step towards direct control by introducing a scheme of hiring vehicles from operators for the carriage of Government traffic. But this scheme never grew to full stature, and in July the Minister of War Transport decided to set up another committee—the Road Haulage (Operations) Advisory Committee—to advise him on the "operation and development of the Government's road haulage scheme." After somewhat protracted negotiations, the Ministry was able to announce an important extension of the scheme on October 20th.

The new road haulage scheme is designed to provide the Ministry of War Transport with a fleet of some 4,100 lorries (of which 1,600 are already chartered for the movement of meat) and to enable it to "arrange through one channel at least a considerable part of the long-distance road movement of Government traffic or other national requirements." The vehicles are to be hired at rates which include a standing payment per week with an additional allowance on a mileage basis. The number of lorries will not be increased unless experience justifies it; but arrangements have been made whereby traffic that cannot be handled by the Ministry's vehicles will be allocated to the road haulage industry. To this end, the Ministry will set up an area organisation—there will be six divisions, which will be sub-divided, as a first step, into fourteen areas—which is to control the operation of the fleet at its disposal and to act as a clearing house for traffic. Parallel to this, the road haulage industry itself will set up an organisation to allocate the traffic passed to it by the Ministry. This scheme, which is voluntary, gives the Ministry a greater measure of control over road transport, while interfering as little as possible with the "individuality of operators." The scheme is a considerable improvement on the original plan; but it is still only a beginning.

On the whole, therefore, considerable progress has been made during the past year, and especially since the formation of the Ministry of War Transport under Lord Leathers last May, in organising the four carrying facilities and in fitting them into a scheme of war transport. Moreover, some £6,000,000 is being spent on the expansion of railway facilities, while a campaign was launched last month to increase carrying capacity by speeding up the turn-round of wagons and lorries.

Most of the measures that have been taken, however, have been concerned with the supply of transport, which is well on the way to an effective co-ordination. One of the chief problems still remaining is a functional and administrative division of transport into long-distance and local traffic. Much less has been done on the side of controlling and directing the demand for transport. The machinery of allocation was set up as long ago as last March by the constitution of the Central Transport Committee. The functions of this committee, which is composed of representatives of the Supply and Service Ministries and of the four branches of transport, are, first, to estimate the volume, nature and distribution of traffic in advance; secondly, to allocate it among the four carrying facilities without regard to any pre-war conventions or financial considerations; and, thirdly, to economise transport. Until recently, the committee's terms of reference represented an ideal whose realisation seemed a long way off. During the past few months, however, a serious attempt has been made to translate them into practice. Traffic is now estimated and allocated some months ahead in accordance with a system of priorities. Towards the end of October, Lord Leathers announced that a drive was to be made to eliminate cross-hauls, and to curtail long-distance traffic whenever alternative goods can be secured from nearer sources of supply. This represents the first important step towards the reorganisation of the demand for transport. Moreover, travelling facilities on the railways have been reduced appreciably; the average frequency of main line services is now about 25 per cent less than before the war, while a further reduction in long-distance trains, in restaurant and sleeping cars was announced on Wednesday.

Despite the very considerable achievements made this year in the organisation of the supply of transport, which

will undoubtedly enable a heavier load to be carried this winter than last, the rationing of carrying capacity has not yet been carried very far. Indeed, inland transport is still far from being as efficiently managed for war conditions as ocean transport. True, the problem of inland transport is more complex than that of shipping, where the supply could be organised by requisitioning, and the demand by agreement between the Ministries concerned. But the difference is merely one of degree; fundamentally, the two problems are similar. Many of the seemingly insuperable obstacles in the way of pooling and allocating domestic carrying capacity are found, upon examination, to rest on the inability to cast off pre-war conceptions of transport. Once rail, road, coastwise shipping and canals are regarded as so much more or less interchangeable carrying capacity—as they now are—the remaining difficulties are mainly administrative; again, there is no reason why it should be assumed that the public, which willingly accepted the rationing of the essentials of life, would object to a severe curtailment of unnecessary movement both of persons and of goods, or to the loss of its peacetime right to choose by what means its goods should be carried. A good deal, then, remains to be done before transport can be said to be organised for war. The demand for carrying facilities must be treated like the demand for other scarce commodities. This task is the Government's rather than the Ministry of War Transport's. But the supply must be organised by the Ministry to maximise carrying power with the existing equipment. This inevitably involves a limitation of the consumer's choice of the means by which he or his goods are to be conveyed; and, by hypothesis, it involves the allocation of transport by clearing offices which combine the railway station, the haulier's, the coastal shipowner's and the canal operator's office.

While the rationing of the demand for transport is essentially a wartime expedient, the pooling of its supply may permanently alter the organisation of Great Britain's communications to the benefit of the public. It has, in fact, many features that could be retained with advantage. In particular, it may pave the way towards a state of affairs when the guiding principle of the whole transport industry will be to do the nation's carrying at the lowest real cost to the community, rather than to ensure the financial independence of each branch and of every firm inside each branch.

Diamond Shares

THE current revival of Stock Exchange interest in diamond company shares, as in oil shares, is a recognition that the depressing effects on earning power of the events of the earlier part of the war—particularly the sealing up of the European market—had been over-discounted. Diamonds, the text-book example of value as a scarcity function, rank under modern conditions among industry's indispensable raw materials, but for really handsome profit returns the trade is still dependent on the "luxury" demand for jewels. The outbreak of war cut off both kinds of market inside the area ringed by the British blockade, and worse was to come when the German conquest of the Low Countries deprived the industry of irreplaceable skilled cutters, of whom only a handful escaped to carry on their trade in the free area.

Recent company reports, however, have shown that wartime limitations on the industry's scope are by no means incompatible with a reasonable rate of profit, which has so far been high enough to enable the industry's largest undertaking to meet its preferential dividends and may even suffice for future equity payments. It is this possibility that explains the recrudescence of semi (and rather more than semi) speculative stock market interest.

De Beers Consolidated Mines last paid a dividend on its deferred shares in respect of the year 1937. The company's capital has a higher gearing than the proportions of its £2,000,000 of preference to £3,181,973 of deferred shares would suggest, for the preference shares are entitled to a cumulative annual dividend of 40 per cent. In recent periods of depression, arrears of preference dividend have tended to accumulate, and have formed a fairly heavy first charge on the fruits of returning prosperity. In the two years 1936 and 1937, for example, the company paid out as much as £5,200,000 in preference dividends. During the ten years to 1940, the deferred shares received only a single payment.

Through all the difficulties of the last three years, however, the company has been able to avoid the piling up of any substantial amount of new preference dividend arrears, and the declaration of a full twelve months' dividend, earlier this year, brought payments to June 30th last. A final half-

year's declaration is expected in the near future, and the question which chiefly concerns the market is whether surplus earnings will be sufficient to induce the directors to resume dividends on the deferred shares.

Some light is thrown on this problem by the following table, which analyses the receipts, expenses and dividends of De Beers for 1929-30 (the last year of outstanding prosperity) and for every year from 1937 to 1940:—

DE BEERS: RECEIPTS, EXPENSES AND DIVIDENDS
(Amounts in £'000)

	Year to June 30, 1939	Years to December 31			
		1937	1938	1939	1940
Receipts:					
On Diamond Account	3,263	2,537	656	1,065	1,534
Int. & Divs. on Investments	503	844	954	754	484
Realized Profits on Investments	18	85	2	6	38
Total (Including other Revenue)	3,798	3,479	1,623	1,825	2,057
Expenses:					
Mining	1,430	821	805	755	452
General	229	69	80	116	126
Interest on Leased Co.'s Capital	96	96	96	96	131
Income Tax	303	220	8	55	150
Total	1,974	1,215	993	1,026	844
Earned for Dividend	1,824	2,264	630	799	1,213
Paid on 40% Cum. Pref.	800	2,000(a)	400	800	800(b)
Earned for Deferred (%)	37.6	9.2(c)	Nil	Nil	Nil
Paid on Deferred (%)	Nil	30	Nil	Nil	Nil

* Including Net Farming and Railway Accounts, and Debenture Service of £147,000 in 1930, and Nil since 1935. (a) 2½ years' arrears. (b) Payment of further £800,000 last May, brought all payments up to date, to first half of 1941. (c) Equivalent to 54.1%, allowing single year's preference dividend.

Although the major part of the company's receipts is "on diamond account," interest and dividends on investments (the nature of which is indicated below) make an extremely important subsidiary contribution. Indeed, the company is able to meet its expenditure on charges account, on dormant mines, on leased companies' interest, etc., out of revenue from investments in other than diamond mining and diamond dealing companies. Net cost of production on

diamonds, therefore, is merely actual mining expenditure, which is very low in relation to the value of the product. Between 1938 and 1940, revenue from interest and dividends was nearly halved, but, even so, it was almost as high in 1940 as in 1930, although receipts on diamond account were only half as great. A second factor of inestimable value for shareholders is the reduction made during the past decade in expenses, which in 1940 were only about two-fifths as high as in 1930. Thus, earnings available for dividend have been steadily increasing since the depressed pre-war year, 1938, and were last year only approximately £600,000 lower than in 1930, although total receipts were over £1,700,000 lower.

The figures in the table epitomise the changes of a decade which, structurally, has been by far the most important in the history of the industry. At the end of the disturbed period caused by the development of new diamond fields in the early 'thirties, the ascendancy of De Beers was re-established, but the company's finances have been considerably depleted by the buying up of new production. The apparatus of control, however, had been made watertight, and the Producers' Association allocating quotas and the Diamond Trading Company acting as its counterpart on the distribution side. The Diamond Corporation, whose capital is entirely held by De Beers and affiliated producers, contracts for the purchase of all important production outside South Africa.

De Beers itself, in addition to its own properties, has control of Consolidated Diamond Mines of South-West Africa. In normal times, this is a particularly important interest because of that company's low production costs, which contrast with the high costs of other controlled mines like Premier and New Jagersfontein, where operations have for some time been suspended. In brief, De Beers, as leader in a tightly organised industry, is interested directly in some of the most profitable production in South Africa, and indirectly in important and rapidly developing production outside that area, particularly in West Africa. Actually, as the next table shows, De Beers' outside interests, on a conservative balance sheet valuation, stand at a figure more than twice as great as those of the company's own properties.

DE BEERS: ASSETS, DECEMBER 31, 1940

	(£'000)
Claims, Mining Interests, Estates and Farms	3,375
Holdings:	
In The Diamond Corporation	4,237
In other Companies	166
Ord. Shares of African Explosives	1,000
Sterling Debts. of Diamond Corporation	484
Quoted Securities (at or under market)	1,480
TOTAL HOLDINGS	7,366
Government Securities	172
Cash, Loans and Debtors, less Creditors and Dividends	587
	11,500
	535
Less, Specific Reserves	10,965

Finance and Banking

November Making-Up

The clearing banks have been engaged in their end-November making-up this week, and conditions in the money market have been patchy. At no time, however, has the available volume of credit been inadequate for the needs of the market, though borrowers have had to search for their accommodation with rather greater assiduity than is now customary. The banks have had their position eased by the fall from £50,000,000 to £15,000,000 in the payments of Treasury deposits expected from them this week. As may be seen from the Bank of England return, however, it is not from the deposit banks, but from the Bank of England, that the Exchequer has during the past week derived the bulk of the resources required to finance the current deficit. Government securities have risen by £19,805,000, indicating heavy ways and means borrowing. Public deposits, for their part, have been kept at an exceptionally low level, falling by £829,000 to £9,790,000 over the week to last Wednesday. Bankers' deposits have thus felt almost the full impact of the expansion in bank cash, and are up by £16,381,000 to £136,429,000. The

The last £1,000,000 of the balance of the purchase price for the Diamond Corporation holding has now been written off out of the De Beers balance sheet, which, financially, is immensely strong, with reserves and carry forward of £5,783,000 against a share capital of £5,182,000 with no debentures. The company, clearly, is well equipped to withstand recurrent periods of depression, but its own prosperity remains bound up with the diamond trade. In wartime, an important part of the industry's bread and butter must come from the demand for industrial stones, extensively used in machine tools for munitions. Demand from Britain, the Empire, America and Russia has naturally increased, but prices have not been raised since the war. In this direction, De Beers is reaping the reward of its foresight in taking a substantial holding, during the depression of the early '30's, in the Société Minière du Beceka in the Congo, whose deposits, the richest in carat content in the world, are mainly suitable only for industrial purposes.

The stones which pay producers best, however, are neither industrial diamonds nor even the large "gems" which to-day are in relatively good demand in the United States. The most important section of the industry in peacetime depends on the mining, cutting and sale of the smaller stones displayed in jewellers' shops. To-day, though the necessary diamonds are available, they cannot be cut by the skeleton labour force available in South Africa, England and the United States. Thus, even if a further increase in prices occurs, the industry's profits, for the war's duration, will be limited, less by lack of demand than by inability to produce ample supplies in saleable form.

For shareholders, therefore, the prospects may favour a moderate rise in divisible earnings without justifying anything remotely resembling a share boom on the Stock Exchange. For the fairly conservative investor, the £2 10s. preference shares of De Beers, which at £12½ yield 7.9 per cent, have a certain interest. The dividend appears to be well covered by current earnings, and in the past preference shareholders have always received their dividends sooner or later. The appeal of the £2 10s. deferred shares, which stand at £10½, is mainly speculative. If net earnings returned to the 1937 level (which was nearly twice that of 1940) they would represent something over 50 per cent on the deferred shares. It may, however, be questioned whether, in the most favourable wartime circumstances, the board would be ready to pay out much more than the 30 per cent distributed for 1937. Investors who desire to participate directly in any further improvement in the industry's fortunes may find a less speculative equity in the ordinary stock of Consolidated African Selection Trust. This company, which owns low cost properties in West Africa, has a negligible preference capital, which, in the year to June 30, 1940, took less than £20,000 out of total earnings of £276,000. Profits fell off markedly in 1939, but showed a considerable recovery last year. On the last payment of 10 per cent, tax free, the 5s. units of ordinary stock, at 17s. 3d., yield 2.9 per cent, tax free. The accounts for the year to June 30th last are due to be published in the near future.

* * *

The True Circulation

The current Statistical Summary of the Bank of England brings up to date the data required to arrive at an estimate of the true circulation of notes and coins in the hands of the public. The essential information, showing

changes since the outbreak of the war, over the twelve months to last October and over the latter half of that period, is given in the following table:

In Million £'s							
Average of	B. of E. Notes	Scottish & Irish Notes	Coin	Total Out- standing	B. of E. Reserve	Held by Banks	Net Circ.
Aug., 1939.....	551	46	80	677	32	162	483
Oct., 1940.....	631	58	89	778	33	175	570
April, 1941.....	641	60	93	794	22	173	599
Oct., 1941.....	731	69	95	895	46	184	665

The main features brought out by the above table are the acceleration in the expansion of the circulation over the six months to October and the fact that the circulation of coin and the holding of cash by the commercial banks have increased much more slowly than the total circulation in the hands of the public. In the 26 months of the war, the net circulation has increased at the average rate of 17.5 per cent per annum; over the twelve months October, 1940, to October, 1941, the rate of increase was 16.6 per cent per annum, and over the six months to October, 1941, it was 22.2 per cent per annum. The amount of coin outstanding has hardly altered over the last six months of this period. The commercial banks' holdings of till money have risen by a mere 5 per cent over the twelve months to October. The relative stability of the coin circulation and of the banks' till money suggests very strongly that special factors unconnected with the normal expansion in the demand for currency have played some part in the recent increase in the circulation. The use of notes for hoarding purposes, for black market dealings and for tax evasion in commercial operations would all rank in this category.

Indian Capital Repatriation

The reaccumulation of Indian sterling resources, after the encroachment of last February's vesting order, is making spectacular progress. By November 7 last the sterling balances and securities of the Reserve Bank of India had risen to £174,000,000, as compared with £130,000,000 a year previously, and this despite the fact that over the intervening twelve months £90,000,000 of Government sterling debt has been repatriated. The Government of India is losing no reasonable opportunities of utilising this steadily increasing reserve of liquid sterling to repay sterling debt. At the end of this year between £3,000,000 and £4,000,000 will be utilised to pay off stockholders of the Assam Bengal and the Bombay Baroda railways, whose contracts will then terminate following the notice given twelve months ago by the Government of India. Similar notice to terminate contracts has recently been given in respect of the Bengal and North-Western Railway and the Rohilkund and Kumaon Railway companies. This will take effect at the end of 1942 and the purchase price payable by the Government for these two undertakings will be in the neighbourhood of £12,000,000. The bulk of the capital invested in these railways is held in the United Kingdom. Such operations do little more than nibble at the edges of the current expansion in India's sterling reserves, and the stage must clearly be in course of preparation for a more ambitious programme of sterling debt repayment.

United States and Mexican Silver

Whatever doubts there may be about the precise nature of the agreements reached last week between the United States and Mexico, there appears to be no lack of clarity in the arrangements made for the stabilisation of the Mexican peso, and for continued American purchases of newly-mined Mexican silver. The stabilisation agreement earmarks \$40,000,000 of the US Stabilisation Fund for use in stabilising the dollar exchange value of the peso. Since the beginning of this year the Mexican peso has been held steady at a rate of about 20.50 cents in New York, as compared with the previous nominal parity of 27.75 cents from which it began to decline in 1938. The intention is to keep the rate stable at the new *de facto* parity. That task should be considerably facilitated as a result of the parallel agreement by which the US Treasury undertakes to purchase from the Mexican Treasury up to 6,000,000 ounces of newly mined silver monthly. The agreement has been made on a month-to-month basis, and the price to be paid by the United States will be determined daily by the Secretary to the Treasury. The latter provision amounts to no more than stating that the price paid for the silver will be the official buying price for imported metal, which is, indeed, liable to modification without notice, but which, in fact, has remained

stable at 35 cents an ounce since July, 1939. The proposed maximum scale of purchases should absorb some 85 per cent of Mexico's current output of silver, and provide Mexico with some \$250 millions a year. The implications of this agreement for the silver market are considerable, and its impact would have been more apparent but for the insulation and isolation of the sterling price of silver which are bound to obtain given the present restrictions on the import and export of the metal. The undertaking by the US Treasury to purchase the bulk of the silver mined by the largest producers in the world provides an implied guarantee of the maintenance of the US silver buying programme which, for what it is worth, has been welcomed by the markets in London and Bombay.

Irish Banks' Returns

The returns for the banks operating in Eire for the September quarter, published by the Currency Commission, are as follows:—

(£000)					
	Sept. Quarter, 1940	June Quarter, 1941	September Quarter, 1941		
			In Eire	Else where	Total
Liabilities:					
Capital reserves, etc.	17,572	17,599	10,379	7,236	17,616
Notes in circulation	11,599	15,421	5,282	8,649	13,931
Current deposit and other accounts	170,963	181,139	134,325	52,199	186,524
Other liabilities	6,196	7,182	5,769	1,749	7,518
Total	206,331	219,341	155,755	69,835	225,590
Assets:					
Cash & Balances with London Agents and other Banks	26,174	28,599	9,074	18,642	27,717
Money at call and short notice	9,799	12,514	...	12,433	12,434
Bills	5,367	4,930	4,205	555	4,761
Loans and advances	73,436	68,445	45,324	22,161	67,485
Investments: (a) Government	72,549	85,582	6,713	86,432	93,145
(b) Others	10,264	10,100	4,155	5,890	10,045
Other assets	8,739	9,171	5,207	4,796	10,003
Total	206,331	219,341	74,679	150,911	225,590
Excess of Assets outside Eire over Liabilities outside Eire	66,300	76,847	...	...	81,076

The same trends that have been apparent since the outbreak of war continue. The increase of deposits and the diminution of loans and advances are signs that money is being kept idle for lack of profitable investment outlets in Eire; for many firms the replenishment of imported stocks has proved impossible and unusually large resources are therefore accumulating in the banks. All the bills, both in Eire and elsewhere, are in respect of private transactions, no Government bills being held. The slight reduction in liquid assets has been caused by the purchase of Government securities, the average yield on which is far from satisfactory from the standpoint of the banks' profits. The increase in the banks' net sterling assets, which reflects the reduction of imports resulting from the war, is not regarded with universal satisfaction in Eire as there is a fear that the pound may suffer further depreciation. Eire is not in the position to use these accumulations of sterling to redeem outstanding external loans for the simple reason that no such loans exist.

Repatriating Argentine Debt

The domestic debt conversion operation recently announced in Argentina is being made the occasion for a substantial repatriation of Argentine debt held in this country. The peso loans in question are held to an appreciable extent by British institutions—mainly insurance companies—and have already been registered with the Bank of England in accordance with the Defence Regulations. The bondholders, offered the option of conversion or repayment in cash, are bound, under the Defence Regulations, to accept the latter. In order to facilitate the completion of the necessary arrangements, the Treasury have recently vested these securities, requiring that they be delivered to the Bank of England or to the Buenos Aires office of the Bank of London and South America, and announcing that payment for them is to be made in sterling at prices ranging between £5 17s. 9d. and £5 19s. per 100 pesos. The Treasury will thus come into possession of the pesos when the bonds in question are repaid and will utilise those pesos as an offset against the sterling which Argentina is accumulating here on its Special Account. There can be no doubt that over recent months the balance of payments between Argentina and the sterling area has turned appreciably in favour of the former and the coming operations will thus prove a useful means of helping to restore the equilibrium.

Investment

Re-investment in Equities

Four weeks ago, it was possible to draw attention to a rather sharp rise in medium-dated Government stocks, with an accompanying appreciation in second and third line fixed interest securities, and to suggest the possibility that any further rise in equities in the immediate future would owe a good deal to the upward pull of lower interest rates. Since then, however, a considerable change has occurred in the direction of price movements. The investor has gone first after frankly speculative overseas investments, and more recently into industrial leaders at home, while fixed interest stocks have been relatively neglected, and the Funds themselves have fluctuated very mildly and virtually without trend. Owing to seasonal influences, such as the anticipation of reinvestment of the dividend on Old War Loan, November normally witnesses a fairly marked rise in fixed interest stocks. This year, the tendency should have been accentuated by the impending payment on vested South African stocks, as well as other influences mentioned last week, but the rise has been negligible. To explain the lack of resilience by the savings drive will not suffice, for last year, when the improvement was well up to standard, over £300 millions was lent to the Government in various forms, and the contribution outside the floating debt was very substantial. Such information as is available suggests that a rather higher percentage of money seeking investment is going into equities than was the case, say, a year ago, but it is commonly stated that the absolute amount involved is not really large. It is possible that an increasing proportion of the money which would normally go into the Funds is being retained in more liquid form. Moreover, more people are talking of buying equities as an inflation hedge than at any time since the imposition of EPT at 100 per cent.

Test for Cheap Money

A continuance of the movement of money seeking investment into equities is only justified if four conditions are granted. These are that the Treasury has no effective means of forcing up the price of Government securities; that it has no further rod in pickle for the equity holder; that it will—freely or under pressure—relax the rigours of EPT, and the system of controls within a short time after the cessation of hostilities; and that the rise in commodity prices will continue. Granted these conditions—or rather a belief in their existence by an influential body of investors—there is at least a possibility that the classic experience of a switch from fixed into variable dividend securities will occur years rather than months before the improvement in equity earnings materialises. Indeed, once the investor is convinced that a very considerable rise in prices is inevitable, it will be difficult to find sufficiently potent expedients under conditions one and two, provided he is assured of the eventual operation of condition three. The failure of the Government to prevent the rise in wages, and in particular the granting of a new minimum wage for agricultural labour, is certainly making an impression. The speech of Mr Hudson was particularly unfortunate in this respect, and its effects have been only partially offset by the assurances of the Secretary of the Department of Overseas Trade. It is true that gilt-edged stocks actually improved in value during the last two years of the Great War, when the controls were rudimentary compared with those now in existence. But it is also the case that the knowledge of the public with regard to the effect of rising prices was then at least equally incomplete, and that the great rise in commodity prices came later. There is a possibility, if no more, that we are at a point where the cheap money policy will cease to be fully effective even under the favourable conditions of a closed capital market.

Harland and Wolff Introduction

The decision to permit dealings in the 5,200,000 "A" shares of £1 in Harland & Wolff is an event of some importance. The shares were issued in part satisfaction of debts under the reconstruction scheme of 1937, and holdings were "blocked" for the time being. The shares passed to financial institutions, which would not normally hold such securities, and the present boom in shipbuilding is

doubtless considered a favourable opportunity for exchanging into something more suitable. The shares actually rank as non-cumulative preference up to 4 per cent, with a right to participation up to a total of 6 per cent. They are a first charge on distributable profits, and have ranking after them £1,796,082 of "B" capital, which constitutes the real equity. For the two years 1939 and 1940, 6 per cent was paid on the "A," and 4 per cent and 6 per cent respectively on the "B." The latter had risen during the year from 10s. to 17s. 6d., and improved a further ninepence on the news of the placement. The original price of offer was 17s. 1½d., plus stamp and fee, which would amount to about 22s. 6d. on a hundred shares. The amount to be placed in the first instance is not known, but is said to be large, while it is likely that, provided market conditions continue favourable, holders of three-quarters of the whole amount are at present considering a sale. Too much importance ought not to be attached to the rise of a shilling in the price of the "B" shares as an indication of the ultimate value of the "A." It is rather more to the point that the latter received an independent valuation of 17s. some time prior to the introduction—that is to say, a valuation reached on the basis that there was no market for them. The rise in shares of shipbuilding companies is, of course, a reflection of the wartime boom, but a continuance of prosperous conditions after the war will depend upon a number of factors whose relative weight is not easily assessed. Air transport is likely to make inroads into passenger and mail traffic, but against this it may, perhaps, be assumed that there will be some increase in international trade over the very low level of the immediate pre-war years. Whether this country will increase, or even retain, its share in the new building which peace will call for is uncertain. Against this, the immediate prospect is for a maintenance of the 6 per cent dividend which would give a yield of £7 per cent at the present price.

Company Notes

B.A. Pacific Higher Earnings

The Buenos Ayres and Pacific accounts for the year ended June 30th last make, on the whole, a rather better showing than any of the other major lines. Thanks to a recovery in wheat traffic, and further development of the carriage of petrol and potatoes, total gross traffics are higher on the year. Increased fuel costs and a larger charge for track maintenance have raised expenses, after repeating the allocation of £250,000 to deferred renewals, while the exchange loss is again increased. These rises are, however, in part offset by smaller depreciation of currency floating assets and the net amount available for interest payments is slightly higher. Even so, it fails to cover even half the amount due for interest and the debit balance is further increased. The principal items for the past three years are set out in the following table:—

	Years ended June 30th,		
	1939	1940	1941
Goods traffic	4,609,435	4,458,944	4,726,258
Total gross traffics	6,563,161	6,233,643	6,594,100
Working expenses	4,952,629	4,776,476	5,168,456
Expense ratio	75.46	76.62	78.38
Exchange differences ..	706,589	643,672	664,538
Depreciation of currency assets	88,626	108,393	39,282
Interest earned	131,931	149,778	149,725
Available for interest ..	947,248	854,880	871,549
Interest charged	1,773,570	1,808,587	1,838,041

Carry forward..... Dr.6,531,985 Dr.7,485,692 Dr.8,452,184

Considerable economies were achieved by the use of diesel cars, but there are growing difficulties in oil supplies, and the company is increasing its use of wood to relieve the coal shortage. In general, the picture presented by the report and the chairman's address is one of a modest improvement in strictly internal trade, relieved to a considerable extent by a good external demand for meat and dairy products. There is, however, a danger that shortage of plate will restrict the canning industry. As to the more

distant future, road transport is regarded as an ever-growing menace, and the chairman is not able to make any forecast of results for the current year.

Consolidated Gold Fields

The reports of *New Consolidated Gold Fields* and *Consolidated Gold Fields* for the year to June 30 last make more encouraging reading than those of the previous year despite a further fall in the profit of the former company from £739,218 to £723,501. A continued appreciation of investments during the past year has provided an unrealised profit and permits the provision of only £100,000 for depreciation against the exceptionally large sum of £1,370,000 in 1939-40—of which £1,000,000 was drawn from reserve. Thus, a net decline in accumulated earnings of £720,993 is converted into an addition of £218,739, which compares with £248,634 earned in 1938-39. Since the ordinary dividend is raised from 8½ to 10 per cent, of which only 9.5 per cent is provided by current earnings, the carry forward is reduced from £162,625 to £152,141. *Consolidated Gold Fields* distributes its entire revenue of £353,824, against £345,210, in dividends, ordinary shares receiving 10 per cent as before, less tax at 6s. 11d., so that the carry forward is unchanged at £9,673, whereas last year it was substantially reduced.

	Years ended June 30th,		
	1939	1940	1941
<i>New Consol. Gold Fields</i> :—			
Profit	1,070,327	739,218	723,501
Depreciation	550,000	1,370,000	100,000
Taxes and duty	60,285	14,632	209,977
Expenses	73,279	75,579	69,584
<i>Earned for Ord.</i> : Amount	248,634	Dr. 720,993	218,739
%	9.7	...	9.5
To reserve	...	Dr. 1,000,000	...
Carry forward	228,228	162,025	152,141
<i>Consolidated Gold Fields</i> :—			
Total profit	557,866	345,210	353,824
Prof. dividends*	138,129	129,143	125,201
Ord. divs. : Amount*	415,560	245,996	228,623
%	16½	10	10
Carry forward	39,602	9,673	9,673

† Liability for South African taxation only. * Same for both companies, except in 1940, when 8½ per cent. on ordinary was paid by New Consolidated.

It is probable that the rise in working costs reported by many of the gold mining subsidiaries played a considerable part in causing the further fall in the income of *New Consolidated*, which the profits on the sale of holdings were not able completely to offset. The further decline in the balance-sheet valuation of investments at or under cost from £6,608,183 to £6,477,508, coupled with the rise in British Government securities from £639,370 to £806,900 and the directors' assurance of market appreciation, indicates the sale of a considerable volume of mining and oil producing securities. It is to be noted that, while full provision was made for an unrealised loss existing at June 30, 1940, no credit has been taken for appreciation since then, which a year ago was already some £2,000,000. Thus, the fact that the reserve remains at half that figure is no indication of the true position. Possibly the board are doubtful as to the maintenance of existing values. Cash holdings have increased from £1,087,773 to £1,455,372, thus offsetting a decline in debtors from £448,148 to £314,707 and a rise in creditors from £816,789 to £1,029,512. The *Consolidated Gold Fields* £1 ordinary shares, at 45s. 7½d. ex dividend, yield £4 7s. 8d. per cent.

Anglo-Iranian Report

The full accounts of Anglo-Iranian for 1940 depart from the company's established practice in that they show total income after royalty to the Iranian Government, as well as after depreciation and administrative expenses. Consequently, the latest figure of £5,826,191 compares with £4,951,964 in 1939, instead of with the previously disclosed figure of £7,722,778 before payment of the royalty of £2,770,814. Since it is generally understood that a new agreement between the company and the Government of Iran was arrived at after the end of the previous accounting year, according to which royalty payments in respect of the years 1938-41 should be based on the payment for 1937,

there is every reason to suppose that last year's payment was substantially above that disclosed for 1938. Indeed, it was estimated in *The Economist*, August 31, 1940, that a retrospective payment of £1,000,000 would be due in respect of the years 1938 and 1939, and that, for each of the two following years, total royalty could hardly fall below £4,000,000. In any case, it is clear that gross income must have recovered substantially last year, since royalty charges and a rise in taxation of over £1,000,000 to £2,975,156 have been met with, as was estimated in a note on the preliminary statement in *The Economist*, November 22, 1941, a decline in equity earnings only from 7.6 to 6.4 per cent. The following table analyses income and allocations over the past three years :—

	Years ending December 31st,		
	1938	1939	1940
Total income	10,583,985	7,722,778	15,826,191
Royalty	3,307,479	2,770,814	†
Taxation	1,157,029	1,955,605	2,975,156
Extra depreciation	602,602	571,250	625,000
Fees	10,000	19,000	9,126
Prof. dividends (gross)	1,071,234	1,071,234	1,071,234
Ordinary stock :—			
Earned (gross)	4,435,611	1,313,874	1,115,675
Paid (gross)	4,027,500	1,006,875	1,006,875
Earned %	22.8	7.6	6.4
Paid %	20	5	5
General reserve	300,000	Nil	Nil
Carry forward	625,552	962,551	1,101,351

† After royalty payable to Iranian Government.
‡ Not disclosed.

The balance-sheet shows a decline in refinery and tank installations of £804,313 to £6,857,745, due, as is pointed out in the statement of the chairman, Sir William Fraser, to the minimisation of new construction during the war. Stocks have fallen from £2,427,567 to £1,696,773, while both creditors, including taxation, and debtors rose substantially, the former by £5,151,587 to £16,178,626, and the latter by £1,642,631 to £5,747,652. All these changes provide a hint that sales were considerably higher last year. Sir William Fraser points out that it is impossible to ascertain the position regarding investments in enemy-occupied territory, and that, in consequence, substantial additions have been made to reserves. Despite this, investments in and advances to subsidiary companies are valued at £20,816,926, against £20,174,971. Holdings of British Government securities are up from £1,837,596 to £3,590,387, and of cash from £4,264,633 to £4,646,213. The report suggests that ordinary stockholders are again likely to receive 5 per cent, but no more in the current year. More distant prospects are governed by the future of the royalty agreement, as well as by the progress of the war. The £1 ordinary stock, at 47s. 6d., ex dividend, yields £2 2s. 1d. per cent.

Odeon Theatres

The full accounts of Odeon Theatres for the year to June 21st last show a rise in total profits from £477,493 to £647,315. This suggests that the income of the circuit was not appreciably affected by the widespread bombing of the winter of 1940-41. The failure to make a payment on ordinary capital for the second year in succession is due partly to the rise in tax provision from £150,000 to £325,000 and partly to the necessity of allocating £65,000 for war damage contribution and £14,470 against £12,334 for ARP. Thus, equity earnings are down from £92,495 to £22,231 and, in the absence of any transfer to reserve, which received £50,000 in the previous year, or of any reduction in outstanding preliminary expenses, which were written down by £36,000, the carry forward is raised from £74,661 to £96,892. The management is clearly wise to conserve this sum for the present. The improvement in receipts since the early months of the current year suggests that, in the absence of further sustained bombing, revenue may again rise substantially in the current year and may even outstrip rising charges. The balance sheet shows a further deterioration in the company's liquid position, the deficit in current liquid assets rising from some £342,000 to some £593,000. Here the most important factors are the jump in creditors from £387,163 to £701,503, while debtors have risen only from £118,338 to £213,875 and the increase in reserve for taxation and war damage contribution from £71,545 to £354,724. Cash holdings are up from £118,393

THERAPEUTIC RESEARCH CORPORATION OF GREAT BRITAIN LIMITED

1. The purpose of this announcement is to inform the Medical, Dental, Veterinary, Chemical and Pharmaceutical Professions that a group of the leading manufacturers of medicinal products in this country has formed an organization for the more effective prosecution of research in their industry.

2. This organization will be known as the

THERAPEUTIC RESEARCH CORPORATION OF GREAT BRITAIN LTD.

(subsequently referred to as the T.R.C.) and a private limited liability company with an authorized capital of £500,000 has been registered accordingly. There will be no public issue of capital.

3. The principal objects of the T.R.C. are :—

(a) To provide for the co-ordination and extension of research in matters of common interest with a view to accelerating the discovery of new substances for the service of therapeutic and preventive medicine ; to ensure proper collaboration with medical, dental and veterinary practitioners in the introduction of new medicinal substances and to assist in the advancement of the art of medicine by the subsidization of research on a broader and more rational basis than has so far been possible in the British Pharmaceutical Industry.

(b) To provide for the pooling of manufacturing facilities, where desirable.

(c) To enable the industry to co-operate more effectively in national planning by presenting to the Government through its appropriate medical, dental, veterinary, scientific and technical organizations the pooled knowledge and facilities acquired by the constituent companies in the field of therapeutic research.

4. The constituent founder Companies of the T.R.C. are :—

BOOTS PURE DRUG COMPANY LTD.
THE BRITISH DRUG HOUSES LTD.
GLAXO LABORATORIES LTD.

MAY & BAKER LTD.
THE WELLCOME FOUNDATION LTD.

They will subscribe the capital of the Corporation as and when required in equal amounts.

5. The Board of the Corporation will consist of the Chairmen or Managing Directors of the constituent Companies.

The registered offices (pro tem.) of the Corporation are at :—
183, EUSTON ROAD, LONDON, N.W.1. (Telephone : EUSton 4477)

All communications should be addressed to the Secretary.

Bankers :

MIDLAND BANK LIMITED,
33 & 34, HOLBORN VIADUCT,
LONDON, E.C.1.

Auditors :

DELOITTE PLENDER GRIFFITHS & Co.,
5, LONDON WALL BUILDINGS,
LONDON, E.C.1.

Solicitors :

BIRD & BIRD,
GRAY'S INN,
LONDON, W.C.1.

to £357,632. Against this there is a modest reduction in mortgages and secured loan, while an additional £245,000 net has been devoted to financing subsidiaries. The total of fixed assets is some £30,000 higher at £3,997,764. The 5s. ordinary shares now stand at 7s. 6d.

Rhoanglo Dividend

The preliminary statement of *Rhodesian Anglo-American* for the year to June 30th last announces a final payment of 3½ per cent less tax at approximately 6s. 3d., making a total of 6½ per cent against 9½ per cent in the previous year. Net profits, after debenture service and general expenses, but before income or directors' additional remuneration, amount to £391,000 against £520,000. Last week's announcement of a final *Rhokana* dividend of 15 per cent, making 30 against 40 per cent for the year, made inevitable a further reduction in the *Rhoanglo* dividend. Since *Rhodesian Anglo-American* owns 54 per cent of the capital of *Rhokana Corporation*, one of the most sub-

stantial Rhodesian producers, and is interested through this holding in *Mufulira*, its revenue is necessarily reduced by the passing of the *Mufulira* dividend and the 10 per cent cut in the *Rhokana* payment. In fact, it appears that the failure of *Mufulira* to make any payment in 1940-41 against 11½ per cent in the previous year, which represented some 7.2 per cent on the *Rhokana* ordinary capital, was the main influence responsible for the cut in the *Rhokana* and so in the *Rhoanglo* dividend. In the absence of the accounts of the two operating companies, it is impossible to say whether the setback is due more to the weight of Imperial taxation or, as with *Roan Antelope*, to unexpectedly low copper sales. In the case of *Rhoanglo*, as a purely holding company, there is no liability for I.T. Consequently, it is probable that the current dividend is narrowly covered by equity earnings and involves no draft on the previous year's carry forward of £333,846, which had been reduced from £332,079 since 1937-38. The *Rhoanglo* 10s. ordinary shares were unchanged on the announcement at 15s., at which they yield £4 10s. 5d. per cent. The *Rhokana* £1 ordinary shares stand at 160s.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

The initial successes of the Imperial forces in Libya were received with considerable satisfaction in the markets, and the tone before the week-end was distinctly firm. Early in the current week, lack of fresh decisive developments and the renewed threat to Moscow induced rather quieter conditions. With most stock in short supply, however, prices in the industrial market continued to advance strongly, but interest in gilt-edged issues market remained at a low ebb.

Activity in the gilt-edged market was slight both before and immediately after the week-end, and prices generally were unaltered. On Tuesday, some small declines occurred in dull trading. Local Loans and 3 and 4 per cent Funding all losing ½, while 3 per cent War Loan declined ½. Five per cent Conversion, however, improved ½. Later gilt-edged issues remained unchanged, while demand for India loans brought higher prices. In a rather more active foreign bond market, Brazilian bonds enjoyed mild support in the earlier part of the current week, although Chilean issues were out of favour. Japanese issues were bought before and after the week-end, the 5½ per cent loan, 1930, gaining 3 points on Monday. The next day most issues fell on profit taking, but the rise was resumed in midweek. Chinese bonds were persistently strong, the 5 per cent loans of 1912 and 1913 gaining 2½ and 1½ points respectively on Monday. The following day the 1913 loan advanced a further point, when the Boxer loan rose the same amount. Three and a half per cent Egyptian preference advanced a point, on Monday, on the Libyan developments. Elsewhere, prices were mainly unchanged.

While the volume of business in the home rail market declined at the week-end, the upward trend of prices was resumed at the reopening. On the previous Friday, GW ordinary rose ½, Southern defd. ½ and Southern prefd. ½, while LMS ordinary improved ½. On Monday, LMS ordinary and Southern defd. both gained ½, and London Transport "C" stock, ½, but the following day most junior issues fell back. Thus, GW ordinary and Southern prefd. lost ½, LMS ordinary ½ and Southern defd. ½. Senior issues, however, generally remained steady. Lack of support in midweek led to minor declines in some of the junior issues. After closing quietly before the week-end, a slightly easier tendency developed, in the early part of the current week,

among South American rail issues. Central Argentine was out of favour, 6 per cent "C" preference falling a point on Monday, while later small losses predominated. Elsewhere, Canadian Pacific ordinary lacked support before and after the week-end, but the preference stock gained ¼ on Monday and the previous Friday.

The industrial market continued to monopolise attention, and with stock in short supply, prices, despite some profit-taking, generally advanced. Numerous gains of 1s. reflected a strong demand for brewery issues, Meux, Barclay Perkins, and Guinness all rising this amount on Monday. Quiet but persistent support for aircraft and motor issues occasioned numerous small gains, among which Rolls-Royce, De Havilland and Joseph Lucas were prominent. Iron and steel issues were firm, Harland & Wolff "B" ordinary gaining 1s. and Hawthorn Leslie 9d. on Monday. The following day interest centred on the marketing of Harland & Wolff "A" ordinary shares, whose price remained unchanged at 17s. 1½d. throughout the day, although the "B" issue eased 3d. Among shipping issues Cunard was sold in a small way. In the textile group, Patons & Baldwins improved ½ on Monday when Courtaulds reacted. Later, prices were mainly steady. Considerable support for stores issues resulted in many good gains, among which Harrods, J. Barker and Maples all advanced 1s. before the week-end, while Great Universal Stores rose the same amount on Tuesday on the doubling of the interim dividend. Tobacco issues were in demand, Carreras advancing ½, and Gallaher ½, on Monday. The next day BAT gained ½, and Gallaher ½, while Imps and Godfrey Phillips both improved ½. Among miscellaneous issues, Boots, Dunlop and Lever & Unilever were all in demand. Reduced activity in midweek was associated with some weakness, but there were a number of rises, and the undertone remained firm.

The kaffir market closed firmly at the end of last week, West Wit Areas and Daggafontein gaining ½ among other small improvements. Prices continued to rise on Monday, but the undertone was weaker, and, the following day, turnover was much reduced. Cape buying raised Crown Mines by ½ and Geduld by ½, but most changes were against holders. The small turnover in the rubber market had little effect on prices. On Monday, tea issues were strong, Deundi advancing 9d. and Empire of India, 6d. Leading issues in the oil

market were prominent before the week-end with good advances, Burmah rising ½, Anglo-Iranian ½, and "Shell" Transport ½. At the reopening, the same issues all advanced ½ in a firm market, and despite a slightly easier tendency the next day, Anglo-Iranian and Burmah both improved the same amount. Canadian and Mexican Eagles were also in demand. Later the rise in teas continued briskly, but in oils and rubbers the rate of advance slackened, while Kaffirs were quietly steady.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.F. List	Corres. Day 1940	Security Indices	30 Ord. Shares*	20 Fixed Int.†
Nov. 20...	3,965	1,909	81.9	132.2	
" 21...	3,966	1,947	82.1	132.3	
" 24...	4,655	1,843	82.2	132.3	
" 25...	3,641	2,308	82.2	132.3	
" 26...	3,402	1,901	82.3	132.5	

* July 1 1935 100. † 1928 100. 30 Ordinary shares, 1941 highest, 82.3 (Nov. 26); lowest, 66.8 (April 24). 20 Fixed Int., 1941; highest 132.5 (Nov. 26); lowest, 126.1 (Jan. 2).

New York

WHILE the cessation of the coal strike has given rise to some satisfaction on Wall Street, the labour situation in general continues to exert a depressing influence on dealing. This was more than sufficient to offset the news of the British offensive in Libya, and markets continued cautious and narrow. Selling for tax purposes was well in evidence throughout the earlier part of the current week, while on Tuesday prices eased over a wide front pending Congressional action on price control legislation. These factors continued to operate in midweek, causing further slight declines.

New York Prices

STANDARD STATISTICS INDICES

(1935-36 = 100)

WEEKLY AVERAGES

	1941	Nov. 5, 1941	Nov. 12, 1941	Nov. 19, 1941
	Low Nov. 12	High Oct. 1		
347 Industrials...	77.8	83.9	80.4	77.8
32 Rails...	66.7	71.7(a)	71.7	66.7
40 Utilities...	73.6	80.1	76.4	73.6
419 Stocks...	76.5	82.6	79.3	76.5
Av. yield...	7.00%	6.41%	6.75%	7.00%

* 50 Common Stocks. †(a) November 5.

DAILY AVERAGE OF 50 COMMON STOCKS

Nov. 13	Nov. 14	Nov. 15	Nov. 17	Nov. 18	Nov. 19
92.3	93.2	93.2	93.0	92.7	93.5

1941 High: 105.8, January 10. Low: 90.7, April 30.

Total share dealings: Nov. 20, Thanksgiving Day; Nov. 21, 850,000; Nov. 22, 360,000; Nov. 24, 820,000; Nov. 25, 840,000; Nov. 26, 850,000.

* Two-hour session.

	Close Nov. 1941	Close Nov. 1941	Close Nov. 1941	Close Nov. 1941	Close Nov. 1941
1. Railroads.					
Atlantic Coast	25 1/4	25 1/4	Chrysler	52 1/2	52 1/2
Can. Pacific	41	41	Distillers Sec'd	17 1/2	18
Gen. Motors	23 1/2	23 1/2	Eastman Kod.	15 1/2	15 1/2
N.Y. Cent.	92	92	Gen. Elec.	26 1/2	26 1/2
Pennsylvania	25	25 1/4	Gen. Motors	36 1/2	36 1/2
Southern	16 1/2	17	Inland Steel	69 1/2	69 1/2
			Int. Harvester	45 1/2	45 1/2
2. Utilities, etc.			Int. Nickel	25 1/2	25 1/2
Amer. Tel.	148 1/2	149	Int. Paper	16 1/2	16 1/2
Amer. Wks.	24	24	Lizgett Myers	71 1/2	71 1/2
Pac. Light	32	32	Nat. Distillers	25	25 1/2
People's Gas	44 1/2	44 1/2	Nat. Steel	47 1/2	47 1/2
Sth. Cal. Ed.	22 1/2	22 1/2	Phelps Dodge	54 1/2	54 1/2
W. Union Tel.	28 1/2	27 1/2	Proct. Gamble	54 1/2	54 1/2
			Scars. Roebuck	64 1/2	65 1/2
3. Commercial and Industrial.			Shell Union	14 1/2	15 1/2
Am. Smelting	36 1/2	37 1/2	Std. Oil N.J.	43 1/2	44 1/2
Am. Viscose	24 1/2	24 1/2	20th Cen. Fox	7 1/2	9
Anacosta	26 1/2	27	United Drug	52 1/2	52 1/2
Beth. Steel	57 1/2	58 1/2	U.S. Steel	54 1/2	54 1/2
Briggs	17 1/2	17 1/2	Westhouse El.	75 1/2	75 1/2
Celanese of A.	21 1/2	22 1/2	Woolworth	27 1/2	28 1/2

* Ex-dividend.

Capital Issues

Week ending November 29, 1941

Nominal Capital	Conversions	New Money
£ 5,200,000	£ 4,452,500	£ 4,452,500

By Permission to Deal . . . 5,200,000
Particulars of Government issues appear on page 672.

Year†

1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	13
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Cotton Trade Labour

The labour situation in the Lancashire cotton industry is becoming more serious than ever. The problem is most acute in the spinning branch and for some time the limited yarn production has resulted in a scarcity of supplies. The execution of Government contracts is now being affected and some method of securing more operatives will have to be found if the war effort is not to be injured. Since the concentration of production scheme began to operate it is estimated that about 8,000 operatives have been lost to the industry. Some of these have gone into munition works and others into the Forces, but a considerable number of married women are now staying at home. This development has been partly due to the higher wages now earned by the husbands. For several weeks there has been a drive to induce these former workpeople to return to the mills but the success achieved has been very limited. On Monday the Cotton Board is holding a special conference in Manchester of employers, trades union officials, managers of labour exchanges and representatives of the Control to discuss the position. Another effort will be made to obtain the necessary labour on a voluntary basis, and if that fails, an attempt will be made to get operatives who have gone into other jobs to come back to the mills. Yarn output is now being affected by sickness due to weather conditions. Another cause of absenteeism is that when men in the Forces come home on leave the women in the households take several days' holiday. A solution of this problem will not be easy to find, but it is a matter of national importance and the reduction in the output of cotton goods is having serious consequences. It has been suggested in some quarters that longer hours should be worked in the mills, but this is the wrong time of the year for such an innovation; when it was tried on a previous occasion, production began to fall off after a short time.

* * *

Standardisation of Electrical Equipment

One of the most important forms of economy is that obtained by standardisation. An important step in this direction is embodied in the Control of Machine Tools (Electrical Equipment) (No. 1) Order, 1941. The flow of production of machine tools has hitherto been hampered by the special specifications required by particular users and by the widely varying conditions imposed by local electricity supply authorities. The Order therefore provides: (1) that all such electrical equipment manufactured in the United Kingdom after January 1st, 1942, shall comply with British standard specifications; (2) that indicating instruments shall not be fitted unless they are essential to the efficient operation of the tool; (3) that electricity supply authorities shall not refuse to supply electricity to users requiring to start, direct-to-line on a 3-phase system, a motor of capacity not exceeding 5 h.p., or requiring to use on such a system a squirrel cage motor of a capacity not exceeding 30 h.p.; (4) that no person shall, by virtue of any contract, be entitled to demand delivery of electrical equipment produced by a specified maker or of a specified brand, or to require the equipment to be subjected to any test other than is necessary to establish compliance with British standard specifications. Tests required by the machine tool makers are exempted from this provision. These regulations should remove wasteful friction, especially when reinforced by the new area organisation set up by the Director of Industrial Electrical Equipment. The primary purpose of this organisation is to give advice and assistance to war factories in matters of damage to electrical equipment by enemy action. Each defence area has its electrical adviser, with a number of electrical engineers available as his assistants. Not the least valuable feature of this organisation will be a survey of the electrical repair capacity and of the stocks of electrical equipment which could be called upon in an emergency. As it may be assumed that the results of this survey will be available for use in other emergencies than those caused by direct enemy action, it should mark a decided step towards the more advantageous use of tools.

* * *

Copper in America

Last summer, this year's American copper consumption was estimated at 1,800,000 short tons; but since supplies (inclusive of 600,000 tons of imported copper) were then expected to reach only 1,600,000-1,650,000 tons, the Office of Production Management introduced a priorities system

on August 6th. It has since become apparent that the official estimate of supplies had erred on the side of optimism, and that they would amount to about 1,500,000 tons, including 500,000 tons from abroad. In order to ensure supplies for essential purposes, the Government has decided to curtail civilian consumption still further, to encourage domestic production by subsidising high-cost mines, and to stimulate output in countries exporting to America by an increase in prices. One of the measures taken to economise domestic consumption is the prohibition of non-essential building. Subsidies to domestic high-cost producers will be on a "cost plus" basis; in some cases this may put the price up to 16 cents per lb., or one-third above the official price of 12 cents per lb. Lastly, the American Metal Reserve Company's buying price for imported copper—mainly from Chile, Mexico and Peru—has been raised to 11.25 cents per lb., f.a.s. New York, compared with 10.0 cents per lb. last summer. While the steps taken to increase supplies are likely to become effective early next year, it is probable that, before long, the growing defence requirements will involve a further curtailment of civilian consumption.

* * *

Malaya's Duty on Tin Ore Exports

On page 637 of the *Economist* of last week, reference was made to a resolution sent to the Colonial Secretary by the Tin Producers' Association, calling for the repeal of the Malayan tax on exports of tin ore to non-Empire countries. It was stated that, while the export tax was a discrimination against non-British buyers and, hence, contrary to the principles of the Atlantic Charter, the imposition of an import duty on refined tin by America after the war would be a similar infringement and would prejudice the tin-smelting industry in other countries. It is as well to make explicit what was implied in last week's note—namely, that by the 1938 trade agreement between the United Kingdom and the United States, refined tin enters America duty-free. The retention of this clause in future revisions of the trade agreement is an essential part of the very strong case for the repeal of the Malayan Duty.

* * *

West African Cocoa

In the colonial debate, the Under-Secretary of State tried to clear up some of the mystery that has surrounded the Government's West African cocoa transactions. Last year's cut in the West African grower's price, together with the increase in the wholesale price in Britain, implied that some Government department was making a profit; nor was suspicion dispelled by the ambiguous statements made by Lord Moyne. Mr George Hall's statement last week should, however, clear the Cocoa Board of the charge of profiteering. He explained that the Ministry of Food, which bought the crop in the first war year, made a loss on its transactions. The Cocoa Board, which then took over the business, naturally expected an even bigger loss in 1940-41, because of the disappearance of the European market in the meantime. Actually, however, owing to a bigger market in America and the availability of shipping, most of the 1940-41 crop was sold, and, after writing off the loss during 1939-40 and taking into consideration the cocoa in store, the Board has a surplus of about £1,300,000. It does not appear, however, that this profit will immediately be handed back to the growers or spent for their benefit. The sum will be held in reserve in case a shortage of shipping prevents sales from covering the increased buying price in the current year. Thus, although the Cocoa Board is not profiteering, it can hardly claim to be generous in its price policy. Nor are the African growers, who resented bitterly the fact that they were not consulted over last year's price reduction, likely to be convinced by the pious hope that eventually they will receive any profits that are made by the Board, on which, incidentally, they are not represented—although their old antagonists, the West African buying firms, are. And what still remains obscure is the position of the Ministry of Food. This department buys from the Cocoa Board and sells to the wholesalers at an increased price, and it was recently announced in Parliament that, as a result of the £10 per ton increase in its selling price, it made a profit of about £382,000 from October, 1940—June, 1941. It has been suggested that this profit is being used to subsidise other British foodstuffs. Surely this is unfair so long as the grower is receiving less than his pre-war price—itsself a depression price. The sums involved would not matter a farthing to the British taxpayer; but they would make a great deal of difference to the African.

COMPANY MEETINGS

OTTOMAN BANK

REVIEW OF PAST YEAR'S OPERATIONS

MAINTENANCE OF LIQUIDITY

FACTORS AFFECTING DIVIDEND DECISION

GOOD RESULTS OF BRANCHES

SIR HERBERT LAWRENCE'S ADDRESS

The annual general meeting of the shareholders of the Ottoman Bank was held on the 26th instant at Winchester House, Old Broad Street, London, E.C.

General the Hon. Sir Herbert A. Lawrence, G.C.B., presided. Mr W. Stewart McKim (secretary to the London Committee) having read the notice convening the meeting.

The chairman said: Ladies and Gentlemen, I am informed that the requisite number of shareholders with the necessary shareholding are present or represented in accordance with the requirements of the statutes of the bank. The report and accounts have been circulated among you, and I presume that it will be your pleasure that they be taken as read.

This meeting has been convened much later in the year than has been our past custom, the reason for which is, of course, the great delay in communication with Turkey and the Near and Middle East generally. I do not propose, in the present circumstances, to make my usual somewhat detailed survey of the conditions in the various countries where the bank is established, but will confine my remarks to some comments on the accounts and a mention of the chief events affecting our operations.

THE ACCOUNTS

The accounts, which are now before you, and which I shall later ask you to approve, indicate the continuance of the policy of maintaining liquidity required by world conditions.

Of the total assets of the bank at the 31st December, 1940, which are shown in the balance sheet as £28,749,583, it is satisfactory to note that only a small proportion is represented by assets in occupied territory. As an instance, I can quote the cash in hand and at bankers and the money at call and notice, which amount together to over nine million pounds. Less than 10 per cent. of this sum represents funds held by branches in territory now occupied by the Axis Powers. Moreover, according to the returns we have received, this position has not been achieved by any reduction of the liquidity position in those countries, and any cash there was of course held by these branches in the ordinary course of business as a counterpart to their liabilities to depositors.

RESULT OF YEAR'S WORKING

The profit and loss account, after covering all charges and expenses and providing for all known bad and doubtful debts, shows an available balance for the year of £64,165 15s. 7d. This figure represents only profits which have been transferred, or are readily transferable, into sterling.

The non-transferable earnings, which are not included in the above result, represent as they did last year, an appreciable amount and, added to previous accumulations, constitute a useful addition to our reserves against any contingencies which may arise in the future.

DIVIDEND DECISION

As stated in the report, the Committee do not recommend the payment of a dividend this year, but propose instead that the profits, which, including the amount brought forward from 1939, total £109,284 1s. 11d., be carried forward to the current year.

This proposal is necessary because of the impossibility of ascertaining the value of assets in France (and now, of course, in Greece also). So far as exchange risk is concerned, the situation is favourable, since our franc assets do not exceed our liabilities

in that currency. Moreover, provisions have been made in the past which afford considerable protection against such losses as may eventually arise.

The only other feature in the accounts to which I need refer is the continued increase in the deposits, the current accounts creditor having grown by a further two million pounds to the figure of £20,448,963, which can be taken, I think, as reflecting the continued confidence of the public in those countries where we are established.

SATISFACTORY BUSINESS IN TURKEY

Turkey has remained outside the sphere of hostilities, and the economic situation there in 1940 was very satisfactory. There were two periods of difficulty, in June and November, arising from the extension of the war to the Mediterranean, but these only served to emphasise the solidarity of the banking system of Turkey. External trade was naturally affected by the international situation, but, as imports decreased more than the exports, there was a favourable balance of trade of forty-two and a half millions of Turkish pounds as against nine million two hundred thousand in 1939 and an unfavourable balance of four million eight hundred thousand Turkish pounds in 1938.

Crops were good and prices maintained, in spite of the prohibition, imposed in September, 1940, of the export of many agricultural products. The working results of our branches in Turkey, although less than those of the previous year, remained satisfactory, but have not been transferred. Our relations with the Turkish Government, the High Administrative Departments and the banks continue cordial and confident.

PROSPERITY IN EGYPT

In Egypt 1940 was a period of prosperity. Money flowed into the country as a result of the purchase of the cotton crop by the British Government and the expenditure of the British Military Authorities. The demand for credit facilities was heavy, as, in order to purchase abroad, importers had to make large use of bankers' credits. Moreover, goods took a long time to arrive. Again, export bills, which formerly reached their destination and were accepted in a few days, now took months to arrive. Our branches took their share in this business and their results were very satisfactory.

IRAQ AND IRAN

Events in the Mediterranean resulted in a reopening of the transit trade of Iraq, goods passing through for Palestine, Transjordan, Syria, Egypt and Turkey. The date crop was abundant. The cotton crop was all sold to Japan, and cattle and sheep, no longer being sent to Syria, found a new market in Palestine.

In Iran, our branches, though foreign exchange business remained strictly controlled, made good profits, but those profits cannot be transferred into sterling. However, in both Iraq and Iran, events of 1940 have now receded into the background in view of the military operations of 1941, which have changed the whole situation in those two countries.

PALESTINE AND CYPRUS

In Palestine the position of the citrus industry remained serious owing to the lack of shipping and, with a view to keeping the industry alive, an arrangement was made between the Govern-

ment and the banks under which a Government guarantee was given covering the bulk of advances, on a restricted scale, to carefully chosen borrowers. Documentary credit business increased for the same reason as in Egypt. Prices rose steadily and the presence of British Forces contributed to the prosperity of local commerce.

In the first part of 1940 Cyprus enjoyed prosperity, but the entry of Italy into the war, with its consequent shipping difficulties, caused a big falling off in trade. The Government assisted by purchasing caroubs, raisins and wine at fixed prices, but no such help was possible to the citrus industry, which suffered severely. The potato crop was disposed of to the troops in Egypt and Palestine. Our branches had a successful year, but the effects of the falling off in trade will be felt in 1941.

AFFILIATED BANKS

As regards our affiliated banks, the Banque Franco-Serbe in Yugoslavia, the British-French Discount Bank in Greece and the Bank of Roumania in Roumania, are now in occupied territory, although they were not so in the period under review, but we have of course no reports from them of their position.

The recent occupation of Syria by British and Free French troops has led to an active resumption of relations between London and the Banque de Syrie et du Liban, but I have as yet no details available of the working of that bank in 1940.

With regard to your Committee, we have, of course, been out of communication with our Paris colleagues since I last addressed you, but we trust all is well with them. They cannot exercise their functions outside France, but that being so, we are informed that no objection will be raised in this country to the re-election which I shall mention in a moment.

THE LATE SIR JOHN HEWETT

In September, 1941, the General Committee suffered a grievous loss in the death of Sir John P. Hewett, G.C.S.I., K.B.E., C.I.E., who had been one of their number since 1913. I should like here to pay tribute to the many qualities which made him not only a successful administrator, but also the sincerely admired friend of all those who came into contact with him.

The Members of the Committee who have to retire under the statutes are Le Baron Hottinguer, le Comte Pillet-Will and myself, all of whom are eligible for re-election.

TRIBUTE TO MANAGEMENT AND STAFF

As regards the management and staff of the bank, I will only say that they continued to render loyal service, overcoming by their increasing efforts the depletion of their ranks and the various other difficulties of wartime banking. To all those members of the staff who are serving in the various forces you will, I am sure, join with me in sending our best wishes.

I now beg to move, ladies and gentlemen: "That the report and accounts now read be received and adopted." Before I put this resolution I shall be happy to answer any questions.

Mr A. G. A. Jamieson seconded the resolution and it was carried unanimously, no questions being asked.

The chairman next proposed the re-election of the retiring directors, Monsieur Le Baron Hottinguer, General The Hon. Sir Herbert A. Lawrence and Monsieur Le Comte F. Pillet-Will.

This was seconded by Mr A. C. Gladstone and unanimously approved.

Mr Gordon L. Jacobs proposed a cordial vote of thanks to the chairman, directors, management and staff for their services during the past year, and this was seconded by Mr A. Bradbery and unanimously accorded.

A brief acknowledgment by the chairman concluded the proceedings.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes.

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JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

EFFECT OF RISING COSTS ON THE INDUSTRY

The annual general meeting of shareholders of Johannesburg Consolidated Investment Company, Limited, was held on the 25th instant in Johannesburg. Mr. G. H. Beatty, who presided, said: The position disclosed in the directors' report and accounts is satisfactory. The strong financial position of the company is fully maintained. The liabilities amount to £1,611,074, which, deducted from the total book value of the assets of £9,157,970, leaves a surplus of assets over liabilities of £7,546,896.

The net profit amounted to £530,689, which with the balance of £95,207 brought forward made available an amount of £625,896. £395,000 was declared in dividend, leaving a balance of £230,896 to be carried forward.

WORKING COSTS

Working costs have increased as a result of the abnormal conditions prevailing, and it is feared that the increase will continue. Working costs per ton milled during the third quarter of this year were 21s. 2d., while the figures for the corresponding quarters of the two previous years were 20s. 6d. in 1940 and 19s. 3d. in 1939. A material increase in working costs is a serious matter not only for the industry but also for the country. The increase of 1s. 11d. per ton has not only correspondingly reduced the profit which can be made from each ton of ore milled, but has raised the pay limit by .23 of a pennyweight and thereby decreased the tonnage payable.

It was the increase in tonnage which became payable because of the lowering of the pay limit which gave rise to the prosperity of the post gold standard years. It was this increase in payable tonnage which enabled the industry to expand production until it is now distributing in costs nearly double what it was distributing in 1932, but with a rising pay limit the whole process will be reversed. The fall in the pay limit which took place during the post gold standard years resulted from an increase in the gold price arising from world conditions out of this country's control. Any rise in the pay limit which results from an increase in working costs is to some extent within the country's control and to that extent should be strenuously resisted. With the tremendous effect which the falling pay limit has upon the whole well-being of the country fresh in our minds, it is possible to realise the contrary effect which a rise in the pay limit must have and the vital necessity of doing everything to prevent it. Some increase in working costs is unavoidable in war time, but it is still within the power of the Government to offset much of it. The ill effects of a vicious spiral of rising costs are nowhere greater than in a country such as this, whose wealth is so largely based on the possession of marginal gold ore. Nowhere, as the experience of the past seven years has proved, does a descending spiral benefit a country more generously.

TAXATION AND FUTURE OPERATIONS

The only change in direct taxation of the gold mines, which incidentally was a severe increase, was the imposition of a further 5 per cent. tax on working profits which brought the special contribution to 16 per cent. on working profits. It may be instructive to look ahead and estimate what effect such heavy taxation will have on the future scale of operations. With taxation at the present level the time must be near, if not already reached, when the consulting engineers will be unable to recommend the spending of any capital on developing new mines, which if the country is not to suffer must be ready to replace the old ones. The average recovery of the Witwatersrand mines is just over 4 pennyweights per ton, and in the new areas of the West Rand it costs about three million pounds to bring a mine to production on a scale of one million tons per annum. It has been calculated that such a mine, with taxation and costs at present levels, cannot be financed economically unless recovery of at least 5.8 pennyweights per ton can be expected. As this recovery is of a category of which only two examples are on the Witwatersrand it can be seen that the present scale of taxation must almost entirely prohibit the development of new properties.

The report and accounts were unanimously adopted.

ANGLO-DUTCH PLANTATIONS OF JAVA, LIMITED

MR W. H. DAUKES'S REVIEW

The thirty-first ordinary general meeting of the Anglo-Dutch Plantations of Java, Limited, was held, on the 25th instant, in London, Mr W. H. Daukes (chairman and managing director) presiding.

The chairman, in the course of his address, said: The net revenue received from the Java company amounted in 1940 to £377,009, compared with £371,569, and in emphasising the heavy figures of taxation, I do not wish for one moment to convey the impression that we are cavilling at the amount, but these figures have to be borne in mind when making comparison of one year with another.

Turning to the revenue account in our London balance-sheet, the balance left over amounts to £322,314 12s. 2d.; £57,253 6s. 4d. was brought forward from last account, leaving a total amount to be dealt with of £379,567 18s. 6d. An interim dividend of 2 per cent. was paid on February 21st last, and as soon as the directors realised that there would be a considerable delay in the presentation of the accounts, they declared a second interim dividend of 4 per cent., payable on August 8th, intimating at the same time that this would take the place of the usual final dividend.

Provision for national defence contribution to the amount of £19,500 has been made in the revenue account, an amount of £25,512 was deducted for income-tax from the first interim dividend and £60,000 from the final dividend of 4 per cent.; these, with the further amount reserved in the appropriation account, make a total of £230,012, in addition to the £19,500 national defence contribution.

TEA

As far as the Netherlands East Indies is concerned, the year 1940 was not a satisfactory one for the tea producer. In 1940 our planted area was 26,952 acres, all of which was in bearing with the exception of some 67 acres. The total manufactured crop was 12,168,238 lb., which included 408,015 lb. of bought leaf, the actual estate production being the equivalent of 437 lb. per acre. The higher cash cost in terms of sterling at 8.16d. per pound, compared with 6.60d. in the previous year, was due partly to the smaller crop but mainly to the fall in sterling exchange from 8.35 guilders to the £, the average exchange rate for the year 1939, to 7.53 for the year 1940. The selling price also showed a small decrease from 10.17d. to 10.01d. per pound. As a consequence of these various factors, the gross profit at F.943,192 showed a substantial decrease from that of the previous year of F.1,509,000. As regards the prospects for the current year, these are distinctly brighter.

RUBBER

Rubber throughout 1940 was a favourable market, the London price for standard smoked sheet varying little from about 1s. per pound throughout the year, the highest price being the June average of 1s. 1½d. and the lowest April average of 11½d. The quota releases were on a steadily ascending scale. From 75 per cent. for the last quarter of 1939, the quota was raised to 80 per cent. for the first half-year of 1940, 85 per cent. for the third quarter, and 90 per cent. for the last quarter of that year.

Our total planted area in 1940 amounted to 39,618 acres, of which 14,235 were not in bearing. Our standard production was 19,571,733 lb., and the local exportable percentage average 77½ per cent. Our standard yield per acre in bearing was 771 lb., and the year's production amounted to 15,425,012 lb., a yield of 608 lb. per acre. Notwithstanding the fall in the value of sterling, the cost price at 3.44d. per pound, was only fractionally higher than that for 1939 at 3.39d., the smallness of the increase being entirely due to the very much larger crop. On the other hand, selling price showed an advance of over 1d. per pound at 9.02d. per pound net compared with 7.95d. In viewing the selling price in comparison with the London price figure, the heavy incidence of export tax, freight and insurance must be borne in mind.

The profit for the year was a very satisfactory one, the gross profit increasing from F.1,700,000 to F.2,800,000. As regards the prospects for the current year, all conditions seem to indicate an excellent result.

The report and accounts were unanimously adopted.

KALIDJEROEK RUBBER COMPANY, LIMITED

HIGH INCIDENCE OF TAXATION

MR VERNON WETHERED'S SPEECH

The thirty-first ordinary annual general meeting of Kalidjeroek Rubber Co., Ltd., was held on the 25th instant at 58 Mark Lane, E.C., Mr. Vernon Wethered (the chairman) presiding.

The chairman, in the course of his speech, said: From the profit and loss account you will have observed that proceeds from rubber, cinchona and coffee amounted to £54,078, which, after adding sundry receipts, interest and discount—£765—makes our gross revenue £54,843. Expenditure in Java was £26,994, and London expenses and provision for depreciation of buildings and machinery required £1,892, thus making the total expenditure of £28,886. In addition, it was necessary to reserve £16,400 for taxation in the East, and a further sum of £2,000 for taxation in the United Kingdom. Thus from the gross profit of £25,957 taxation at home and abroad takes no less than £18,400. I would here mention that were taxation in the East less onerous it would make little difference to the final results, as what was not taken in taxation in Java would have been payable to the Exchequer here, our Standard for E.P.T. having been fixed at £7,696.

PROVISION FOR MAXIMUM ASSESSMENT

These reserves for taxation make full provision for the maximum assessment we are likely to receive. However, it is possible that the full amount would not be required. In my address last year I mentioned with regard to cinchona, which also is a controlled commodity, that our standard production assessment had been increased and made retrospective to 1937. Part of the deliveries of cinchona bark made by us during the past two years were in respect of the years 1937 to 1939. Consequently the revenue from these retrospective deliveries does not properly belong to our last financial year and we intend to reopen our accounts for taxation purposes for some years back. This will involve an increase in our income tax liability for those years, but as the rate of tax then was lower and as there was no EPT for those years, on balance there will be a considerable saving.

Despite the excellent crops of rubber and cinchona, harvested at low cost, the directors find themselves unable to maintain the dividend of 8 per cent., less tax, paid on the ordinary stock account 1939-40. We are recommending that 8 per cent., less tax, be paid on the preference stock and 7½ per cent., less tax, on the ordinary stock. This slightly reduced dividend affects individual stockholders very little, as when 10s. is deducted for income tax it means that the total sum received by the stockholders is reduced by only £225. Nevertheless, I think you will agree that the stockholders are not getting the return that should be expected from their valuable and cheap working properties.

LIQUID ASSETS

The accounts are drawn up in the usual clear manner and call for little comment. I would, however, point out that, after providing for the dividend we recommend paying, liquid assets exceeded all ascertained liabilities by £21,500, or, say, the equivalent of £5 10s. per planted acre. This might be considered a reasonable margin in normal times, but when we visualise the possibilities of the post-war period, when stocks of rubber in America and elsewhere accumulated for war purposes may have to be liquidated, it would appear to be wise to build up reserves against such an eventuality. Unfortunately, the present high incidence of taxation does not permit this, if we continue to pay reasonable returns to the stockholders.

This brings me to another important matter which will have to be allowed for in the accounts of the coming years, that is, the replanting of our oldest rubber. Of the 2,044 acres planted, no less than 1,364 acres are at least 20 years old. Part of it exceeds 30 years of age, and is thus past its economic life. These older gardens will have gradually to be replaced by trees of high yielding stock, and provision will require to be made for the cost of this work and bringing the gardens to maturity.

The report and accounts were unanimously adopted.

MALAYALAM PLANTATIONS, LIMITED

The twentieth ordinary general meeting of Malayalam Plantations, Limited, was held, on 26th instant, in London, Mr H. J. Welch (the chairman) presiding.

The following are extracts from the chairman's address circulated with the report and accounts:—During the year the company produced nearly 3,000 tons of rubber and over 5,000 tons of tea—both war necessities—it provided £205,000 in British and Indian taxation, and 25 of our European staff out of a total of 59 have volunteered or have been requisitioned for H.M. Forces.

Our total profits for the year amounted to £336,049. After providing for the year's dividends totalling 10 per cent., we propose to add £15,000 to the general reserve and £10,000 to dividend equalisation reserve.

The surplus of liquid assets amounts to £476,630, or £11 13s per planted acre. The net cost of the planted tea, rubber and cardamom areas, including the buildings, machinery and equipment, now stands in the balance-sheet at the record low figure of £32 13s per acre.

In the current year we estimate to produce over 11,000,000 lbs. of tea and about 6,000,000 lbs. of rubber, of which we anticipate over 9,000,000 lbs. of tea and the whole of the rubber crop will be exportable. Most of the exportable tea up to December 31st this year has been sold to the Ministry of Food at a reasonably remunerative price.

The report was unanimously adopted.

CRAIGIELEA RUBBER PLANTATIONS, LIMITED

The meeting of Craigielea Rubber Plantations, Limited, was held, on the 21st instant, in London. Major W. M. Sime, O.B.E., J.P., chairman of the company, presided. The chairman's review of the year's operations, circulated with the report, stated: Our profit at £59,742 compared with £45,418 last year. Last year we had to set aside £24,000 for taxation, but this year we have to find no less a sum than £41,000.

Your directors regret that the net profits will not permit them to recommend the payment of a dividend equivalent to that paid last year; £3,000 has been set aside as provision for deferred replanting. Owing to a shortage of labour we have considered it necessary to limit our replanting programme.

The item "Interest and Dividend" in the profit and loss account includes a dividend of 7½ per cent. on our investment in Middleton Plantations, Limited, in respect of the year ended March 31, 1940. I mentioned last year that the Excess Profits Tax falls heavily on young developing companies like Middleton. Owing to the heavy provision of taxation which it was necessary to make for the year ended March 31, 1941, the directors of that company have only been able to recommend in respect of that year a dividend of 5 per cent.

The report and accounts were unanimously adopted and the proposals for the conversion of the issued shares of the company into stock were approved.

ROAN ANTELOPE COPPER MINES, LIMITED

The fourteenth annual general meeting of Roan Antelope Copper Mines, Limited, was held on 26th instant, in London. Mr A. Chester Beatty, the chairman, presided.

The following are extracts from the statement by the chairman which was circulated to the stockholders with the report and accounts for the year ended June 30, 1941, and was taken as read: After transferring £200,000 to replacement reserve, the profit, before providing for taxation, is £1,158,506 compared with £1,623,243 in the previous year. The amount required to meet the company's liabilities for taxation is £730,000, equivalent to approximately 63 per cent. of our net profit.

In the accounts to June 30, 1940, we set aside the full amount of our tax liability calculated at 8s. 6d. in the £, which was the standard rate of tax in force at that time. The Budget of April last increased the rate of tax to 10s. in the £. Under the Income Tax Acts this is the rate applicable to our profits for the year

to June 30, 1940, and therefore we have had to provide in the present accounts an additional £118,000 to meet that liability.

After transferring £100,000 to general reserve and providing for the interim and final dividends for the year, there remains a balance of £174,819 to be carried forward, as against £202,075 in the previous year. Expenditure on capital account during the year was £197,890. This was mainly on European and native housing, and a third reverberatory furnace.

During the year the company contributed £5,000 to the Governor of Northern Rhodesia's "Speed the Planes" Fund. It has also paid to the Treasury the sum of £300,000 as a loan without interest, and £190,000 as an advance against taxation liability both here and in Northern Rhodesia.

The report and accounts were adopted.

LAKE VIEW AND STAR, LIMITED

MR D. CHRISTOPHERSON'S STATEMENT

The thirty-first ordinary general meeting of Lake View and Star, Limited, was held, on 25th instant, in London, Mr D. Christopherson, C.B.E., the chairman, presiding.

The following are extracts from the statement by the chairman which was circulated to the shareholders with the report and accounts for the year ended June 30, 1941, and was taken as read:—

The net profit for the year under review was £465,293, which compares with £551,606, the net profit in the previous year, after allowing for development expenses written off in the appropriation account. The reduction of £86,313 is mainly due to higher wages granted by the Western Australian Arbitration Court and the rise in the price of stores due to the war, also to the lower net value received for gold due to the full effect of the Commonwealth Gold Excise Tax having operated throughout the year.

After providing £230,000 for British and Australian taxation and £41,407 for depreciation of plant and machinery, there remains a balance of £193,886, to which is added £19,950 brought forward from last year, making a total available balance of £213,836.

Two dividends of 12½ per cent. have been paid during the year, and the directors recommend the payment of a final dividend of 25 per cent., less tax, making the total distribution 50 per cent. for the year.

Taking into consideration the rise in costs and the difficulties under which operations are carried on owing to the shortage of skilled labour, the result must be considered very satisfactory.

The ore reserve position is again one of great strength. During the year, although we extracted 689,577 tons, reserves were further increased by 276,000 tons, and now amount to a total of 4,130,700 tons, averaging 5.17 dwts per ton.

At the Chaffers plant 690,694 tons, averaging 5.09 dwts., were treated with an extraction of 89.7 per cent., both grade and tonnage showing a slight reduction on last year's figures.

Costs for the year amounted to 22/10.45 shillings sterling, or an increase of 2/7.21d over the previous year. Higher wages and increasing cost of all materials account for part of this, and though every effort has been, and is being, made to offset such increases by mechanical assistance and improvements, and simplifications in transport and treatment of ore where possible, there is, of course, a limit to what can be done, and a further increase during the present year must be expected.

The new Chaffers retreatment plant commenced operations in October, 1940, and by June 30, 1941, has treated 552,874 tons for a recovery of 8,854 fine ounces of gold. Values here are expected to improve in the future, as the lowest grade material lies in that part of the dump now being worked. This plant has proved a complete success and more than justifies Mr Thorn's original estimates.

The call to the armed forces and to new equipment concerns has taken many of our skilled underground men, and while new men are being trained to take their places there has naturally been a falling off in certain directions in the amount of work that can be undertaken. In this connection we have just received the following from Mr Thorn:—

"Labour conditions becoming more serious and we are compelled train new men who have little knowledge of mining. Labour

PARNALL AIRCRAFT, LIMITED

BURDEN OF E.P.T.

The sixth annual general meeting of the Parnall Aircraft, Limited, was held, on the 28th instant, Sir Louis R. Vaughan, K.C.B., K.B.E., D.S.O. (the chairman), presiding.

The chairman, in the course of his statement, said: An examination of the balance-sheet will show the continued expansion that has been made during the past twelve months.

The profit and loss account shows that the net profit on trading amounts to £95,315, which figure has been arrived at after estimating the Excess Profits Tax commitments of the company in accordance with the Finance Acts.

As you will see from the report, the directors have recommended the payment of a dividend of 5 per cent. for the year. The directors made an announcement through the Press in May last stating that, in spite of increased turnover and earnings for the first six months of the company's financial year, they were unable to recommend the payment of an interim dividend owing to the incidence of Excess Profits Tax and income-tax. I must again reiterate how hardly present taxation bears on a company placed financially as your company is, especially in view of the demands for production made upon it.

We have had a very difficult year of intensive work and a great task has been achieved in the planning and dispersal of our production. This has imposed very heavy and exacting work on your executives and staff. It has been found advisable to form an executive committee who advise on the managerial direction of the company.

Captain Thompson agreed to become chairman of this committee (and also deputy-chairman of the company), and Mr Healy, our former general manager, has followed him as managing director.

You will appreciate that it is very difficult to foresee the future under existing circumstances. It is not, however, over-optimistic to assume that facilities such as ours will be rapidly absorbed in supplying the civil requirements which will have to be met when this conflict ceases.

The report and accounts were adopted.

MODDERFONTEIN EAST, LIMITED

BURDEN OF TAXATION

Mr W. M. Frames, who, presided at the annual meeting of Modderfontein East, Limited, held in Johannesburg on 20th instant, moved the adoption of the report and accounts.

Commenting on the accounts, the chairman said that the total profit last year was £933,791, of which dividend had absorbed £349,952.

The amount provided for taxation of £435,343 showed an increase of £123,292 compared with the previous year's figure. That increase was due to the higher taxable profit and also to variations in the rate of the special contribution which had been 11 per cent. for the first six months and 16 per cent. for the second six months of the year, as against 9 per cent. provided for the second six months of the previous year.

Provision had also to be made for an additional special contribution of 2 per cent. for the second half of 1939-40 which had been imposed retrospectively after the close of that financial year. There had been an increase of £16,890 in the payment in respect of the lease consideration which had amounted to £130,649.

During the year, the chairman added, developments had been advanced by 40,116 feet. Payable ore developed had shown a small increase compared with the previous year's figure, but the average value had been lower by 0.2 dwts. per ton.

New tonnage had been developed, mainly in the eastern section to the dip of Number 1 shaft, where prospects continued to be favourable. In the northern section exposures, had been poor except for a small extension of payable ore in the vicinity of the eleventh level. In the remainder of the mine shareholders were informed that internal development had continued to expose a considerable tonnage of payable ore.

Capital expenditure during the year had amounted to £14,414.

situation on woodland not good and at present time we are burning Collie coal at Chaffers and Ivanhoe winding plants. Everything at mine and plant operating smoothly."

I am sure you will desire to be associated with the board in extending to Mr Thorn and his staff our high appreciation of the success attained in all departments during the past year.

The report and accounts were unanimously adopted.

NOURSE MINES, LIMITED

SATISFACTORY RESULTS

Mr W. M. Frames presided at the annual general meeting of Nourse Mines, Limited, in Johannesburg, on the 21st instant.

Moving the adoption of the report and accounts the chairman said that the total profit had been £422,116 and dividends had absorbed £176,324.

The amount provided for taxation at £194,152 showed an increase of £71,014 over the previous year.

That was due to variations in the rate of special contribution and to the higher taxable profit earned during the year under review. It also included additional taxation for the year 1939/40 which had been imposed retrospectively after the close of the last financial year.

Net expenditure on capital account amounted to £28,637, the principal items being in connection with additional equipment at the reduction plant, additional compound accommodation, hoisting equipment at No. 3D Incline and the installation of a high-pressure electric cable system with transformers on the 37th level to meet increasing requirements of No. 3D incline and southern section.

Development accomplished during the year totalled 29,066 feet, an increase of 3,108 feet compared with the previous year's figure.

Main development in future would be confined to the area south of Goch Dyke. The ore reserve tonnage which could be developed in that area depended entirely on the rate of sinking of No. 3D Incline. Given normal conditions it was anticipated that two new levels each year could be opened up which with the present percentage of payability could hardly be sufficient to maintain the ore reserve tonnage.

Ore reserve at present, however, was in a satisfactory position and it was expected that with probable small additions in older areas there would be no serious falling-off in tonnage in the near future.

The percentage payability for the year at 57.3 had been slightly higher than for the previous year, the average value being 272 inch pennyweight compared with 258 inch pennyweight for 1939/40. Payable ore developed during the year totalled 682,300 tons of an average value of 4.3 pennyweight ton.

Number 3D Incline had been sunk 723 feet during the year to a point 212 feet below the 44th level and the cutting of a station on the 44th level had been commenced.

A second winding engine at that shaft would be put into commission before the end of the current year.

Principal additions to the reduction plant comprise four Brown tanks, four rotary filters, and new classification plant. The tanks and filter units had been put into commission early in June and residue value had shown immediate improvement, the figure for June being 0.217 pennyweight as against an average for the year of 0.257 pennyweight.

The new classification scheme had been put into commission on September 29th last and residue values averaged 0.181 pennyweight for the last two months.

Available ore reserve as re-estimated at June 30, 1941, totalled 3,912,600 tons of an average value of 4.3 pennyweight over an estimated stoping width of 48 inches. Compared with the position on June 30, 1940, the available reserve was 338,700 tons less and the average value of 0.1 pennyweight lower, the stoping width being unaltered.

The company continued to give full support to the national war effort. Production of gold had been well maintained and as many employees as possible had been released for military service. The company had also undertaken its share in the production of munitions.

The report and accounts were adopted.

Various additions had been made to the reduction plant to permit of increased tonnage being treated and 16 rooms had been added at Number 1 compound to bring accommodation up to requirements.

The available ore reserve as re-estimated at June 30, 1941, had totalled 7,197,600 tons of an average value of 3.8 dwts over a stopping width of 42.5 inches.

The available reserve showed an increase of 350,900 tons compared with the previous year's figure, the average value and width being lower by 0.1 dwts and 0.1 inch respectively.

The company was contributing to the national war effort by every means in its power. As many as possible of the European employees were being released for full-time military service. In addition the company had undertaken, successfully and efficiently, an important share in the production of munitions.

The report and accounts were then adopted.

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED

ENCOURAGING DEVELOPMENT RESULTS

Doctor Hans Pirow presided at the annual general meeting of the Blyvooruitzicht Gold Mining Company, Limited, held in Johannesburg on the 21st instant. Moving the adoption of report and accounts, the chairman said that net expenditure for the year totalled £249,923, leaving a balance of working capital on June 30, 1941, of £487,974, of which £411,043 had been represented by net cash, including fixed deposits after allowing for liabilities.

The total expenditure incurred from the inception of the company to June 30, 1941, had been £1,962,026. During the year under review No. 1 Shaft had been sunk 2,039 feet and sinking operations had been stopped in June at a depth of 5,042 feet. The shaft passed from dolomite into Black Reef Series at 3,917 feet and from the latter into Witwatersrand quartzites at 3,957 feet. The Carbon Leader had been exposed at a depth of 4,685 feet dipping at about twenty degrees to south. Sampling around walls of the shaft had given an average value of 40.3 pennyweight per ton over width of 27.4 inches. The reef had a well defined mineralised body varying from pebbly grit to true conglomerate and characterised by the presence of seams of carbon with pyrites particularly in the lower portion.

During the year a total of 2,212 feet of development, 2,039 feet of vertical shaft sinking and 108,630 cubic feet of excavation had been done. By the end of the year the fifth level crosscut had intercepted the carbon leader and a small amount of driving on reef had been done. A total of 205 feet had been sampled which averaged 82.5 pennyweight per ton, over a width of 16.6 inches.

Since the close of the year the reef had been intersected and driving had started on the sixth level. Combining the results of all reef development done since the commencement of operations to the end of the last month, gave a total of 1,850 feet sampled, all of which was payable, the average value being 65.0 pennyweight per ton over a width of 14.3 inches equal to 930 inch pennyweight.

After giving details of developments, the chairman said, "The occurrence of these high values is an encouraging feature, strengthening our belief that in due course the mine will become a successful producer."

Unfortunately, due to war conditions and the difficulty of obtaining necessary additional capital or even plant and material required to proceed with the sinking of No. 2 Shaft and its underground development, work had to be limited to the development at No. 1 Shaft for the time being. No work had therefore been done at No. 2 Shaft during the year.

In May last it had been decided to erect a small plant for crushing and treating of ore from development operations. The plant would have a capacity of 8,000 tons per month, and would eventually form part of permanent reduction works. Work in connection with the erection of that plant was proceeding and should no unforeseen delays occur in the delivery of the necessary equipment, it was expected that the plant would be completed early in 1942. Revenue obtained from gold produced by that plant would be applied to cost of development, and would not provide profits for distribution.

The company continued to give full support to the National war effort, and as many employees as possible had been released for military service.

NEW MODDERFONTEIN GOLD MINING COMPANY, LIMITED

ORE RESERVE POSITION

Dr Hans Pirow, the chairman, presided at the annual general meeting of the New Modderfontein Gold Mining Company, Limited, held in Johannesburg, on 21st instant.

Moving the adoption of the report and accounts, the chairman said the total profit amounted to £1,046,977. Dividends absorbed £490,000 and provision for taxation had been £555,945.

As from January 1, 1941, the special tax of 11 per cent. of taxable income before deduction of redemption allowances and losses brought forward from previous years had been raised to 16 per cent.

Available ore reserve at June 30, 1941, had been estimated to be 5,207,300 tons, having an average value of 3.0 pennyweights per ton over a stopping width of 47.1 inches, compared with 6,201,500 tons averaging 3.2 pennyweights per ton over a stopping width of 47.5 inches on June 30, 1940.

Payable ore developed during the year amounted to 665,800 tons valued at 2.6 pennyweights per ton. That represented a decrease of 94,800 tons and an increase in value of 0.1 pennyweight per ton on the previous year's return.

Development had been carried on at all points where it was considered payable values might be encountered. Most favourable results had been obtained on the South Reef and Marker and on N.A. 1 and 2 Leaders. On N.A. 6 and 7 Leaders a moderate tonnage of payable ore had been added to reserves. Development on N.A. 3, 4 and 5 Leaders had shown that only small additional tonnages of payable ore could be expected from these reefs. Development of all those Leaders was approaching completion, and only relatively small areas remained to be proved. It could therefore be expected that the quantity of ore developed on them would continue to decrease in future years.

The area over which the Kimberley and Black Reefs occurred in the company's property was limited to a small section along the southern boundary and south of No. 1 Circular Shaft, and it could not be expected to provide more than a comparatively small tonnage of payable ore. The ore reserve was bound to show further declines each year and would in due course be insufficient to enable both the reduction works to be run at full capacity. In those circumstances it had been decided to commence mining operations in the reef pillar left to support the north mill which was estimated to contain approximately 600,000 tons of ore having an average value of 3.8 pennyweights per ton.

The company continued to give full support to the national war effort and as many employees as possible had been released for military service. The company also undertook its share in the production of munitions.

The report and accounts were adopted.

CONSOLIDATED MAIN REEF MINES AND ESTATE, LIMITED

EXTRA TAXATION BURDENS

In moving the adoption of the report and accounts at the annual general meeting of the Consolidated Main Reef Mines and Estate, Limited, in Johannesburg on 20th instant, Dr Hans Pirow, chairman, who presided, said that the working profit last year amounted to £793,907 of which dividends had absorbed £343,091.

Total expenditure on capital account had been £64,624, the principal items being additions to reduction plant, enlargement of native compounds and hospital and improvements in underground ventilation. It was expected that capital expenditure during the current year would be on a slightly lower scale.

Provision for taxation at £363,712 had shown a further increase of some £57,000. That was due to the variations in the rate of the special contribution which had been 11 per cent. for the first six months of the year and 16 per cent. for the second six months of the year as against 9 per cent. provided for the second six months of the previous year.

Provision had also to be made for the additional special contribution of 2 per cent. for the second half of the year 1939/40 which

had been imposed retrospectively after the close of that financial year.

The development footage accomplished during the year had shown an increase of 17,621 feet on the figure of the previous year. Although the payable ore had also increased by 410,500 tons, it had been still insufficient fully to maintain the ore reserve position and advantage was being taken of favourable native labour conditions to increase the development footage during the current year.

The ore reserve had been re-calculated as at June 30, 1941, and the available reserve had totalled 10,564,000 tons of average value of 3.6 dwts. per ton.

COMMODITY AND INDUSTRY NEWS

haulage in view of the shortage of transport.

Vegetable Oils and Oil Seeds.—Increased allocations of controlled vegetable oils are being made to the food industries to meet the larger fats ration. Supplies are ample for the purpose. The technical trades are also well provided for. Raw material continues to come to hand from overseas in good volume to enable production of oil to be maintained. The oil seeds market is firm and further advances in shippers' quotations for Indian and Plate linseed have taken place. The surplus of the old crop in Argentina is being reduced. The new crop is progressing favourably and is provisionally expected to yield 1,300,000 tons, against 1,480,000 tons in the previous season. The minimum price of the new crop has been fixed at 9.25 pesos per 100 kilos. In India the outlook for the linseed crop is improved, though more rain is wanted in some districts. Indian ground nuts are in demand and shippers are holding for advanced figures.

Cotton.—Under the new loom licences, many firms have been empowered to continue producing on the same scale as recently, but some nucleus concerns have been subjected to a reduction of about 5 per cent. Firms whose status has not yet been defined have been given licences for a limited number of weeks, and they have been urged to come to some arrangement with nucleus firms. It is not expected that the smaller cloth output will balance the two branches of spinning and weaving and the shortage of yarn shows every sign of continuing. More cases have been reported of cloth exporters having exhausted their quotas and less business has been done. There has been steady buying for the Government in heavy materials and in miscellaneous fabrics for the essential home services. In the yarn section more spinners are now rationing their customers. Some mills that usually use Egyptian cotton are turning on to fine American descriptions.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week Ended		From April 1 to	
	Nov. 8, 1941	Nov. 15, 1941	Nov. 16, 1940	Nov. 15, 1941
Argentina.....	52	116	5,714	1,059
Atlantic America.....	6	143	2,465	1,205
Danube region.....	...	...	678	...
S. and E. Africa.....	...	...	1,110	...
Indo-China, etc.....	...	...	91	...

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

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week Ended		From Aug. 1 to	
	Nov. 8, 1941	Nov. 15, 1941	Nov. 16, 1940	Nov. 15, 1941
N. America.....	353	483	5,531	7,350
Argentina, Uruguay.....	187	172	3,374	2,718
Australia.....	...	...	...	...
Russia.....	...	...	...	...
Danube and District.....	...	...	182	...
Other countries.....	...	...	...	...

* Unobtainable.
Source: The Corn Trade News.

"THE ECONOMIST" SENSITIVE PRICE INDEX (1935=100)

	Nov. 20, 1941	Nov. 21, 1941	Nov. 24, 1941	Nov. 25, 1941	Nov. 26, 1941
Crops.....	114.2	114.3	114.7	114.7	114.9
Raw materials.....	170.7	170.8	170.7	170.6	170.5
Complete Index.....	139.6	139.7	139.9	139.9	139.9

* 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.....	118	83	114	+ 10.7
1940 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.....	63	67	63	- 21.2
Feb.....	106	68	105	- 5.4
March.....	124	102	123	- 19.1
April.....	102	93	101	- 35.9
May.....	88	109	88	- 31.1
June.....	122	105	122	+ 20.5
July.....	75	130	77	- 7.2
Aug.....	83	105	84	- 31.2
Sept.....	107	128	107	- 25.2
Oct.....	107	142	108	- 6.6

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.
Purchase Tax is included; figures are therefore comparable throughout.

Source: Board of Trade Journal.

AMERICAN WHOLESALE PRICES

	Nov. 18, 1941	Nov. 25, 1941		Nov. 18, 1941	Nov. 25, 1941
	Cents	Cents		Cents	Cents
GRAINS (per bushel)—			METALS (per lb.)—cont.		
Wheat, Chicago, Dec.....	114½	113½	Spelter East St. Louis, spot	8-25	8-25
Winnipeg, Dec.....	73	74½	MISCELLANEOUS (per lb.)—		
Maize, Chicago, Dec.....	73½	72½	Cocoa, N.Y., Accra, Dec.....	8-13	8-36
Oats, Chicago, Dec.....	49½	48½	Coffee, N.Y., cash—		
Rye, Chicago, Dec.....	64½	63½	Rio, No. 7.....	91	91
Barley, Winnipeg, Dec.....	56½	57½	Santos, No. 4.....	13½	13½
METALS (per lb.)—			Cotton, N.Y., Am. mid., spot	17-23	17-14
Copper, Connecticut.....	12-00	12-00	Am. mid., Dec.....	16-05	15-85
Tin, N.Y., Straits, spot	52-00	52-00	Cotton Oil, N.Y., Dec.....	12-45	12-58
Lead, N.Y., spot.....	5-85	5-85	Lard, Chicago, Dec.....	9-72½	9-87½
			MISCELLANEOUS (per lb.)—cont.		
			Petroleum, Mid-cont. crude, per barrel.....	117	117
			Rubber, N.Y., smkd sheet spot ..	23½	23½
			" " Nov.-Dec.....	23½	23½
			Sugar, N.Y., Cuban Cent., 96 deg. spot	3-50	3-50
			Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Dec.....	2-55	2-5
			Mood's Index of staple commodities, Dec. 31, 1931=100 ..	209-0	207-83

MISCELLANEOUS (per lb.)—cont.
Petroleum, Mid-cont. crude, per barrel..... 117 1/2 117 1/2
Rubber, N.Y., smkd. sheet spot .. 23 1/2 23 1/2
Sugar, N.Y., Nov.-Dec. 23 1/2 23 1/2
Sugar, N.Y., Cuban Cent., 96 deg. spot..... 3-50 3-50
Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Dec..... 2-55 2-5
Moody's Index of staple commodities, Dec. 31, 1931=100 .. 209.0 207.83

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended Nov. 22, 1941, total ordinary revenue was £33,235,000, against ordinary expenditure of £82,411,000, and issues to sinking funds of £155,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £1,907,753,000 against £1,604,227,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1941-42	April 1 to Nov. 23, 1940	April 1 to Nov. 22, 1941	Week ended Nov. 23, 1940	Week ended Nov. 22, 1941
ORDINARY REVENUE					
Income Tax	756,000	156,750	267,927	8,422	12,856
Sur-tax	80,000	17,747	18,255	880	550
Estate, etc.	82,000	51,255	57,247	1,295	1,280
Duties	14,000	9,378	8,523	990	752
Stamps	210,000	13,547	13,658	290	408
N.D.C.	35,733	147,091	680	5,413	
E.P.T.	1,000	290	227	30	10
Other Ind. Rev.	114,300	284,700	512,928	12,587	21,269
Total Ind. Rev.	1,143,000	284,700	512,928	12,587	21,269
Customs					
Excise	310,700	197,323	233,181	8,043	7,054
Motor Duties	266,660	109,693	207,900	2,143	3,200
Total Customs & Excise	577,360	307,016	441,081	10,186	10,254
Motor Duties					
P.O. (Net Receipts)	3,300	10,200	11,700	50	600
Crown Lands	1,100	650	610		
Receipts from Sundry Loans	2,600	871	2,862	372	1,112
Miscell. Receipts	20,000	16,176	46,641		
Total Ord. Rev.	1,786,360	632,232	1,027,976	23,296	33,235
SELF-BALANCING P.O. & Brdcastg.					
	99,346	51,800	60,750	1,750	1,750
Total	1,885,706	684,032	1,088,726	25,046	34,985

Expenditure	Estimate, 1941-42	April 1 to Nov. 23, 1940	April 1 to Nov. 22, 1941	Week ended Nov. 23, 1940	Week ended Nov. 22, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	161,471	184,025	503	655
Payments to N. Ireland	9,200	4,758	4,593		
Other Cons. Fnd. Serv.	7,800	3,703	4,129		6
Total	272,000	169,932	192,747	503	661
Supply Services	393,497	205,978	273,611	72,349	81,750
Total Ord. Exp.	420,697	222,971	292,860	72,852	82,411
SELF-BALANCING P.O. & Brdcastg.					
	99,346	51,800	60,750	1,750	1,750
Total	430,633	228,151	298,910	74,602	84,161

After decreasing Exchequer balances by £518,745 to £2,478,024, the other operations for the week (no longer shown separately) raised the gross National Debt by £48,019,474 to about £13,264 millions.

NET ISSUES (£ thousands)	
P.O. & Telegraph	200
Overseas Trade Guarantees	7
	207

AGGREGATE ISSUES AND RECEIPTS

Aggregate issues and receipts from April 1, 1941, to November 22, 1941, are:—

£ thousands	
Ordinary Exp.	2,928,860
Ord. Revenue	1,027,976
Gross borr.	1,864,540
Sinking fds.	6,869
Net borrowing	1,857,671
Miscell. Receipts (net)	43,064
Dec. in bal.	149
	2,928,860

FLOATING DEBT

Date	Ten-der	Tap	Public Depts.	Bank of Eng-land	Treasury Deposits by Banks	Total Floating Debt
1940 Nov. 23	845-0					
1941 Aug. 16	960-0					
" 23	960-0					
" 30	970-0	1525-3	213-9	1-0	513-0	3223-2
Sept. 6	970-0					
" 13	970-0					
" 20	970-0					
" 27	2577-2		246-5	0-7	600-0	3424-4
Oct. 4	970-0					
" 11	970-0					
" 18	970-0					
" 25	975-0	1558-9	241-8		662-5	
Nov. 1	975-0					
" 8	975-0					
" 15	975-0					
" 22	975-0					

TREASURY BILLS

£ millions	
Date of Tender	Amount
1940 Nov. 22	65-0
1941 Aug. 8	75-0
" 15	75-0
" 22	75-0
" 29	75-0
Sept. 5	75-0
" 12	75-0
" 19	75-0
" 26	75-0
Oct. 3	75-0
" 10	75-0
" 17	75-0
" 24	75-0
" 31	75-0
Nov. 7	75-0
" 14	75-0
" 21	75-0

On November 21st 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 33 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. £75 millions of Treasury bills are being offered on November 28th. For the week ending November 29th the banks will be asked for Treasury deposits to a maximum amount of £15 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Oct. 14	3,638	2,537	10,320	31,170
" 21	4,387	2,599	8,537	30,523
" 28	4,313	3,081	11,939	19,673
Nov. 4	4,592	2,430	7,672	8,300
" 11	4,190	2,965	8,083	5,905
" 18	3,734	3,062	9,438	18,327
" 25			11,438	14,185
Totals to date	398,329*	361,698*	401,245*	128,084†

* 104 weeks. † 47 weeks. ‡ 7 weeks.
 † Including series "A" £117,931,585 to date.
 Interest free loans received by the Treasury up to Nov. 25th amounted to a total value of £1,250,824. Up to Oct. 25th, principal of Savings Certificates to the amount of £48,222,000 has been repaid.

BANK OF ENGLAND RETURNS

NOVEMBER 26, 1941
ISSUE DEPARTMENT

£	
Notes Issued:	
In Circulation	1,710,042,621
In Bank, Department	20,198,951
Govt. Debt	11,015,100
Other Govt. Securities	716,288,140
Other Secs.	2,179,373
Silver Coin	517,387
Amt. of Fid. Gold Coin & Bullion (at 168s. per oz. fine)	730,000,000
	241,575
	730,241,575

BANKING DEPARTMENT

£	
Props. Capital	14,553,000
Res.	3,203,955
Public Depts.	9,790,254
Govt. Secs.	170,682,838
Other Secs.	3,973,391
Advances	21,580,205
Securities	25,553,596
Notes	20,198,951
Gold & Silver Coin	621,205
	217,056,593
	217,056,593

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

THE WEEK'S CHANGES

£ thousands	
Both Departments	Nov. 26, 1941
COMBINED LIABILITIES	
Note circulation	710,043
Deposits: Public	9,790
Bankers	136,429
Others	53,080
Total outside liabilities	909,342
Capital and res.	17,757
COMBINED ASSETS	
Govt. debt and securities	897,995
Discounts and advances	1,973
Other securities	23,760
Silver coin in issue dept.	517
Coin and gold bullion	863
RESERVES	
Res. of notes and coin in banking department	20,820
" Proportion " (reserve to outside liabilities in banking dept.)	10-4%
	3-2%
	9-7%

COMPARATIVE ANALYSIS

£ millions	
	1940
Nov. 27	Nov. 12
Nov. 19	Nov. 26
Issue Dept.:	
Notes in circulation	593-3
Notes in banking department	36-9
Government debt and securities	626-3
Other securities	3-7
Silver Coin	0-0
Gold, valued at s. per fine oz.	0-2
Deposits:	
Public	27-1
Bankers	110-8
Others	50-3
Total	188-2
Banking Dept. Secs.:	
Government	137-3
Discounts, etc.	6-9
Other	23-9
Total	168-1
Banking depart. res.	37-8
" Proportion "	20-1

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £680 millions to £730 millions on August 20, 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; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Mellie Iran, of Nov. 23rd; Lithuania, of Nov. 30th, 1940; Egypt, of May 10th; Yugoslavia, of June 7th; Bulgaria, of Aug. 9th; Greece, of Aug. 23rd; Hungary, of Sept. 13th; International Settlements and Sweden, of Sept. 20th; Portugal, of Sept. 27th; Federal Reserve Reporting Member Banks, of Nov. 1; South Africa and Reichsbank, of Nov. 15th; Australia, Argentina, of Nov. 22nd, 1941.

U.S. FEDERAL RESERVE BANKS

Million \$'s	
	Nov. 21, 1941
12 U.S.F.R. BANKS	
RESOURCES	
Gold certis. on hand and due from Treasury	19,492
Total reserves	19,807
Total cash reserves	305
Total U.S. Govt. secs.	2,231
Total bills and secs.	2,243
Total resources	23,045
LIABILITIES	
F.R. notes in circ.	5,670
Excess m. bank res.	6,800
Mr. bank res. dep.	14,127
Govt. deposits	310
Total deposits	16,185
Total liabilities	23,045
Reserve ratio	90-6%
BANKS AND TREASURY	
RESOURCES	
Monetary gold stock	21,716
Treasury & bank currency	3,066
LIABILITIES	
Money in circulation	8,436
Treasury cash and dep.	2,498

RESERVE BANK OF INDIA

Million rupees	
	Nov. 14, 1941
ASSETS	
Gold coin & bullion	444
Rupee coin	303
Balances abroad	437
Sterling securities	1,315
Ind. Govt. rup. secs.	496
Investments	78
LIABILITIES	
Notes in circ.: India	2,194
Burma	113
Deposits: Govts.	130
Bankers	523
Reserve ratio	68-8%

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between Nov. 22nd and Nov. 28th. (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 (18-50) 16-85-95. **Argentina.** Peso (17-45) 16-95-17-15; 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.

Fixed Rates for Payment at Bank of England for Clearing Offices

Spain. Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). **Turkey.** Piastres (110) 520. **Italy.** 71-25 lire.

Market Rates

The following rates remained unchanged between Nov. 22nd and Nov. 28th.

Egypt. Piastres (97) 97½. **India.** Rupee (18d. per rupee) 17½-18½. **Hongkong.** 14½-15d. per \$ 28½. **Singapore.** \$ (28d. per \$) 28½-29½. **Belgian Congo.** Francs 176½. **Shanghai.** 2½-3d.

SPECIAL ACCOUNTS are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates

Forward rates for one month have remained unchanged as follows:—**United States.** 1 cent pm-par. **Canada.** 4 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 Nov. 22nd and Nov. 28th:—
 Bank rate, 2% (changed from 3% October 26th, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months, 1½%; 6 months, 1½%; 12 months, 1½%. Treasury Bills: 3 months, 1½%; 6 months, 1½%; 12 months, 1½%. Short loans, 1-1½%. Bank deposit rates 1½%. Discount deposit at call 1½%; at notice 1½%.

PRAGUE NATIONAL BANK

Million crowns	
	Oct. 23, 1940
ASSETS	
Gold	1,395
Foreign exchange	1,513
Other cash	776
Bills and securities	1,974
Advances	89
Other assets	5,805
LIABILITIES	
Note circulation	7,907
Cash certificates	961
Clearing deposits	1,390
Other liabilities	1,563

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s	
	Sept. 22, 1941
ASSETS	
Gold and stp. exch.	12-79
Advances to State	16-79
Investments	2-55
LIABILITIES	
Bank Notes	20-12
Demand liab.: State	5-57
Banks and others	15-71
Reserves to sight liab.	30-8%

NATIONAL BANK OF ROUMANIA

Million lei				
	Aug. 17, 1940	July 26, 1941	Aug. 2, 1941	Aug. 17, 1941
ASSETS				
Gold and gold exchange	31,816	33,605	33,611	33,821
Foreign exchange	2,102	13,366	13,472	13,699
Commercial bills	18,974	24,619	24,222	24,668
Treasury bills issued agst. losses on credits	4,404	4,060	4,060	4,068
Advances on secs.	5,619	5,483	5,461	5,465
State debt	3,566	3,548	3,548	3,545
Secs. and Participations	2,515	4,554	4,554	4,554
LIABILITIES				
Notes in circulation	59,322	81,861	82,752	83,801
Other sight liabilities	13,865	23,574	23,191	24,772
Long-term liabilities	3,092	2,680	2,704	2,777

THE WEEK'S COMPANY RESULTS

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Atkinson's Brewery	Sept. 30	118,667	...	69,967	175,213	11,950	24,000	10	45,000	34,017	126,726	94,026	10
Bristol Brewery Georges & Co.	Sept. 30	568,262	...	233,953	387,618	21,958	163,056	18	10,000	3,939	460,953	211,724	18
Campbell (Archibald) Hope & King	Sept. 30	54,412	750	25,375	39,744	3,850	10,500	17	10,000	1,025	48,223	23,655	15
Cheltenham Original Brewery	Sept. 30	138,372(c)	...	79,494	113,483	26,242	31,500	14	11,500	10,252	174,918(d)	68,020	16
Moors' & Robson's Breweries	Sept. 30	136,713	6,500	56,982	102,136	4,452	39,787	25	10,000	2,745	118,477	55,084	22
Preston Breweries Limited	Sept. 30	4,853	137	2,021	Dr. 2,839	...	...	...	...	2,021	1,813	Dr. 1,343	Nil
Starkey, Knight & Ford	Sept. 30	314,015	5,111	38,937	86,296	3,000	30,000	30	5,000	937	240,967	55,084	16
Stroud Brewery Co.	Sept. 30	238,252	11,986	62,075	78,138	4,690	42,936	17	14,000	449	176,262	92,652	17
Warwicks & Richardson's	Sept. 30	88,945	...	62,945	97,279	15,000	48,000	16	...	55	89,550	77,550	16
Coal, Iron and Steel													
Blackburn (Thomas) & Sons	June 30	38,584	...	8,116	11,434	2,002	3,900	6	2,500	286	37,138	10,997	6
Brown, Bayley's Steel Works	July 31	118,589	10,000	82,216	124,932	25,000	39,000	13	20,000	1,784	143,506	158,991	15
Financial, Land, &c.													
Anglo-Scottish Amalgamated Corp.	Sept. 30	24,817	9,439	8,498	44,403	...	8,498	6	...	...	19,189	12,372	6
Argentine Land & Investment	June 30	93,518	699	31,996	75,139	...	20,538	4	15,000	3,542	96,821	20,299	4
Rubber													
Anglo-Sumatra	May 31	39,995	2,307	7,740	10,290	...	6,000	7	2,000	260	23,451	5,770	7
Bantam (Java)	June 30	40,549	1,234	13,079	26,189	...	15,000	10	...	1,921	34,677	16,108	10
Buntar	June 30	23,901	106	7,663	9,217	...	7,125	6	...	538	19,449	8,047	6
Central Sumatra	June 30	30,317	2,000	7,613	16,659	248	7,258	7	...	107	22,753	6,230	7
Jong Landor	June 30	20,946	...	8,946	11,862	...	8,950	10	...	4	13,063	11,053	10
Kuala Kubu	June 30	8,610	...	3,110	6,965	...	2,500	5	500	110	6,004	4,277	10
Semenyih	April 30	14,552	...	5,816	15,957	...	4,467	18	1,000	349	13,772	4,529	12
South Perak	June 30	17,803	...	3,844	5,228	...	3,000	5	1,000	156	13,641	6,745	7
Sungei Matang	Dec. 31	13,501	...	5,865	7,189	...	4,500	7	1,000	365	6,652	3,727	5
Tebrau	June 30	51,430	2,500	12,400	21,057	...	10,312	12	2,500	402	48,018	10,060	10
Textiles													
Hoyle (Joshua) & Sons	Sept. 30	211,580	50,000	61,544	120,275	...	27,526	7	26,000	9,018	191,164	63,412	7
Kirkless Limited	June 30	113,261	15,000	25,822	37,891	...	20,000	8	5,000	822	141,445	25,347	8
North British Rayon	June 30	53,605	21,480	14,555	25,005	...	...	...	...	14,555	79,319	20,518	Nil
Trunks													
British & Continental Plantations	Sept. 30	6,037	...	1,267	3,548	...	1,110	5	1,000	843	5,580	1,348	Nil
Dundee and London Investment	Oct. 31	34,307	...	10,414	24,010	7,875	2,100	2	...	439	36,289	15,000	3
First Re-Investment	Oct. 15	18,879	...	11,159	16,281	7,641	6	...	...	3,518	20,463	12,193	7
Investors' Mortgage Security	Sept. 30	202,366	...	79,553	101,228	27,906	39,068	10	12,000	579	207,317	92,323	10
Scottish National	Sept. 30	103,866	...	30,178	66,659	15,000	8,267	4	...	6,411	109,512	37,855	5
Second Scottish National	Sept. 30	74,412	...	21,473	51,132	11,719	5,469	5	...	4,235	77,354	26,666	4
Viking Investment	July 31	66,339	...	63,130	92,277	181	24,587	15	20,000	18,362	36,389	31,930	15
Other Companies													
Acme Tea Chest	Aug. 31	84,989	2,500	13,597	33,238	5,775	7,125	7	...	697	89,030	42,287	12
Anglo-Iranian Oil	Dec. 31	5,826,191	625,000	2,216,309	3,179,460	1,071,234	1,006,875	5	...	138,800	4,951,964	2,415,108	13
Benger (Lewis) & Sons	July 31	129,470	11,000	73,470	197,742	28,000	36,909	7	...	8,561	179,734	120,734	13
Brett's Stamping Company	Aug. 9	25,826	6,602	15,345	27,130	600	9,000	15	5,000	745	32,716	21,532	15
Buroo Limited	Sept. 30	60,284	3,868	14,291	30,052	7,875	6,358	19	...	58	27,265	12,808	12
Carr & Co.	Sept. 30	65,583	10,000	46,291	50,482	19,500	24,000	8	...	2,791	61,929	47,606	8
Clydesdale Supply Co.	Mar. 31	19,048	1,505	2,841	13,133	3,363	1,150	8	...	1,672	19,556	5,222	7
Coronet Brick Co.	July 31	120	...	Dr. 7,875	Dr. 5,760	...	...	...	Dr. 4,000	...	...	1,117	Nil
Crabtree Electrical Industries	Oct. 31	65,003	...	63,672	83,337	8,969	54,750	17	...	47	75,119	73,701	17
Financial News	June 30	13,932	1,291	10,960	109,192	10,538	...	...	...	422	22,441	16,479	3
Foster Clark Limited	Sept. 17	129,613	...	81,944	142,316	7,500	70,000	20	4,000	444	95,460	77,781	3
K. & L. Timbers	June 30	45,814	...	16,798	20,161	16,084	10,350	2	...	2,786	24,117	12,851	20
Kolok Manufacturing Co.	Aug. 31	39,059	2,075	26,011	34,962	17,000	13,365	120	...	646	62,691	28,450	120
London-American Maritime Trading	July 31	8,862	...	8,077	8,413	1,965	5,399	12	...	1,113	9,500	9,500	15
Odson Theatres Limited	June 21	647,315	...	116,020(h)	190,681	99,789	...	...	...	22,231	477,493	150,284	Nil
Prince Line Limited	June 30	199,429	175,000	21,430	35,634	...	24,060	4	...	2,630	203,864	41,497	2
Rich (E.) & Co.	June 30	4,998	...	3,875	5,153	...	2,736	1	...	1,139	4,116	2,116	10
Scottish Assam Tea	Dec. 31	18,398	1,000	3,818	7,746	...	4,165	8	...	347	24,083	4,083	8
Ste Madeleine Sugar	June 30	73,344	...	29,988	65,905	...	27,983	4	...	2,005	19,951	6,124	Nil
Strand Hotel Limited	Sept. 30	65,000	...	65,000	85,346	45,000	16,100	7(k)	...	3,900	56,000	56,000	24(k)
Totals (£000's)													
Week to Nov. 29, 1941	53	10,606	979	3,880	6,316	1,489	1,994	...	219	9,235	4,330	...	...
Jan. 1 to Nov. 29, 1941	1,837	355,188	28,327	162,838	253,175	38,938	99,697	...	16,084	8,179	341,966	184,163	...

(c) After Provision for Excess Profits Tax. (d) Before provision for Excess Profits Tax. (e) Excludes £65,000 for Contributions under War Damage Act. (f) 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	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year
BANKS														
Imperial Bank of Iran	3%	...	...	Dec.15	3%	...	...	...	...	Imperial Tobacco (Canada)	10 cts*	...	...	10 cts*
MINING														
Nigerian Consol'd Mines	10†	25	...	20	...	...	...	...	...	Investors' Mortgage Security	7†	10†	...	120
Kent (F. M. S.) Tin	10*	...	...	Dec. 6	5*	...	...	...	...	Kolok Manufacturing	80†	120	...	15
Kleinfontein Est. Township	25*	...	...	20*	...	...	...	...	...	Lon-Amer. Maritime Trdg.	...	12†	...	15
Pahang Consolidated	20†	30	...	30	...	...	...	...	...	New-Hudson Limited	...	15	Dec. 9	20
Rhodesian Anglo-American	3†	6†	...	Dec.30	...	...	...	...	...	Redearn Brothers	20†	25	...	20
South Kalangul Consol'd	15†	...	...	...	15*	...	...	...	...	Scottish Investment Trust	...	4	...	...
South-West Africa Co.	5*	10	...	10	...	...	...	...	...	South African Breweries	15*	...	...	15*
Southern Kinta Consol'd	5*	...	...	Dec.17	5*	...	...	...	...	Spicers Limited	...	...	...	16†
TEA AND RUBBER														
New Dimbula Tea	9†	12	...	18†	...	...	...	...	...	Starkey, Knight & Ford	22†	30	...	9
Semenyih Rubber	12†	18	...	12	...	...	...	...	...	Stuttford & Co.	5†	9	Dec. 15	24
INDUSTRIALS														
Angostura Bitters	7†	10	...	5	...	...	...	...	...	Tetley (Joshua) & Sons	7†	12	...	6
Armistron Coal	...	17†	...	10	...	...	...	...	...	Third Edinburgh Investm't	4†	6	...	2
Australian Pastoral	4	...	...	5	...	...	...	...	...	Trans-Oceanic Trust	...	2	...	...
Avon India Rubber	7†	10	...	10	...	...	...	...	...	Twyfords	2*	...	...	Nil*
Boer (G.) & Rigden	4*	...	...	4*	...	...	...	...	...	United Kingdom Gas	2*	...	...	...
Benskin's Watford Brew'y	12†	18†	...	18†	...	...	...	...	...	Venezuelan Oil Concessions (Prof. and Ord.)	5*	...	Dec. 19	5*
										Weir (J. A.)	...	10	...	25

* Free of Income Tax.

OVERSEA WEEKLY TRAFFIC RECEIPTS

Name

The ROYAL BANK of SCOTLAND

To the ANNUAL GENERAL COURT OF PROPRIETORS, on Wednesday, 26th November, 1941

The Directors now submit to the Proprietors the annexed Abstract Statement of the Affairs of the Bank at the Second Saturday of October, 1941, with relative Profit and Loss Account, certified by the Auditors.

Dividend for half-year paid at Midsummer at the rate of 17 per cent. per annum, required	£361,250	0	0
Less Income Tax	180,625	0	0

It is now proposed to pay a Dividend at Christmas for the second half-year at the rate of 17 per cent. per annum which will require	£361,250	0	0
Less Income Tax	180,625	0	0

There has been written off expenditure on Bank Buildings and Heritable Property	£180,625	0	0
Carried to Pension Reserve Fund	£30,000	0	0
And added to Inner Reserves against Contingencies, the Balance of	30,000	0	0
	70,272	6	7

All the Bank's Investments are valued in the annexed State of Affairs at or under the prices ruling at the date of the Balance. The Directors record with deep regret the death of Mr. Robert Nevill Dundas, W.S., who had been an Ordinary Director from 1929. In virtue of the powers conferred upon them by the Royal Bank of Scotland Act, 1873, the Directors elected Mr. C. Augustus Carlow, Coalmaster, Leven, as an Ordinary Director. Mr. Carlow holds office until this Annual General Court only, but is eligible for re-election. The Governor, the Deputy-Governor, the Extraordinary Directors and the Senior Ordinary Director (Mr. Maitland) all retire at this time, and are eligible for re-election. Auditors also fall to be appointed for the ensuing year, and Mr. George James Gregor, C.A., and Mr. S. W. Murphy, C.A., offer themselves for re-election.

WILLIAM WHYTE,
Cashier and General Manager.

ABSTRACT STATE OF AFFAIRS, at 11th October, 1941

						LIABILITIES.	
1.	DEPOSITS WITH ACCRUED INTEREST AND OTHER CREDIT BALANCES	...	...	...	...		£82,007,146 0 5
2.	NOTES IN CIRCULATION	...	...	...	...		4,602,641 0 0
3.	DRAFTS OUTSTANDING	...	...	...	...		1,019,662 13 7
4.	ACCEPTANCES AND INDORSEMENTS OF FOREIGN BILLS AND OTHER OBLIGATIONS	...	...	...	...		2,077,186 15 1
5.	CAPITAL	...	...	...	...		£89,706,636 9 1
6.	RESERVE	...	...	...	...	£4,250,000 0 0	
7.	PROPOSED HALF-YEAR'S DIVIDEND PAYABLE AT CHRISTMAS (LESS INCOME TAX)	...	...	...	...	4,125,965 5 10	
		...	...	...	...	180,625 0 0	
							8,556,590 5 10
TOTAL LIABILITIES							£98,263,226 14 11

ASSETS.			
1. GOLD and SILVER COIN, BANK OF ENGLAND NOTES, NOTES of other Banks, and CASH with Bank of England and other London Banks	...	...	£9,946,381 15 10
2. MONEY of London at Call and short notice, and Cheques, etc., payable on demand, in hand, and <i>in transitu</i>	...	...	8,328,124 1 5
3. BRITISH GOVERNMENT TREASURY DEPOSIT RECEIPTS	...	...	6,500,000 0 0
4. BRITISH GOVERNMENT SECURITIES, and Securities guaranteed by British Government	...	...	34,765,819 8 2
5. DOMINION and COLONIAL GOVERNMENT SECURITIES, BANK OF ENGLAND STOCK and CORPORATION STOCKS	...	...	1,366,453 14 6
6. Other Securities	...	...	515,353 10 3
7. Williams Esdaile's Bank Ltd. Shares—1,562,500 "A" Shares of £5 each, £1 paid, and 312,500 "B" Shares of £1 each, fully paid	...	...	£61,421,932 10 2
8. Glyn, Mills & Company £1,060,000 Stock	...	...	3,093,750 0 0
9. Bills discounted (of which £1,740,000 British Government Treasury Bills)	...	...	2,800,000 0 0
10. ADVANCES on Cash Credit and Current Accounts	...	...	3,024,395 9 2
11. Loans on Stocks and Securities	...	...	25,926,630 11 8
12. BANKING CORRESPONDENTS and other Customers for Acceptances and Indorsements and other Obligations, <i>per contra</i>	...	...	799,436 2 8
13. BANK BUILDINGS (partly yielding rent)	...	...	2,077,186 15 1
14. PROPERTY yielding rent	...	...	380,121 12 1
15. FREEHOLD PROPERTIES in London (partly occupied by Bank and partly yielding rent)	...	...	174,773 14 1
	...	...	565,000 0 0
			36,841,294 4 9
			£98,263,226 14 11
		TOTAL ASSETS	

PROFIT AND LOSS ACCOUNT

To Expenditure on Bank Buildings and Property written off	£30,000	0	0	By Rest at 12th October, 1940	£4,125,965	5	10
" Pension Reserve Fund	30,000	0	0	" Net Profits after deducting expenses of management at Head Office and 228 Branch Establishments, allowing for rebate on Bills Current and providing for Income Tax, National Defence Contribution and all bad and doubtful debts	491,522	6	7
" Dividend for half-year, paid at Midsummer, less Income Tax	180,625	0	0				
" Dividend for second half-year, to be paid at Christmas, less Income Tax	180,625	0	0				
" James Reserves against Contingencies	70,272	6	7				
" Balance, being the Rest or undivided Profits, carried forward	4,125,965	5	10				
	£4,617,487	12	5		£4,617,487	12	5

D. SPEED, Chief Accountant

AUDITORS' REPORT

As Auditors appointed by the Proprietors of THE ROYAL BANK OF SCOTLAND, we have checked the Cash on hand at Head Office, Glasgow and London (City Office), the Cash with London Bankers, the Securities for money at call and short notice, the Government Securities and other Investments, and examined the details of the other Assets and of the Liabilities set forth in the foregoing Abstract State of Affairs; and we now certify that in our opinion said Abstract State is a full and fair Balance Sheet, properly drawn up, and exhibiting a true and correct view of the state of the Bank's Affairs, as shown by the books, at 11th October, 1941.

Edinburgh, 11th November, 1941

GEO. JAMES GREGOR, C.A., Auditor.
S. W. MURPHY, C.A., Auditor.

THE ECONOMIST

Vol. CXLI

DECEMBER 6, 1941

No. 5128

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Target for Tomorrow

THE crisis of manpower has become acute. The Government's plans, announced this week, are intended to allot a station in war work to every man and every woman. Apart from married women, there are no untapped sources of extra labour left of any size ; and the pressing duty, while these changes upon those already employed are being rung, will be to make sure that no hands and no brains are wasted in the Forces, in the Civil Service, or in the war factories. When the last round up is being made in civilian occupations by the new manpower boards—with the limitation of supplies, the policy of concentration and the menace of bankruptcy to squeeze their victims—there will be no small danger that, perforce, labour will be more economically used in non-essential work than in essential. In 1942, the efficient use of labour in national service and in war work will be more crucial than its enlistment ; and the overriding need will be to comb out the war effort itself continuously.

It is no surprise that this crisis has come. It was always plain that the supreme bottleneck in these tiny islands in total war would be manpower; and the fall of France and Hitler's conquest of western and central Europe made it doubly sure. The shortage was delayed, it is true—by the slow progress of the British war effort. A year ago arms output was pinched, not by lack of numbers, but by unambitious planning, by the want of new factories still in building and by the threatened dwindling of material supplies; much more important than the shortage of ships to bring in imports was the shortage of dollars to buy them with. In March this year, the scene was transformed. The German attack on shipping was at its peak, admittedly, but the passage of Lend-Lease by the United States Congress reopened the ocean gates to materials; and a new and extended "budget" for war production brought the Cabinet's programmes nearer to the nation's manufacturing capacity. Not only was a growing proportion of America's 130 millions of population freed by Lend-Lease to aid in their factories the 48 millions of the United Kingdom—and the 20

millions of the white populations of the belligerent Dominions—against the enslaved 210 millions of German Europe. The corollaries of Lend-Lease—air and naval surveillance by the United States navy on the Atlantic and the use and arming of American merchantmen—have also brought American manpower into the shooting war.

But fighting remains, with war work, the principal prerogative of British manpower. The target of this week's "extension of the obligation to national service" is to man and equip great armies. It was officially defined by Lord Moyne in October:

Although the Armed Forces, men and women together, including full-time ARP workers, will next year be about the same as at the end of the last war, figures for those employed on munitions production will be just about double.

Mr Churchill made it still plainer on Tuesday. The arms factories and war plant are now ready, or will be this winter, to supply, with the contribution of the United States, armies on guard at home, in the field, in the Middle East and India ; the Royal Air Force, which will expand most of all ; and the Navy. This country is in the Third Stage of Armament when a great quantity of weapons is at last being produced ; efficiently manned, it can move to the Fourth Stage, which Germany has been in for two years, when all that are wanted can be made. The United States is still passing through the Second Stage, the phase of planning and preparation, when relatively few weapons are produced ; and aid to Russia must retard the flow of American supplies to Britain. For another year, the two tasks of warfare and production are mainly ours. That is why the time has come to throw in our reserves of man-power as we threw in our reserves of dollars a year ago.

It is not a question now of calling the idle to work, though even the most minute remaining pockets of idleness require ruthless pinching-out. Nor is it now a question of surrendering luxuries. It is rather a question of treating as luxuries goods and services—especially ser-

vices and, above all, domestic services—which are normally regarded as necessities. War economy has already put a term to most idle and luxurious living; and the bottom of the reservoir is in sight. The problem now is to make certain that the best use is made of the men and women already in work; and the keynote of the Government's plans is transfer and substitution. Every man and woman, wherever possible, will be promoted nearer to the front line. The backbone of the new policy is the abandonment, by monthly stages, of the schedule of reserved occupations which, by rule of thumb, sorted manpower into sheep and goats, soldiers and civilians, and allowed many indispensable individuals to be swallowed by the Forces, while less useful men were labelled untouchable. The test now, for men and women, will be twofold: whether the jobs they are doing are essential and whether they, individually, are irreplaceable in them. It is the policy of individual reservation which has been called for by some ever since England's war-making became more than a sideline; and it will be applied by manpower boards.

It may be argued that, once again, Ministers have moved too late; that the translation of general industrial registration into effective mobilisation by training and transfer on a large scale should have preceded, and not accompanied, the bottleneck; and that to rely upon the restrictive effect of war economy to press men and women, by unemployment and haphazard bankruptcy, into their right war work was naïvely optimistic. These strictures stand; but now that the process of registration and scrutiny is to be applied to young persons over 16 years of age, to women between 20 and 41 and to men between 18 and 51, the question is rather whether the policy is again, not too late, but too little. Will the workers be brought forward?

Compulsion will now be applied to unmarried women between 20 and 30, mainly to fill 170,000 vacancies in the ATS, but also for civil defence and filling factories; and it will be extended to men between 40 and 51. Conscripts have no choice. They must serve in some war work, and it will be the duty of the tribunals to see, not only that these young women and older men are summoned to the Services as substitutes in static and sedentary posts to free men for the front, but also—which should not be forgotten—that none is taken from essential work to less useful service. It is the area outside conscription (which still applies directly only to the Services) that is most problematical. The crucial task in this, the tightest and most strained stage in manpower policy, is to ensure that those who are not conscripted are directed for certain, with no chance of wastage or evasion, into essential work. Industrial conscription is still avoided, because of opposition by the trade unions; but, conscription or no conscription, the obligation must be surely

laid on every available citizen to do war service; it is the end, not the means, that matters. Compulsion for the Services is not to be applied to wives, and wives with serving husbands or household duties are not to be asked to work away from home.

Nevertheless (as Mr Churchill said) it is in this great field of married women or women doing necessary household work, comprising about 11 million persons, that we see our largest reserves for industry and for home defence in the future.

The test must be, not marital status, but availability and mobility. It is the amenities of home life that must now be eaten into to furnish the war effort with more workers; and the obligation to work must be imposed, as a democratic duty, upon wives without full-time family cares, no less than upon men and spinsters. There must be no escape for young or old, male or female, no privilege, no discrimination, no favour. Manpower is too scarce; and the free women citizens of this country will surely ask no less. The first task is to make ready their places, part or whole time, the second to bring them in, with every care for their welfare, their dependants and their conditions of work.

The doubts about the new plan, then, are about its administration; is the net tight enough? As it stands, it is entirely welcome. To move every available man into the front line of fighters or workers, and to fill his place in the forces, in industry or in business by an older man or a woman, is the common sense way to sharpen the spear against Hitler. But caution is called for. Posts in or near the front line are not sacrosanct; if they are needless or overmanned, in the Services, the Government departments or the war factories, they too must be combed and cropped. Nor is every post in the rear to be lightly abolished. There must be a balance. "If all the efforts of everyone were devoted to making war (the Prime Minister pointed out) there would be no food or fuel, no transport or clothes"; there are jobs outside the Services and the war factories which are essential or which, until an even greater extremity than the present has appeared, are indispensable, and many women in their homes are "ministering to the needs of the active population."

The fair and efficient solution is very simple. It is to judge every job, military or civilian, every case of every individual, every home and every business on its merits—and the new plans may mean just this. The men and women needed must be forthcoming; that is the overriding consideration. It is gain, not loss, to England that the roll of democratic duties has been thus broadened and deepened; but it would be a grievous loss if this vast mobilisation were permitted to run to waste in swollen regiments, inefficient workshops and overstaffed offices. Men and women must be saved, not squandered.

Dirty Work at the Crossroads

JAPAN is proving even more adept than Italy in the art of pre-belligerency. The hour of destiny is always about to strike. Historic decisions are for ever about to be taken. Every phase of emergency is achieved until it seems that no further move is possible in any direction save that of war. Yet again and again the nation is checked on the brink of the final choice. Its leaders halt under the signpost and take counsel. They reiterate that Japan is, indeed, at the crossroads, but they show an obvious hesitation in advancing down any of the diverging roads.

This time it has seemed as though conflict were inevitable. The whole Far East is lying under the dark shadow of immediate war. In Hongkong, all British troops have been recalled to barracks, and those who would not be on duty during hostilities have been advised to leave at once. Large Imperial reinforcements have arrived in Burma. In Singapore and the whole of Malaya, a "state of emergency" has been declared, all British troops are at their war stations and all reservists have been called up. Australia, too, after a meeting of the War Cabinet,

is at its war station. Thailand is calling up reservists, and in the Dutch East Indies the army and air force have mobilised. This picture of Allied preparedness is completed by the appointment of Sir Tom Phillips to be Admiral in Command of the Eastern Fleet and the arrival of the *Prince of Wales* at Singapore.

The week-end hitch in the Washington talks between the United States and Japan was responsible for this sudden deepening of the crisis. Several points in the story are still far from clear. For example, judging by the latitude and exploratory character of Mr Kurusu's mission, there seemed to be no particular reason why the basic disagreement latent in the two Governments' approach should have come to light at this particular moment. For whatever reason, the news that President Roosevelt had called the ABCD Powers into consultation was followed immediately by reports of a suggested "truce." Japan would guarantee to remove her troops from the frontiers of Thailand and possibly even from Indo-China, and would moreover undertake to "do nothing" for the period of

the truce—alleged to be three months. In return, the ABCD Powers would resume more normal trading relations with Japan by relaxing the freezing measures. The suggested truce was, in short, as pretty a piece of appeasement as one might hope to see.

In the first version of these reports the authorship of the plan was ascribed to the United States' Administration—though even the State Department's rather pacific record in its dealings with Japan hardly made it credible. This possibility was, however, quashed by the official announcement that an American note to Japan had re-stated, as the only basis for an agreement, the principles first laid down in Mr. Cordell Hull's Memorandum of July 16, 1937, in which the Administration's attitude of July 16, 1937, in which the Administration's attitude towards aggression, the violation of national rights and the infringement of treaties was expressed in unmistakable language.

These first rumours were followed, in the American Press, by attacks upon the British Government for having suggested the truce. It is hardly credible that, after so long and so futile an attempt to make appeasement work both in Europe and the Far East, British statesmen should be willing to give the discredited policy yet another opportunity. The rumours are quite unsubstantiated; indeed, the officials in Washington have gone out of their way to state that the American and British Governments are working in complete harmony. It can therefore be assumed, as well as profoundly hoped, that the whole "truce" episode was a Japanese canard, an attempt to serve the double purpose of sowing confusion in the hostile coalition and of putting out the terms on which they hoped to secure the much-needed breathing space for the replenishment of their war supplies. The attempt has been a failure. The ABCD Powers have accepted the United States' lead, and President Roosevelt has given expression to the new vigour in the policy of the democracies by officially demanding from Japan an explanation of the Japanese reinforcements in Indo-China.

For the democracies this is clearly the only policy to follow. Now and in the coming months of crisis they must preserve and strengthen their front, adding to it Russia, and hold with absolute determination to the principles of the Cordell Hull Memorandum:

We advocate national and international self-restraint. We advocate abstinence by all nations from use of force in pursuit of policy and from interference in the internal affairs of other nations. We advocate adjustment of problems in international relations by processes of peaceful negotiation and agreement. We advocate faithful observance of international agreements. Upholding the principle of the sanctity of treaties, we believe in modification of provisions of treaties, when need therefor arises, by orderly processes carried out in a spirit of mutual helpfulness and accommodation. We believe in respect by all nations for the rights of others and performance by all nations of established obligations. We understand for the revitalising and strengthening of international law. We advocate steps towards the promotion of economic security and stability the world over. . . . We avoid entering into alliances or entangling commitments, but we believe in co-operative efforts by peaceful and practicable means in support of the principles hereinbefore stated.

This document precludes any "arrangements" with Japan at the expense of China, of Thailand, or of the Maritime Province of the Soviet Union. It precludes any settlement which is not based on the total restitution of China's rights, including the withdrawal of the Japanese Army from Manchuria. It does not preclude subsequent negotiation with Japan, to meet the country's special difficulties and to modify existing treaties. All it does is to repudiate everything Japan has done by force since 1931, and the peace-loving Powers should make this point the bedrock of their joint policy in the Far East.

The Hull Memorandum is only a statement of general principles, most of which have been violated since 1931 without there being, until recently, any noticeable repercussions or cutting off of military supplies on the part of the ABCD Powers. Thus it is not enough simply

to reiterate the principles now. They must be given teeth. Japan must be convinced that, whatever the generals and admirals decide to launch the next blow, in Vladivostok, Yunnan, Thailand, Singapore or the Dutch East Indies, the united resources of five nations will be thrown into the struggle against it. At the same time, the staff talks, the co-ordination of effort and supplies which such a front requires to become anything like effective must be carried out with all possible speed. Japan has, after all, spent long enough at the crossroads for the democracies to have mounted their big guns on the road ahead. The report that 100 American aircraft, manned by American pilots serving in the Chinese army, will constitute a fighter patrol over the Burma Road, is an encouraging example of what co-operation and co-ordination could do to strengthen all the weak points along the Far Eastern front.

The decision of peace or war does not lie with the ABCD Powers, unless they beat an appeasing retreat. It



lies with the gentlemen at the crossroads, and it is by no means certain that their decision will be for immediate war. General Tojo has coupled fierce denunciations of British and American policy in the Far East with the announcement that, however great the gap between the Japanese or American standpoint, the Washington talks will continue. Admiral Nomura has gone so far as to say: "It is a question of war or peace, but war would not help and there is no reason why we should not settle these issues by diplomacy." Most of the evidence points to Japanese caution and to a desire to play for time. Germany's reported request to the Japanese to hold on until February, by which time Russia will be under the necessity of withdrawing its Far Eastern Army, is about as true or false as such reports generally are; but it is not certain that Japan has nothing to gain by playing for time. The turn of the battle in South Russia suggests patience and caution and Japanese statesmen have not always been lacking in either.

Thus it is possible that, in spite of the recurring crises, Japan and the Far East are in for quite a long spell at the crossroads. The ABCD Powers have nothing to fear from the lull, provided they use it to pool their resources and concert their policy against the final day.

Finance and Wages

FOR those who believe in the democratic process, one of the most encouraging features of the past two years has been the readiness of the general public to learn the basic lessons of war economics. The lesson has, perhaps, not been learned perfectly; but at least if the trend of discussion in this war is compared with the last, the improvement in realism and logic is beyond question. One of the central doctrines that has been accepted is that, in wartime, finance plays a minor rôle. In peace, money plays an invaluable double service as incentive and reward, as director and discriminator. But in wartime these functions are taken over by the conscious action of the State. There are other incentives, and even other rewards; direction comes from the organs of the State and discrimination is transmuted into priority. Finance can do very little either to win or to lose a war; its opportunity for service is as a lubricant for wheels which derive their driving force elsewhere. This is, of course, a doctrine for wartime only. In any peacetime community, other than a wholly planned and compulsorily directed one, finance will resume its normal functions—or perhaps it would be safer to say most of its normal functions, for the tendency of the modern age is undoubtedly towards some diminution of the power of finance.

This order of ideas, in both its wartime and its peacetime connotation, has come to be associated with the phrase "the humbug of finance." Like so much else of the convenient currency of economic discussion, the phrase was invented by Mr J. M. Keynes; but *The Economist* can claim some secondary credit for popularising the phrase—it was the title of an article in the issue of May 3, 1941. As so often happens, however, the idea is being carried, in general discussion, far further than its originators ever intended. Much of the current discussion is based on the premise that money does not matter at all; that the national economy can be kept on an even keel by non-monetary controls, irrespective of the quantity of money in existence or even of the total of money incomes; that it does not matter how much money people have in their pockets, so long as they cannot exceed their rations. True, nobody has yet carried the argument quite so far as to suggest that it is safe to abolish all taxation and govern by the printing press. But some of the current arguments differ only in degree, not in kind, from this ultimate absurdity. It is, for example, being increasingly urged that there is no sound economic argument against a general increase in wages, since it cannot lead to increased spending. And if it is asked why, in that case, there is any desire to have higher wages, the answer is given that it is to make sure of a larger slice of the national income when spending begins again after the war.

All this is, of course, a very far cry from the ideas that "the humbug of finance" was originally intended to connote, as can be seen from the article of seven months ago to which reference has been made. At that time, the argument went no further than to urge that, when real and monetary considerations came into conflict, the real should prevail. In innumerable instances, the mobilisation of men and materials for war—a real objective—is hampered and impeded by the natural unwillingness of individuals to be driven into bankruptcy and by the no less natural unwillingness of the State to discriminate so severely against those who are unlucky. It was further argued that, since sacrifices will be readily imposed and willingly accepted only if they are fairly distributed, finance can properly be used to this end—the War Damage Act is an admirable example of finance imaginatively used. But though a case was thus made for a wider extension of the principle of compensation for losses suffered, it was made perfectly clear that the compensation would normally be payable only after the war was over. And so far from a case being made for using finance to change the post-war distribution of wealth, the

basic argument was that financial policy should be so conceived that "when the war was over the pre-war distribution of activities and consumption could be recreated." Finally, it was made clear that, though theoretically attractive, a complete detachment of money incomes from real activities was impracticable.

These former arguments have not been recalled in any attempt to establish a copyright over a phrase, or even over an order of ideas, but merely to demonstrate how far the sound interpretation and the unsound interpretation of a single basic idea can diverge. In current discussion, the discounting of financial considerations is running to excess. To argue that finance should not be dominant is not to argue that it should be disregarded. If in the first eighteen months of the war it was necessary to insist on the paramountcy of physical quantities and real efforts over monetary measurements and financial devices, it must now be insisted that the revolt from finance has gone too far and, if it is not checked, will lead, not indeed to military defeat, but to social disorder. Even in Nazi Germany, where the physical, or non-monetary, policy has always been carried far further than in Britain, it has been found necessary to take steps to absorb some of the plethoric purchasing power. The former doctrine was that the Nazi structure of rationing schemes, restrictions and prohibitions was so complete and so strong that no particular care need be taken either to tax incomes away or to induce savings. But this is now seen to be too logical for practice, and in the last few weeks, as was described in *The Economist* last week, the Nazis have turned to higher taxes and to what virtually amounts to compulsory savings.

In Great Britain, where the controls are much less complete and the sanctions behind them infinitely less severe, there is all the greater need for limiting, so far as possible, the loose purchasing power in the hands of the public. It is as foolish to imagine that the problem of preventing inflation (using that well-worn phrase as a symbol for the whole problem of preserving the national economy from a greater and more damaging degree of distortion than is absolutely unavoidable) can be solved by physical restrictions alone as that it is a task for monetary devices only. For those who have eyes to see, there is plenty of evidence of purchasing power spilling over the dam that has been built to contain it. It is true that the cost of ordinary living has been stabilised with substantial success—or that it had been stabilised until the recent increases in food production costs, which Mr Hudson says are going to be put on to the consumer—and that there is no widespread, flagrant profiteering by the ordinary trader, which was such a scandal in the last war. But there are plenty of signs of suppressed inflation—without there being any need to go to the black markets (which are probably still small) to find them. In a full war economy, any market which is legal but uncontrolled and comparatively unrestricted can be called a grey market, and the grey markets, of all shades from off-black to off-white, flourish exceedingly. Department store sales, in spite of restrictions, are excellent, and expensive durable merchandise, in the peculiar circumstances of wartime, is selling much better than hot cakes. One large store in London can sell suites of furniture costing over £500 in greater numbers in one week than in one or more months before the war. Such markets as those in race-horses and antiques are booming. And every article of popular consumption which is not rationed is demanded in very large quantities. Is it, for example, to be supposed that the enormous wartime demand for tobacco reflects a national attack of nerves—or a plethora of pocket-money?

Manifestly, the dam leaks and consumption is increasing wherever it is not held back. One leak is the black market. Another leak is the ability and willingness of the propertied classes to spend out of capital. But both

of these leaks are probably very small. The big leaks are four. First, the fact that it is still possible for a smart man to make capital profits, which are not subject to taxation. Secondly, the fact that small one-man trading businesses escape EPT. Thirdly, the fact that, under the stimulus of EPT, unnecessary business expenses continue and even increase—as witness the waste of paper in the trade journals on the advertising of unobtainable goods. And, fourthly, the fact that the cash incomes of the wage earners are very substantially above their pre-war level. This is unquestionably by far the biggest leak—the only one that affects a whole wide class of the population, since the spending of income-tax payers and business firms has, in general, been very completely controlled. It is pure romanticism to suggest that increased incomes for the wage-earner will not be spent—or to believe that the hard-headed British working man wants more money solely because of its benefits in the hereafter and not at all because of its value at present. It is still true that the possession of more money makes more consumption possible. So long as that remains true, it will be necessary, in wartime, to limit the amounts of money that get into the pockets of the public.

The argument can be carried still further. Even if the wartime controls of consumption were completely watertight, it would be a mistake to permit a general raising of incomes to permanently higher levels. To do so would

merely be to ensure that the inflation came when the controls were removed—or, alternatively, to ensure that the restrictions were never abolished. To suggest a wider policy of compensation, looking to the non-recurring replacement of their capital losses by those individuals who have been singled out by chance for misfortune is one thing; to work for a permanently larger stream of purchasing power is an entirely different matter. And when the suggestion is, not that the general level of incomes should be so increased, but the incomes of half the community—with the deliberate intention of stealing a march on the other half—it has the added disadvantage of inviting a competitive scramble for position in the post-war race. Once again, to suggest that the power of finance should be used to prevent arbitrary inequity during the war—to prevent anyone's attention being distracted from his war effort by "the additional bitter burden of being discriminated against by accident"—is one thing; deliberately to create these discriminations is another.

A crop of demands for wage increases is up for settlement at the present moment, and if the decisions go in favour of the workers, there will be a further crop to come. There is undoubtedly a case in power politics for these demands—that is to say, the unions are in a strong position. But there is no case at all for saying that the effect of granting them would be other than harmful to the stability of the national economy.

NOTES OF THE WEEK

Socialist Bargaining

There was one unfortunate aspect of the manpower debate. Mr. James Griffiths, speaking from the Labour front bench immediately after the Prime Minister (and it has since been made clear that he was speaking for the Parliamentary Labour Party), gave it as his opinion that "the situation in Europe and the world convinces us that powers of this kind are essential." But he proceeded to enumerate a list of other measures which were also essential; and it appears that Government acceptance of this list of proposals is to be made a condition of Labour support for the forthcoming Manpower Bill. The list includes an increase in service pay and dependants' allowances; more generous pensions; treatment; more drastic control over industrial operations; and public ownership of "all munitions factories," the rail- and transport industries and the coal mines. Some of these items will win general agreement—increased dependants' allowances, for example. The effect of more drastic control over industrial operations would depend entirely on the nature of the control; there is a crying shortage of competent managerial skill at present, both in public and private service, and it must not be imagined that "more state control" by itself will make a tithe of difference. On the other hand if, as Mr Griffiths hinted, the phrase means that the controls should be taken out of the hands of the vested interests, it would, as *The Economist* has often insisted, mean a great gain in efficiency. The nationalisation of transport and the mines might well do good, though in the former case the benefit could hardly be expected to be sensational. The nationalisation of "all munitions factories" is, in present circumstances, a meaningless phrase. But considered on its merits, Mr Griffiths's list is not unreasonable.

It is not, however, to be considered on its merits. It is a bargaining counter, a threat, an irrelevant *quid pro quo* for a measure which Mr Griffiths admitted to be necessary. This sort of tactics simply will not do in wartime, and the Prime Minister should set his face very firmly against it. Let Mr Griffiths's proposals by all means be considered—but after the Manpower Bill is passed, and without any prior commitment. If there is to be bargaining, the point must be made that, in this war, Property has already conceded far more than Labour. Its income has been drastically reduced; Labour's has been increased. Its post-war prospects have been treated with the scantest consideration—not even with the promise of a Restoration of Practices Act. The Manpower Bill does not impose on Labour conscription more drastic than has been imposed on Property; it merely applies to Labour the treatment already, in effect,

accorded to Property. All through this war, there has been more difficulty in budging the Left by an inch than the Right by an ell, and it is already becoming apparent that the major obstacles to any really far-reaching post-war reconstruction will be among the vested interests of the Left rather than of the Right. This is a matter of principle. It is to be hoped that the Labour Party will withdraw their threat. Mr Attlee himself has asked them to. But if he fails, there must be a proof that, even in wartime, minorities cannot dictate.

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The First Retreat

For the first time in the Russian campaign, a Russian counter-attack has been able to develop into a sizeable counter-offensive. The armies which swept the Germans out of Rostov have pursued them along the coast to Taganrog and perhaps beyond, while thrusts into territory occupied by the Germans in the Donetz basin threaten the flank of the retreating army. There is just a chance that a large body of troops may be encircled. The mere fact of forcing a German retreat is in itself the best news of recent weeks. But the importance of the Russian success is heightened by a variety of military and strategic considerations. First and most obviously, the Germans have suffered a severe setback at the beginning of their offensive on the Caucasus. The capture of Rostov was confidently announced as the preliminary phase in a quick campaign to secure the Caucasian oilfields, and the difficulties of widespread winter fighting on the other fronts suggested that the Germans intended to concentrate on their southern objectives. Another very encouraging feature is the evidence this counter-offensive presents of the resilience and reserves of the Russian army. Nowhere was retreat so quick and catastrophic as in this sector. Nowhere, therefore, did it seem more difficult to rally and reorganise the Russian forces. Not only has Marshal Timoshenko achieved this remarkable feat. He has gone further and forged an effective striking force out of Budenny's demoralised men. The break through in the south must almost certainly have a favourable effect upon the course of the Moscow campaign. Here the hardening ground is assisting the invader, and after a week of local actions it looks as though a new drive were imminent. It can hardly come with the force it might have achieved had the southern front held firm. Now the question of relieving Kleist's hard-pressed armies must arise, and the problem of diverting reserves from one front to another is fearsome indeed on a line the length of the German line in Russia. Every ounce of material and manpower is needed to put the greatest possible punch into

new drives on Klin or Stalinogorsk. Any diversion will weaken the punch and weaken the prospects of effectively encircling Moscow.

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Libya: No Decision

Comment is difficult on a battle whose fortunes change from hour to hour. In the course of this week's fighting in Libya, the main events were the closing of the gap between British forces in Sidi Rezegh and Tobruk; the creation of a strong diversion eastwards by General Rommel when a German armoured column crossed into Egypt, there to be split up and heavily engaged by British frontier forces; new attacks upon the Libyan "corridor" by Germany's remaining armoured units; and a break-through by the German 15th Armoured Division from the west to Sidi Rezegh, which, by joining up with the 21st Armoured Division, re-established contact between Rommel's forces inside and outside the British ring. Sidi Rezegh has already changed hands half a dozen times, and the new situation only represents a temporary position in the perpetual flux of the battle. The final issue turns on supplies. It is believed that Rommel has been unable to bring up any fresh mechanised units. He is fighting to the last tank with what remains of his original three divisions. Reports from Cairo suggest that the reinforcement of the British forces is going on and that the loss of Sidi Rezegh must not be looked on as anything but a temporary setback. Complete superiority in the air has certainly been achieved from the start, but an interesting and perhaps disturbing feature of the campaign is the small extent to which air superiority has proved in any way decisive in this battle of tanks. Possibly the aircraft available are not equipped with the fire power necessary for effective attacks on tanks. However, the course of the Russian war points in the same direction, to the supremacy and therefore to the supreme importance of the tank. Air power will not settle the issue in Libya. Reinforcements will. Thus the operations of the Navy in the Mediterranean, both for landing supplies at Tobruk and for preventing the despatch of Axis supplies to Tripoli or Benghazi, are an integral part of the campaign. The forces commanded by Captain Agnew in the cruiser *Aurora* have had a number of notable successes, sinking two supply ships carrying artillery and fuel as well as a large destroyer. The fate of the whole campaign will depend upon their ability, in co-operation with the RAF, to keep the guns and the tanks away from Rommel.

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American Price Control

As was to be expected, the settlement of the strike in the "captive" coal mines has had a sympathetic effect on other labour troubles. The threatened railway stoppage is not to take place, and the agitation in Congress for anti-strike legislation is less violent. It has not, however, ceased, and a Bill is under discussion which would impose a compulsory "cooling-off" period. On other sectors of the anti-inflation front, the news is not good. The House of Representatives has, it is true, passed a Price Control Bill, but a coalition of Republicans and Conservative Democrats succeeded in emasculating what was never a very strong measure. Price ceilings are to be fixed commodity by commodity, not in blanket fashion. And as if this did not present enough opportunities for wire-pulling, the decisions of the Administrator are to be subject to a five-man Board of Review. Enforcement has been made more difficult by removal of the provisions that would have empowered the Administrator to issue and withhold licences. Wage rates are not to be fixed at all, and farm products are subject only to the so-called "rubber ceiling"—that is, they are not to be fixed below (a) 110 per cent of "parity" (itself a moving concept); (b) the actual prices ruling on October 1, 1941 (which averaged 135 per cent of parity); (c) the average prices of the twenty years July 1, 1919, to June 30, 1939. This, of course, is not a Price Control Bill, but a practical joke. It is lucky for the democratic cause that the outcome of the war does not hang on what happens to prices in America. What is perhaps rather more disturbing is to witness the relaxation of two brand-new restrictions on civil activity that were imposed in the interest of higher war production. The 30 per cent curtailment of civilian power consumption in six south-eastern states has been

postponed, and the restrictions placed on the use of lead and tin foils in packaging have been suspended for 30 days. There may be good reasons in either case—or there may merely have been irresistible pressure. Unlike the course of prices, the restriction of civilian use of scarce resources in the United States does have a direct and immediate bearing on the military prospects of the war.

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Rt. Hon. Box or Cox?

The expedient of appointing members of the War Cabinet to crucial posts abroad has, in general, been welcomed by *The Economist*. In peace or in war, the special relations between Britain and the United States of America, at this juncture in the world's history, call for the presence in Washington of a member of the nation's innermost councils. In Cairo, Mr Lyttelton's organisation, which as Minister of State he described to Parliament during his recent visit to London, is simply a reflection or microcosm of the War Cabinet; and Mr Lyttelton is appropriately, by his office and by his personal qualities, a Cabinet Minister. Now it appears, from an answer in the Commons by the Lord Privy Seal, that neither Lord Halifax nor Mr Lyttelton is a member of the War Cabinet while on duty abroad; only when they return to this country, it seems, do they resume their Cabinet functions and responsibilities. This emerged from the question why the name of Lord Halifax is omitted from the list of the War Cabinet printed in *Hansard*, and Mr Attlee could not explain why Mr Lyttelton, unlike Lord Halifax, was included; he said their cases were on all fours. The point may be quite academic and merely one of verbal definition; and it is obvious that neither of these gentlemen can be in Washington or Cairo and London at the same time. But it is surely important to know whether or not the Ambassador in Washington and the Minister of State in Cairo are really members of the War Cabinet, fully responsible with their colleagues for their conduct—as has hitherto been generally assumed. The statement that Lord Halifax and Mr Lyttelton only become Cabinet Ministers when they land in England—somewhat similarly to the way in which Mr Menzies, as Australian Prime Minister, "sat in" at Cabinet meetings during his stay here—makes nonsense of the new conception of the Cabinet's overseas branches; and raises some important practical points about their constitutional responsibility. Either they are Cabinet Ministers or they are not; they cannot go on, each of them playing Box and Cox single-handed.

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Minimum Exports

At the week-end, Mr Harcourt Johnstone, Secretary to the Department of Overseas Trade, restated the principles of wartime export policy. Simply, they are to earn currencies to pay for essential imports and to supply the essential needs of other parts of the Empire. Essentiality is the test, as it was before Lend-Lease vastly reduced the scale of the export problem by furnishing essential imports without payment of dollars. It is not because of Lend-Lease, or any new obligations to the United States, that the policy now is "how little need we export?". Potentially, this question replaced the peacetime "how much can we export?" as soon as the war began; and it was only because the direct war effort failed for eighteen months or so to engage its due proportion of the nation's industrial resources that exporters did not feel the pinch of a higher necessity earlier, and were able to go on exporting where they could without much discrimination. There was, it is true, a more selective export drive after this laxer period, as the shortage of dollars and other hard currencies to pay for imported supplies dwindled; the operative words in the question "how little need we export?" are "little" and "need," and until Lend-Lease broke the strain the need for dollars was immense—much too great, in fact, for even the most ambitious sales campaign to sustain side by side with the domestic war effort. Currencies, including dollars, are still needed. Empire countries must so far as possible be supplied with necessities without any expenditure of dollars or other hard currencies, that is, if not from their own or other sterling countries' resources, by exports from Britain. But it is minimum and not maximum—or even moderate—exports that policy must aim at; war economy, and not American influence, dictates it.

Science and Truth

In his presidential address to the Royal Society this week, Sir Henry Dale laid down certain principles on which research should be based. He sympathised with the view that freedom and opportunity, rather than organisation, provided the conditions for the highest type of research; on the other hand, he felt that enlightened organisation and control, such as the Medical Research Council works under, could be a benefit rather than a hindrance. The state can support science, and can use scientific knowledge for better governance, without interfering with the freedom of science. The threat, as Sir Henry sees it, is in the possible entanglement of science in controversial politics, in the use of science as a weapon of political pressure, in the danger that "the rigid standards of true science would be relaxed by allowing the convenience of results for policy or for propaganda to enter into the assessment of their validity as evidence." Sir Henry presumably had chiefly in mind the picture of science in Nazi Germany; but he also said that the duty of science is "to seek the truth for its own sake in complete freedom from any kind of extraneous influence," and such an influence does not necessarily come from the state—it can come from much nearer home and if often all the more dangerous in that it is not so easily recognisable. Last week *The Economist* carried a full page advertisement of an association for therapeutical research, formed, according to the advertisement, by five of the biggest drug companies in the country "for the more effective prosecution of research in their industry." The companies concerned have done extremely valuable research work in the past and will no doubt do so again in their new organisation; there will certainly always be room for therapeutic research so long as there is illness and disease; and the pooling of researchers and research facilities in co-operative work will always be valuable. But, again according to the advertisement, products evolved from the researches of the new corporation "will be marketed and sold by the constituent companies under a common name." Co-operation in research apparently means combination in business. There thus intrudes into the valuable field of research into new therapeutical substances, which insofar as it is commercially organised must, admittedly, be commercial, an added dose of the very extraneous influence which Sir Henry said should be kept out. It is impossible not to feel that the "convenience of results" for the companies concerned may enter—even though unconsciously—"into the assessment of their validity as evidence."

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Restraint of Medicine

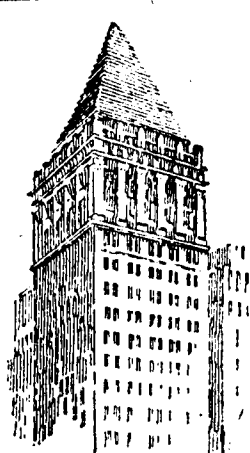
The manufacture and sale of drugs is a business like any other. The possibility that research by associations of manufacturers and distributors of drugs may be mixed with commercial convenience, and that the claims of new therapeutical substances may be established more because they have such authoritative backing than because they are fully founded, is an incident of trade. But it is a danger; and there is the further risk that such a body may become a monopoly. The new therapeutical research body, for instance, states that "it will, where desirable, negotiate agreements with other manufacturers of recognised standing." But there

can, of course, be no guarantee that the products of these other manufacturers will be able to obtain equal treatment when faced with the competition of such a formidable combine; their research laboratories may evolve therapeutical substances which are as efficient as those of the association and cheaper, but the odds against their getting them recognised by the medical and pharmaceutical professions and on to the market will be very heavy. An alliance of large houses is able to bear the cost of greater publicity, and its marketing facilities, through the constituent companies and their subsidiaries, are world wide. The danger of a monopoly of this sort is doubly serious when it occurs in the sphere of public health, because the public is quite unable to decide for itself between the various claims of the drugs on offer. It is probable that the drugs to be sponsored by the new body will be mainly those which can only be administered under the direction of a doctor; there is no reason to suppose that they will belie the high repute of its constituent companies. Nevertheless, even a doctor can be led astray by the claims of drugs, as is shown by the frequent misuse of chemo-therapy in general practice; and doctors themselves are not altogether free from the charge of hiding monopoly under the guise of expertness. The British Medical Association has been of great value to the medical profession in protecting its legitimate interests and is even now sponsoring a planning commission to study the country's medical services. Last week, it produced a plan for improving the health services of factories by the appointment of whole-time or part-time medical officers and the establishment of an efficient medical liaison between the factory and outside medical services. The principle is admirable, but the BMA's suggestion for an outside advisory body to help employers in making appointments must be treated with more reserve. Such a body can hardly fail to be run by the BMA itself, and it is well known that many doctors, including members of the BMA, resent its growing power over their independence.

* * *

The Future of Abyssinia

With the surrender of Gondar, the last Italian stronghold in Abyssinia has fallen after a prolonged and very gallant siege. Today the authority of the Emperor is re-established, even if only nominally, throughout the Empire he lost in 1936, and one of the immediate questions to arise is the policy the British Government should pursue in its relations with the newly liberated Abyssinian State. There are, perhaps, some arguments for leaving the Emperor to build up his new realm alone. Abyssinia will surely set great store by its newly recovered independence, and the presence of British garrisons and ubiquitous British officials might stir up keen resentment. Possibly, too, from the standpoint of Britain's good name, it might be politic to avoid the least grounds for accusations of "selfish imperialism," "hypocritical expansionist policies," and the like. Obviously, however, such a course would be completely impracticable for the time being. The most compelling reason for the maintenance in Abyssinia of a large measure of British control is the obvious fact that the war is not yet over. Should the Germans retrieve their present reverses in Southern Ukraine and sweep the war down into the Middle East, should the campaign in Libya go un-



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believably badly, once more control of the Red Sea would become a military factor of crucial importance. To leave to the uncertain authority of the Emperor vast tracts of land bordering upon approaches to the Suez Canal would be folly. Moreover, on a long term view, there are reasons for the maintenance for the time being of some measure of British control. The Emperor faces formidable difficulties in his restored domain. The tradition of Abyssinia has long-combined fierce and proud independence over against the outside world, with almost equally fierce independence between the various principalities—Gojjam, Shoa, Amhara and Tigre—which make up a sort of federalism under the rather doubtful authority of the Negus. On the frontier fringes lie the subject tribes—Galla, Sidamo, Somali and Danakil. The only way in which, in the new independence, these scattered units can be held together is by the creation of an efficient centralised administration, capable of combating the inherently centrifugal tendencies of the Abyssinian State. The establishment of such an administration out of the meagre resources of the restored Emperor would be quite impossible. The Emperor's income is at the most some £500,000 a year. Under wartime conditions it would be far less. In the sphere of administration proper, the five years of Italian occupation have removed from education and responsibility the Abyssinians on whom the Emperor would now have to rely. The continuance of British aid, therefore, seems not only inevitable but desirable. Nevertheless, the eyes of the world will be on any aid given by Britain to Abyssinia. Unless its intention is genuinely to do what the Mandate system was planned to do, "to prepare peoples to stand alone in the strenuous conditions of modern life," then once again Britain will be open to the charge of having added to its own dominion under the banner of a humanist crusade. It is no exaggeration to say that the honesty of British policy in dealing with more backward peoples is on trial in Abyssinia. Britain has a chance to show that it can be generous in the matter of capital expenditure; that it can be patient and unbiased and can transcend the national plane in the matter of experts and advisers; and can turn into a practical and immediate policy its general and oft-repeated ideal of freedom and national independence.

Meeting at St. Florentin

The fact that the high German official chosen to meet Pétain at St. Florentin was Goering suggests that the old Marshal is doing his best still to confine direct collaboration within the framework of the Monothro agreement. To full economic collaboration the French have been committed for the past year, and if the Germans choose to put on the screws, and demand a higher percentage of France's output at this juncture, Pétain has no bargaining position upon which to make a stand. The Germans are feeling the strain of the Russian campaign and Goering, as head of the *Luftwaffe*, is probably mainly concerned in securing greater output from the French aircraft industry. Since it is already delivering to the Nazis eight out of every ten aeroplanes it produces, the Germans can hardly increase the percentage. It is total output they wish to push up to a higher figure. For this, French industrialists will demand increases in their quotas of raw materials and machine tools and, here again, Goering, as controller of the Four Year Plan, is the man on whose decision the question of extra supplies will depend. There is evidence to suggest that the Germans are handling these negotiations with France with more than usual skill. They know that, apart from Darlan and one or two other total quislings, the French leaders and, above all, the French people will not tolerate direct military collaboration. Here there can be no process—as in the economic field—of "getting mixed up together." But it perfectly suits Germany's plans that French and German military policy should develop along parallel lines. If the Libyan campaign ends in a British victory, French North Africa becomes the only obstacle in the way of a British advance to the Atlantic, to that point of the African coast which is eventually the obvious entry point for active United States' intervention. The German and French quisling press are therefore playing up the "danger" to France's Colonial Empire of an "Anglo-Saxon" offensive. The French are being encouraged to get themselves on a war footing to defend themselves against the British and American aggressor, to man the frontiers of Tunisia, to reinforce Dakar, to institute Atlantic air patrols for the early sighting of an "aggressive" American Fleet. All this can be camouflaged as legitimate self-defence; yet it serves Germany's purpose

as well as if a German officer were sitting in every garrison in Morocco.

Sheep and Goats

Of the two latest adherents to the Anti-Comintern Pact, Denmark and Finland, Denmark has provided strong evidence in the past week that her signature was obtained under duress. The German authorities apparently threatened the Danish Government with hostile occupation under a Reich Commissar, an argument which seemed sufficiently forceful to the Foreign Minister Hr Scavenius, to ensure his docility at the Berlin Conference. But the news was so ill received by Danish public opinion that on November 25 spirited demonstrations, in which the police intervened several times, were staged in Copenhagen. Indeed, public displeasure has been so fearlessly expressed that there seems to be some doubt as to whether Hr Scavenius' signature will successfully purchase freedom from further interference. Moreover, adherence to the pact has brought Danes abroad a significant step nearer the creation of a Free Danish movement fully allied with the democratic powers. Thus, Count Reventlow, Danish Minister in London, with the complete agreement of his Legation and Consulate-General, has informed the Danish Government of his unwillingness to take further orders from the Danish Foreign Office. Count Reventlow's decision follows similar action by the Danish Ministers in Washington and Teheran.

It is unfortunate that Finnish reactions have been infinitely less independent and self-respecting. Reports of the private session of the Finnish parliament, called by the Finnish Prime Minister, M Rangel, at the end of last week, indicate that, outside the Swedish party, enthusiasm for the prosecution of the war until the whole of Eastern Karelia is brought under Finnish control varied only in degree. Marshal Mannerheim's Order of the Day, issued on the same occasion, hinted that Finnish ambitions were nearly achieved, but that the attainment of the new strategic frontier is an indispensable condition of peace with Russia. This attitude is maintained despite the Prime Minister's revelation that Great Britain has threatened to declare war on Finland—presumably on Hungary and Roumania as well, since all these countries are at war with Russia. It is well known that the Russo-Finnish war of 1939-40 and the present expedition to subdue territories outside the former Finnish frontiers have imposed a serious drain on Finnish manpower; and (as an article by a correspondent on page 687 shows) there are very strong social and economic reasons in favour of a Finnish armistice. It will be a thousand pities if the Finnish Government persists in its short-sighted view of the national self-interest, for it appears that zero hour is now very close. Once Great Britain and Finland are at war, the issues of the Karelian frontier dispute must be generalised in terms of the quarrel between Nazi Germany and the Allied Powers, with all that that implies for the post-war settlement.

Domestic Service

Mr Churchill made two points about married women on Tuesday. In their homes they are ministering to the needs of the active population; but they are also the nation's only reserve in the future for industry and civil defence. The problem is to obtain work from women who have inescapable home ties, which, in the vast majority of cases, will prove to be the care of young children. Owing to the technical difficulties of fitting part-time workers into industrial routine, it is improbable that part-time work can be made compulsory. Yet there is every reason for making it increasingly feasible for volunteers. If it is impossible to make part-time work compulsory, it is still possible to make the provision of part-time facilities obligatory upon employers—and the Government. The fact has to be faced that the provision of day nurseries on an adequate scale, an obviously necessary and desirable step, is an impossibility in the immediate future. The most hopeful solution is that of dovetailing the activities of neighbours who are willing to take over each other's domestic work and factory work in turns, either by splitting the working day or by splitting the working week. It must be strongly urged that a family of young children, or any other sort of family tie, cannot be allowed to rank as grounds for exemption or for the performance of half-time work if the whole-time services of suitable domestic help are employed, any more than the mere existence of a husband, at home or away, should

exempt a childless wife from war work. There is a reserve of domestic help in the ranks of unemployed women between 51 and 60, and even above this age, which could well be employed to release the young mother at least for part of the day. Many women above the conscription age limit, who have never yet worked for a wage, have some sort of domestic skill which should not be allowed to lie fallow. If labour reserves are to be used to the full, it must be made feasible for women, who are not liable for conscription, to offer such service as they are able to contribute. This entails an obligation on employers to consider unorthodox forms of employment and an obligation on women in late middle life to take over much of the domestic work of the nation.

Earnings in Industry

In view of the renewed pressure for higher wage rates, the publication of the results of the Ministry of Labour's investigation into workers' earnings during one week last July is timely. It provides the facts for any intelligent discussion of the problem. The sample taken by the Ministry is fairly representative of earnings in industry as a whole, for it covers some 6,000,000 employees in 56,600 establishments; but the percentage of workers covered in individual industries varies. The average increase in the earnings of all workers between October, 1938, and July, 1941, was 42.3 per cent, against a rise of 29 per cent in the official cost of living index; wage rates, on the other hand, rose by only 18 per cent. The discrepancy between the rise in weekly earnings and wage rates is, of course, explained by longer working hours, overtime and night shifts, and by the extension of the system of payment by results. But as the analysis on page 697 shows, the change in average earnings between October, 1938, and July, 1941, has been anything but uniform. While those of youths and boys rose by 57 per cent and those of men by 43 per cent, the average earnings of women advanced by 36 per cent and those of girls by 35 per cent. Again, there have been wide disparities in the movement of earnings in different industries. In the building and contracting trades, they rose by 48 per cent and in the metal engineering and shipbuilding industries by 49 per cent; on the other hand, average earnings in the public utility services rose by only 20 per cent. Similar discrepancies are to be found in the movements of wages within groups of industries. There are no indications that these divergencies are being smoothed out; many of them cannot be justified by differences in skill or in the nature of the work; and they add emphasis to the need for a national wages policy.

Death of a President

The unfortunate death of the Chilean president, Senor Aguirre Cerda, on November 25, terminates the first Popular Front administration in the South American continent. By law, elections must be held within 70 days. So far, however, no candidates have been nominated and it is consequently impossible to assess the likelihood of a Radical being returned to office or of the possibility of the survival of a left wing coalition similar in composition to that of a left wing coalition similar in composition to that of the late President's policy of *Chilenidad*, national development, reform, and, since the earthquake of January, 1939, of reconstruction, commanded solid national backing. But there were already signs of dissension (on which our Santiago correspondent reports on page 688) before his death. His own party, the Radicals, had withdrawn all their members from his Cabinet, and they returned only when he got rid of his Minister of the Interior, whose love for law and order was greater than for Communists. These rifts may now be deepened. A domestic crisis at the present juncture is particularly unfortunate since the late president had proved himself particularly adept at preserving national unity on foreign issues. Chilean suspicion of the trend of United States foreign policy occasionally evokes explosive comment in the USA press. Yet there is little ground for misunderstanding or misrepresentation of the Chilean attitude which, in recent months, has shown itself increasingly vigorous in condemnation of Nazi policy both inside and outside Europe. Thus, Chile recently took the lead in lodging a protest in Berlin against the shooting of French hostages and, since August last, control of fifth column activities has been tightened and a number of arrests made. It is commonly reported that army circles

are sympathetic to Germany, and there is a large German minority, but there is no doubt that national sympathies are predominantly pro-ally and that this sentiment was one of the few bonds which cemented the precarious union of the left wing parties in Senor Aguirre Cerda's Popular Front Government.

Shorter Notes

In the Hampstead by-election, out of an electorate of some 65,000 only some 11,000 voted. The Government candidate was returned with a majority of 4,896 votes over Mr Pemberton-Billing, and the other two Independent candidates forfeited their deposits. In the Harrow by-election an even smaller percentage of the electorate voted. The Government candidate was again returned with 14,540 votes, a majority of 11,107 over the Independent Democrat.

The sixth Director-General of the Ministry of Information has been appointed. Mr Cyril J. Radcliffe, formerly Controller of the Press and Censorship Divisions, succeeds Sir Walter Monckton, who gave up the post, which he held far longer than any of his predecessors, on taking up his appointment in Cairo as Director-General of British Propaganda and Information Services under Mr Oliver Lyttelton, Minister of State.

The news that President Roosevelt has decided to apply the Lend-Lease Act to Turkey comes at an apposite moment. There are very circumstantial reports of military activity on Turkey's Thracian frontier, where, it appears, a German headquarters has been established at Liubimets, only some seven miles from the Turkish border, and the territory to the south of Liubimets to the Aegean is under sole German control, even the Bulgarian authorities apparently being excluded.

Owing to the extremely difficult conditions under which printers are working in wartime errors and misprints are bound to creep in. Last week's errata are:

Page 644, lines 39-40. In the sentence "Whatever the sum of money that the public will find, it can either be used to secure high wages and high prices for a limited volume of production or less wages and high prices for a larger volume of production," the italicised phrase should read "or less high wages and prices."

Page 657, second column, line 36. In the sentence "... the £2 10s. preference shares of De Beers, which at £12½ yield 7.9 per cent. . . ." the italicised phrase should read "7.9 per cent."

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THE WORLD OVERSEAS

State Control in Free China

(From Our Shanghai Correspondent Temporarily at Chungking)

October 22nd

GOVERNMENT participation in Free China's business is greater than ever. Throughout the Sino-Japanese war, the National Government has had constantly to open up new lines of communication and trade as well as new industries. Private business was little prepared, and still less able, to run substantial risks and to lock up capital in new ventures. Pressed by war emergencies, the Government itself again and again has had to promote and finance new economic enterprise. As a result, most of Free China's new wartime lines of business are Government-managed.

In foreign trade, the Government leads. Practically all exports are Government-controlled commodity exports in payment of foreign loans to China and other liabilities. Supervised and directed by the Foreign Trade and National Resources Commissions, Government and semi-Government companies purchase, transport and market abroad almost all Free China's export goods. What remains of private enterprise in this field is negligible. The Government predominates again in import trade. It receives all the foreign supplies secured under China's wartime loans and under lease-lend, and it also buys the bulk of the remainder of Free China's imports. A special Government agency, for instance, transacts imports of cotton yarns and piece-goods. Since September 1, 1941, except for small private imports carried on Burma trucks run under the British flag, only cargo for the Government may be imported via the Burma-Yunnan route.

In industry, all of the newly opened coal, iron and non-ferrous ore mines, the new blast furnaces and steel works, as well as most of the new machine shops and plants manufacturing electrical machinery and materials, are Government-financed and Government-directed. To such plants the Government allots the capital required out of the national budget, or through one or all of the four Government banks. The Bank of China has become a major shareholder in more than 20 important industrial companies, including Ming Seng Shipping, Szechuen Silk Filature, Szechuen Animal Products, as well as wood, oil and paper mills and a modern sugar refinery.

The Chinese Government banks have gradually spread a dense network of branch offices all over the hinterland of west and south-west China, where prior to the war they were of little or no importance. The Bank of China now has over 50 branches in Szechuen and over 20 in Yunnan. The Bank of Communications has 20 branches in Szechuen. The Farmers' Bank has far more than 200 branches in Free China. These banks finance all business connected in any way with the Government. Their extension of credit to an increasing number of private banks is only a sideline. The Central Bank of China does not do commercial business, but remains the Treasury's financial agent; it is destined to be a bankers' bank.

It is impossible to obtain a clear idea of the profitability of the State economy in Free China. In most lines, it would not seem to be a paying proposition. Indeed, Government enterprise was not started as a business undertaking, but to answer urgent war requirements in trade, industry and banking which otherwise would not have been met. The Government's loss in its business operations, which is most

probably huge, forms but another item of China's war costs. On the other hand, the octopus of Government business tends to become self-perpetuating and aggressive. As it spreads and acquires ever greater weight, it increasingly crowds out what remains of private business. It encroaches now upon fields which private business could still handle, and the latter finds itself excluded from an increasing number of formerly remunerative spheres of activity. Private business men are gradually losing any feeling of economic responsibility they may have had. Moreover, pushed on to economic byways by inflation, they are more and more engaging in speculation.

In private business, the older private banks still predominate in Szechuen and other provinces, after holding their own against the wartime invasion of the new branches of Shanghai Chinese banks. These older private banks are mostly run in a semi-modern way, still extending credit on a personal basis and adhering to fortnightly and old-style holiday settlements. They pay depositors high rates of interest, ranging from 10 to over 30 per cent per annum, operate with a comparatively large overhead expenditure and in current business experience a high loss ratio. Notoriously short of funds, they compete violently with each other for private deposits. They charge their debtors correspondingly high rates; in Szechuen's salt industrial district of Tseliutzing, bank interest runs up to 60 per cent per annum. The rural credit of private banks is still more expensive, and Szechuen usurers charge farmers rates of more than 100 per cent per annum.

The March of Inflation

The high interest rates of private banks prove disastrous for private industries and regular private trade, especially as the constant progress of inflation makes private business require ever larger operating capital. There is little or no inducement left for new private industrial investment. The funds of private banks and other private capital are primarily attracted by fields into which enters a speculative element promising high extra profits. Without any end to inflation in sight, speculation is a one-way bullish venture, with the risk incurred reduced to the problem whether or not commodity prices will rise faster and higher than the accumulation of bank interest charges.

In the field of foreign trade, private business is chiefly concerned with the importation of Shanghai and Hongkong products via the French Leased Territory of Kwangchow-wan, in Burmese trucks via Yunnan, and by means of smuggling everywhere. The volume of these imports in numerous commodity lines still exceeds Free China's own production of consumption goods. The majority of clothing articles, footwear, medicines and drugs, cosmetics, tinned goods, etc., displayed in the shops of Free China's cities are imported. Transport costs are high; for a ton of commercial cargo from Rangoon to Chungking, they amount to almost £150. Importation by plane from Hongkong costs about 5s. per lb. of merchandise. Private freight insurance is unobtainable, and in transit as well as at destination there is everywhere in Free China a considerable air-raid risk. Yet prices of these goods are quoted far higher than is justified by these costs and risks alone. They are between three and ten times higher than Shanghai prices, and from five to six times higher than Hongkong prices. Among the main reasons are persistent speculative hoarding and withholding from the market of the commodities in question by every hand through which they pass; the periodical cornering of certain commodity markets by groups of speculators; and extremely high profit margins. Chungking wholesalers average profits of between 25 and 30 per cent, while retailers will insist on profits ranging from 50 to 100 per cent and more.

The population's power to purchase imported consumption goods steadily decreases, as a result of the soaring prices, which far exceed the readjustment of incomes, and markets for such goods narrow down. Hoarders and speculators, therefore, have lately turned more and more to manipulating staple foods, such as rice, salt and sugar, boosting food prices to three and four times the Shanghai level. In several areas which are suffering a food shortage speculators are at the same time holding back large stocks of food. Just before the current harvest season, Szechuen rice prices had been driven artificially to an all-time high of 1s. per lb.

The Chinese National Government are aware of this situation and are trying various solutions. A few outstanding speculators and corrupt officials have been jailed or summarily executed. Land tax is now being collected in kind, and part of the foodstuffs thus collected is to be sold cheaply in the open market in an effort to cut down prices. Government officials and employees are supplied with rice at one-quarter of market prices, and in special shops are being sold imported goods at cost. Yet it still remains to be seen whether these measures can or will fundamentally remedy the situation, especially after the passing of the harvesting season, which normally brings a marked relief.

Finland's War Burden

[BY A CORRESPONDENT]

November 24th

WHATEVER advantages Finland may derive from the occupation of Karelia in the not so immediate future, present economic gains are very small in relation to the cost. The Finns admit that about half the buildings in the captured areas have been destroyed by the Russians, and, where the houses are still standing, almost everything movable has disappeared. The total destruction of Western Karelia—the territory ceded last year to Russia and now recaptured by the Finns—has recently been estimated, by a Government commission, at 10,800 million Finnish marks. This figure, when compared with an estimated total loss, through destruction and cession of territories after the first Russo-Finnish war, of rather more than 15,000 million Finnish marks, clearly indicates the thoroughness of the Russians' "scorched earth" policy in those areas. (Neither figure includes losses of Government property.)

The agricultural situation in Karelia has been described as very poor by various Finnish observers; for instance, scarcely one-sixth of the ordinary potato crop is available this year. It was estimated in August that the reorganisation of Karelian agriculture would take about two years. It is doubtful whether even this estimate fully takes into account the evident labour shortage or the difficulties of organisation. Significantly, it was not possible, until the end of September, to harvest those crops which had been left undestroyed by the Russians. The shortage of labour is also illustrated by the fact that a great deal of work in the recaptured villages is done by women soldiers; as many as 50,000 members of the Lotta (the Finnish women's organisation) have had military training, and they play a more active part in warfare than similar units in most other belligerent countries.

It is also significant that of 220,000 people who fled from Karelia after the first Russo-Finnish war, only some 50,000-60,000 will probably be repatriated by the end of this year while the rest will have to wait until after the war.

The industrial life of the country is also hit by the labour shortage; the paper and cellulose industries might export large quantities of their produce to Germany if a sufficient number of workers were available. Other industries are suffering, in addition, from a shortage of iron, tin, cotton and other raw materials. The most immediate economic problem facing the Government, however, is how to feed the people during the winter, and no attempt is being made to hide the seriousness of the situation. In ordinary circumstances, even after the territorial losses of 1940, the home production of agricultural goods might well have covered about two-thirds of the country's needs. But the war has resulted in a considerable drop in Finland's agricultural output, especially since a long drought and early frosts have added to the existing difficulties. Stocks of food are no longer available, and it has been difficult,

in many cases, to induce the farmers to deliver their crops at the established maximum prices. An undeclared delivery strike by the farmers is in particular to blame for a temporary shortage of potatoes, the Finns' staple food in present circumstances.

Short Commons

The Finns' diet, formerly praised for its richness by many a traveller, has greatly deteriorated during the last two years. Even during the summer, Finland was "not far from famine," according to various Finnish newspapers, and in certain distressed towns people were "literally starving." In Helsingfors itself the population has been living almost entirely on vegetables for a long time now. Meat, except on rare occasions, is only available on the black market, and at extremely high prices. The Germans are said to have sent large quantities of eggs to Finland, in order to relieve the situation, but either these claims are exaggerated or all the eggs are also absorbed by the black market; in any case, the ordinary egg supply is quite insufficient. Fish is also very scarce on the ordinary market, though reports have been current about fair catches of Baltic herring, pike and cod. The fat ration was 21 ounces in October, and consisted almost entirely of margarine; the weekly milk ration was little more than 1 pint per person. Bread, officially rationed at 80 ounces a week, is usually sold out during the early hours of the day. Vegetables, other than potatoes, and fruit seem so far to have been a little more plentiful than in some other Continental countries owing, largely, to imports from Italy, but prices are high and the quality is frequently poor. One of the worst features of domestic life is queueing, which has to be done for almost everything, and it is extremely difficult for working people to obtain their rations unless they have their meals in restaurants. Many Finns try to make good some of the obvious deficiencies in their diet by buying vitamin tablets, and a leading Finnish research worker has pointed out, in a special report, that the lack of calories has already resulted in the decreasing efficiency of manual workers. Another result of the deterioration of living conditions has been, according to the Finnish Press, an alarming rise in the rate of infant mortality.

Many of the shortages of food and other consumption goods are caused by the dislocation of traffic. There is, for instance, an insufficient supply of firewood in the towns though, at the same time, huge quantities of wood are lying near the waterways with no means of transport available. The coal and coke supply for private householders has been cut down to 30 per cent of normal, and the temperature of heated rooms must not exceed 59 degrees Fahrenheit.

It is hardly possible to estimate the number of Finnish casualties in the present campaign, since the Finns have dismissed all suggestions of heavy losses without publishing accurate figures themselves. It must be remembered, however, that during the 1939-1940 campaign they lost about 29,000 dead and permanently disabled men, or about 3 per cent of all men between 18 and 45 years of age. There is no likelihood that the toll of dead and wounded during the present prolonged fighting has been very much smaller than at that time.

A record of how Finland is paying for the war would be incomplete if no mention were made of the more subjective losses sustained by the Finnish nation. These may soon amount, to quote Mr Cordell Hull, to a complete abandonment of the country's democratic institutions, and such a sacrifice might easily prove more fatal to the nation than anything else the unhappy Finns have suffered during the last two years.

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Price Control in Canada

[FROM OUR OTTAWA CORRESPONDENT]

November 3rd

ON November 2nd, the Canadian Government made public the provisions of the Order-in-Council which establishes a comprehensive ceiling for prices of goods and services and enlarges the powers of the Wartime Prices and Trade Board. The Order makes it an offence to buy or sell after November 17th any goods or services at prices higher than the lawful maximum. This maximum is defined as the highest price at which a person or firm sold or supplied goods or services of the same kind and quality during the period September 15th to October 11th inclusive. The maximum price for goods or services, which may not have been sold or supplied during this basic period, is to be the same as the maximum price of goods or services of substantially similar kind or quality sold or supplied during that time.

Authority is given to the Wartime Prices and Trade Board to vary any maximum price, to prescribe other or additional conditions and terms of sale and to exempt any person or goods or services from the regulations. The Order itself exempts from the operation of the ceiling goods sold for export; the sale by any person of his personal or household effects; isolated sales of goods by persons not normally handling them; bills of exchange, securities and title deeds; and sales of goods by auction where this procedure is not adopted merely to evade the regulations. Prices previously fixed by the Board or fixed by any other Federal, Provincial or local authority with the concurrence of the Board are also exempted from the ceiling. Goods may be sold or services supplied at prices lower than the fixed medium, but charges for goods or services in excess of the maximum are not enforceable, and any sum paid over the maximum is recoverable. Goods bought and sold in contravention of the regulations are liable to seizure by the Crown, and for proven violations of the Order, the penalties prescribed are fines up to a maximum of \$5,000 or two years' imprisonment, or both. The list of services brought under the price ceiling is as follows:—

- The supply of electricity, gas, steam heat and water;
- Telegraph, wireless and telephone services;
- Transport and harbour facilities;
- Warehousing and storage;
- Undertaking and embalming;
- Laundering, cleaning, tailoring and dressmaking;
- Hairdressing and beauty parlour services;
- Plumbing, heating, painting, decorating, cleaning and renovating;
- Repairs of all kinds;
- The supply of meals, refreshments and beverages;
- The exhibition of moving pictures.

The Board is also empowered to recommend the removal or reduction of duties and taxes and the payment of subsidies. At the request of the Department of Munitions and Supply, all sales to it are exempted from the Board's regulations because the Department wants to reserve the right to order supplies with as much speed as possible and for quick delivery additional costs might be involved. It is expected that, from time to time, special exemptions will be accorded to certain perishable products like citrus fruits and vegetables.

The new plan of price-fixing is being supported by practically all the Canadian press, and the business community, though it has no liking for it, is making the necessary adjustments. It is estimated that a new army of some 5,000 officials will be required to administer the system. The details of the parallel plan for putting a ceiling upon wages have not yet been announced, but labour is showing great coolness towards it. Its spokesmen take

the ground that it will wipe out collective bargaining, and that in not a few industries wages will be frozen at an unjustifiably low scale.

The Conscription Controversy

The Federal Parliament reassembled on November 3rd, but its sitting will only last two or three weeks, and the Government proposes that it should adjourn soon until early in the New Year. On the opening day, Mr Mackenzie King contented himself with a general review of the war situation, and sedulously avoided any disclosure of the Government's plans or policy about certain pressing issues such as full military conscription. Meanwhile, controversial debate about this question has been proceeding in the country. Ministers have given no sign of altering their views, and the Montreal branch of the St. Jean Baptiste Society, the great racial organisation of the French-Canadians, has forwarded to the Federal Cabinet a copy of a resolution opposing conscription in Canada for overseas service. But a number of Liberal members from the English-speaking provinces are now known to be favourable to full conscription, and some Liberal papers have begun to advocate it. There is, however, no unanimity in the Conservative camp, for, although Colonel Drew, the provincial leader of the party in Ontario, has pronounced for the removal of all limitations upon compulsory service, Mr Hanson, the parliamentary leader of the party at Ottawa, while admitting that such a step has now become necessary, declines to commit his followers to full conscription. He has expressed fears that, if the party were to make conscription a political issue, the Liberals would proceed, in Quebec and elsewhere, to revive all the old prejudices against it for party advantage, and declares that it should only be introduced with the concurrence of all parties. However, Mr Hanson, on the grounds of ill-health, has announced his impending retirement from his temporary leadership.

There has lately been visible evidence that the war has given a marked stimulus to the growth of the CCF, Canada's Socialist party. In a provincial election held in British Columbia on October 21st, although it only carried fourteen seats, which, however, doubled its representation, it actually secured a larger proportion (33.2 per cent) of the popular vote than either the Liberals or the Conservatives; as the Liberals have lost their former majority, it is expected that the two old parties will have to form a Coalition Ministry. In a provincial election in Nova Scotia held a week later, the Liberals easily secured a new mandate, but the CCF, which had only one seat in the previous legislature, managed to return three out of its six candidates. The opinion therefore prevails that this already noticeable trend to the Left is certain to be accentuated by post-war conditions and that sooner or later the two old parties may be compelled to merge their identities in a single party in order to cope effectively with the new movement.

Chilean Political Situation

[FROM OUR SANTIAGO CORRESPONDENT]

October 24th

AFTER several stormy months, culminating in the retirement of the Radicals from the Government, all outstanding differences have been smoothed over, and the Radicals have agreed to representation in the Government once more. The rebel Radical, Olavarria, Minister of the Interior, has also resigned, and, though banned from the party some time ago, is on the point of being reinstated. The other two personal and non-party friends of the President, who took office at the time of the split in the Radical Party, have now resigned, since their function has expired with the settling of the difficulties. To replace these three Ministers, the President has appointed three Radicals—Dr Leonardo Guzman as Minister of the Interior; Don Tomas Mora Pinedo as Minister of Justice; and Don Ulises Vergara as Minister of Education. A fourth Cabinet post has been created, that of Minister of Commerce and Supply, and another Radical, Don Arturo Rivera, has been appointed to take charge of this Ministry.

Two of the new appointments are very interesting. Dr Guzman was formerly Minister of Public Health and in that capacity did excellent work, particularly after the 1939 earthquake in the south of Chile. He is an outspoken

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man of character, and probably one of the staunchest supporters in Chile of the democratic cause. He is the author of numerous forthright press articles in favour of the Allied cause, and it is expected that the Nazi undercurrent in Chile will not be allowed to make much progress. He is a great lover of both Britain and France—particularly the latter. On assuming office, one of his first steps was to authorise the holding of an anti-Fascist-Nazi demonstration after permission to hold it had been refused by his predecessor. The Governor of Santiago, reputedly of Nazi leanings, has also resigned. On the representation of the German Embassy, he had repeatedly banned the exhibition of anti-Nazi films in Santiago, though such films had been approved by the Board of Censors. The new Minister's ruling is that any film passed by the Board of Censors may be shown without any outside interference.

The newly-created post of Minister of Commerce and Supply is especially interesting at present, because Chile is having difficulty in finding raw materials to keep its young industries supplied. There is a marked shortage of all kinds of supplies, particularly of iron and steel. This may be surprising, since Chile is a large producer of iron, and from the Tofo Mines alone, several million tons of ore are shipped to the United States in specially chartered ships. The Chilean smelter at Corral is not large enough to meet the country's needs or to use this vast supply, and, before being in a position to do so, would require a capital investment of about £2,000,000. Again, there is the important artificial silk industry, which is having difficulty in finding supplies of raw material. This used to come from Europe and the United States, but both sources of supply are now closed; the latter owing to the shortage of supplies in the American market.

The new Minister may be able to co-ordinate supplies, but it is probable that one of his first steps will be to make an inventory of all stocks of essential materials within the country and to ration them. It is known that large stocks exist, but these are being held up by speculators who are demanding prohibitive prices.

The bitter opposition between the Socialist and Communist Parties appears to have quietened down recently, no doubt owing to the Russo-German war. The strife is latent and may break out once more. There is no more word of the proposed Bill to outlaw the Communist Party.

Books Received

- Canada in World Affairs.* By F. H. Soward and Others. (London) H. Milford. 343 pp. 12s. 6d. net.
- The British Empire in Australia. An Economic History 1834-1939.* By B. Fitzpatrick. (London) H. Milford. 529 pp. 21s. net.
- Norway and the War, September, 1939-December, 1940. (Documents on International Affairs).* Edited by Monica Curtis. (London) H. Milford. 154 pp. 10s. 6d. net.
- Belgium. The Official Account of What Happened 1939-1940.* Belgian Ministry of Foreign Affairs. (London) Evans Bros. Ltd. 110 pp. 5s. net.
- How Rumania was Surrendered.* Statements by M. Julius Maniu and M. Constantin Bratianu. (London) Rumanian Democratic Committee, 11, Hornton Court, W. 8. No price stated.
- Japan's Purpose in Asia.* By Sir Frederick Whyte. (London) Royal Institute of International Affairs, Chatham House, S.W. 1. 61 pp. 1s. net.
- China and Japan.* 3rd Edition. Chatham House Information Papers, No. 21A. (London) Royal Institute of International Affairs, Chatham House, S.W. 1. 162 pp. 4s. 6d. net.
- Change. No. 2 Bulletin of the Advertising Service Guild. Home Propaganda.* A Report prepared by Mass-Observation. (London) Advertising Service Guild, 10, Hertford Street, W. 1.

PENGUIN SPECIALS.

- World Shipping.* By A. C. Hardy.
- The Remaking of Italy.* By Pentad. 287 pp.
- A Diary of World Affairs.* By Marcel Hoden. 128 pp.
- Replanning Britain.* A summarised report of the Oxford Conference of the Town and Country Planning Association. 1941. Edited by F. E. Towndrow. (London) Faber and Faber. 173 pp. 7s. 6d. net.
- Studies in War Economics.* International Labour Office, Studies and Reports. Series B. No. 33. (London) P. S. King. 199 pp. 4s. net.
- Reconstruction and Peace.* By Balbus. (London) Kegan Paul. 64 pp. 1s.
- End Social Inequality.* By Barbara Wootton. 64 pp. (London) Kegan Paul. 1s. net.

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THE BUSINESS WORLD

Rubber and Tin

THE International Rubber Regulation Committee and the International Tin Committee both met this week, the one to determine the export quota for the first quarter of 1942 and the other to discuss the terms of the prolongation of the tin agreement and to fix the export quota for the first half of next year.

The rubber export quota for January-March, 1942, is to remain unchanged at 120 per cent of the basic quantities determined by the agreement between the Governments of the producing countries. Since the basic exports of the countries adhering to the regulation scheme, exclusive of French Indo-China, total 1,563,000 tons for 1942, their permissible exports during the first quarter of next year are 469,000 tons. But actual exports during this period are unlikely to exceed 400,000 tons. As consumption is at the rate of only about 300,000 tons per quarter, there should be an ample margin for the accumulation of further stocks, especially in the United States. This is, indeed, the purpose of the maintenance of a high quota. The Committee also decided to continue its policy of controlling future productive capacity in the regulating countries; no new planting will be permitted in 1942 and 1943, other than that already permitted for experimental purposes. Every form of restriction is to be regarded with suspicion, the more so when, as in this case, it will affect supplies several years hence. But it would be equally foolish to argue that a limitation of supply is never necessary, and as genuine consumption even in wartime is running at rather less than 80 per cent of the standard tonnages, it may be conceded that a case has been made out.

The Tin Committee was able to announce that the Governments of Bolivia, the Belgian Congo, the Dutch East Indies, Malaya and Nigeria had reached agreement concerning the prolongation of regulation for a further period of five years from January 1, 1942. The Government of Thailand, on the other hand, failed to accept the draft agreement and rejected the proposed revision of the standard quantities which form the basis of the calculation of the export quotas, while French Indo-China, whose tin policy is now presumably dictated from Tokyo, was not represented at the Committee. But the output of Indo-China is small, and, even if Thailand refuses to participate in the new scheme, except on its own somewhat exacting terms, the Governments of the remaining five countries are in favour of continuing the regulation of exports. The

ability of Thailand to disturb the working of the scheme is limited by the control of the other Governments over the available refining capacity. The details of the draft agreement have not yet been disclosed, but the basic exports allotted to the countries concerned were given in the communiqué issued by the Committee:—

	BASIC TIN EXPORTS			
	Present Standard	% of Total	Proposed Standard	% of Total
Belgian Congo	15,035	7.2	20,178	8.0
Bolivia	46,027	22.2	46,768	18.6
Dutch East Indies	39,055	18.9	55,113	21.9
Malaya	77,335	37.3	95,474	38.0
Nigeria	10,890	5.3	15,367	6.1
Thailand	18,628	9.0	18,500	7.4
Total	206,970	100.0	251,400	100.0

The revised basic exports, which have been the subject of protracted negotiations, represent an attempt to adjust that of each country to its capacity. They are based on actual exports during the twelve months ended June 30, 1941, when the export quota was 130 per cent of the basic tonnages, and when most of the countries adhering to the regulation scheme were in fact exporting as much as they could. This method of adjustment, which undoubtedly achieves a measure of rough justice, inevitably involved slight changes in the share of each country in the basic aggregate; it meant an increase in those of the Belgian Congo, the Dutch East Indies, Nigeria and Malaya, and a decrease in those of Bolivia and Thailand. Since the current export quota allows the majority of tin-producing countries to export virtually to the limit of their present capacity, the revision of the basic exports will have little immediate effect on supplies; it will only become of importance in the event of a reduction in the quota. But of this there is no likelihood for some time to come, for the United States is as anxious to accumulate a large stock of tin as of rubber; indeed, on the assumption that the five Governments will accept the new agreement, even without Thailand, the International Tin Committee has fixed the export quota for the first half of next year at 105 per cent of the new basic exports, which corresponds closely to the current quota of 130 per cent, based on present standards.

The need for continuing the tin and rubber regulation schemes has been questioned on the ground that the full output of both raw materials is now finding a ready market at prices profitable to producers. But to carry this argument to its logical conclusion would involve regulation when demand falls below productive capacity and its suspension whenever current output can be fully absorbed. Such arguments fail to take account of the main objective of the regulation of the supply of raw materials—though this has not always been apparent from the policy actually pursued—which is to even out the wide fluctuations in prices and production, inherent in a free market, which have been a curse to unorganised producers and their employees in the past. Indeed, the chief aim of commodity control is to put the producers of raw materials in a position similar to that of manufacturers, who normally can adjust their output more readily to changes in demand, and consequently achieve a greater measure of stability in prices. But the prices of finished goods vary with changes in demand, and manufacturers—even those who completely control the prices of their products—sometimes work at a loss. The raw material industries cannot expect at all times to secure prices which ensure a reasonable profit to the marginal producer. They cannot expect a guaranteed income, and control schemes should not try to make the

average price over a period of years, taking in a period of boom and slump, any higher than it would have been in the absence of control. This is a golden rule not only of equity but also of expediency; it has been demonstrated often and conclusively that a control scheme that is operated as a restriction scheme, in the interests of higher average prices, inevitably breaks down. It follows that Government control and consumer representation are essential to the satisfactory operation of commodity schemes.

Both the tin and rubber regulation schemes have now been in operation for a number of years, the one since 1931 and the other since 1934. Both schemes are under the direct control of Governments—though, so far as the British Government is concerned, of the Department whose main concern in these matters is with the producers. In its original form, neither scheme provided for really adequate consumer representation, but since the outbreak of war the policies of the two Regulation Committees have been shaped in collaboration with the Government of the United States, the chief consuming country for both tin and rubber. The chief method adopted to secure greater stability in prices is to fix export quotas, quarterly or half-yearly in advance, in accordance with estimates of demand outruns absorption in times of expanding business activity when consumers are anxious to increase their rubber and tin stocks, and *vice versa*, in times of falling activity, fluctuations in prices have remained considerable. In fact, the disparity between the highest and lowest price of tin, for example, was probably as great in the pre-war years of control than before the introduction of control. Thus, in the boom year of 1937, the highest and lowest prices were £311 per ton and £181 per ton; for the slump year of 1930, before the introduction of the control scheme, the figures were £181 and £105 per ton. In consequence, various devices have been experimented with to improve the performance of the quota method. In tin, a buffer pool was formed—this is to be continued by the new draft agreement—which was designed to reduce fluctuations in prices by the method of direct intervention on the market. On the whole, the success of the tin and rubber schemes in evening out price fluctuations has been limited; but, as the following record shows, the general trend of prices has been

upwards, with a consequent improvement in the financial position of the rubber and tin producing industries:—

AVERAGE RUBBER AND TIN PRICES IN LONDON

	Rubber (per lb.)	Tin (per ton)
	d.	£
1933	34	195
1934	6 ³ / ₂	230
1935	6	226
1936	7 ¹ / ₂	205
1937	9 ¹ / ₂	242
1938	7 ³ / ₂	190
1939	9	226
1940	12 ¹ / ₁₆	257

Since the outbreak of war, fluctuations in prices have been substantially reduced, but only because of official intervention and close collaboration between the British and American Governments. Both industries have been fortunate in experiencing an increase in demand since the outbreak of war, in spite of the Allied blockade of Continental Europe, and hence a fair measure of prosperity. The expansion in demand is due very largely to the anxiety of the United States to lay in large stocks as an insurance against any temporary shortage that might arise as a result of a dislocation of communications with the Far East. In that event, a temporary decline in rubber and tin prices in the Far Eastern producing countries may be unavoidable.

There is no reason why the two regulation schemes should not be completely suspended. But they are both still in the experimental stage. A good deal can be learned from their experience. Thus, it is doubtful whether price fluctuations can be sufficiently evened out by the methods tried out before the war. Indeed, it may be necessary to go one step further and add price control to the regulation of exports. In the case of aluminium and nickel, for example, where the number of producers is small, fixed prices have been established long ago. But though price-fixing may be necessary as a reinforcement of the technical effectiveness of control schemes, it obviously increases their power for evil as much as for good. If there is a strong case at present for a very much larger participation of consuming interests and of Governments, as trustees for the common good, the case would become overwhelming with any extension of the schemes into the field of price control.

Finance and Banking

Fiduciary Circulation Raised

The expected increase in the fiduciary circulation was announced on Wednesday and duly appears in the latest Bank of England return. The authorities have been deaf to the suggestions that they should increase the fiduciary total to a level at which it would not require further adjustment for a considerable period. An increase from £730 millions to £1,000 millions, for example, should, with good management of the financial situation, have seen us through the war. Instead, it has been decided to make the customary £50 millions increase. The previous such increase sufficed for exactly three months. The Bank return shows the customary transfer of Government securities from the Banking to the Issue Department to provide the backing for the increased fiduciary circulation, but the net reduction in the Banking Department's holding amounts to £43,780,000 only, suggesting further ways and means borrowing from the Bank over the week to last Wednesday. Such borrowing would be readily explained by the heavy Government disbursements that have had to be made and by the exceptionally low level of public deposits. These have been further reduced by £2,491,000 to £7,599,000 over the week. The active circulation continues its steady expansion, a further £6,805,000 of notes being withdrawn during the week, and this movement, after allowing for the higher fiduciary circulation, only leaves £63,394,000 of unissued notes in reserve. These various changes leave the basis of bank cash virtually unchanged, bankers' deposits showing a fall of £80,000 over the week, which leaves the total at the very comfortable level of £136,349,000. The level of bankers' deposits reflects the exceptional ease apparent in the money market this week. The heavy dividend distributions at the beginning of the week, and the subsequent £30 millions payments on vested South African securities, have temporarily flooded the market with loanable credit. The banks have, in consequence, been keen buyers of bills and loans from non-clearing banks, which have been readily available at $\frac{1}{2}$ per cent.

Bank Deposit Analysis

The clearing banks have been required by the Treasury, acting on behalf of the Central Statistical Office, to make an analysis of changes in personal deposits over the twelve months to June 30th last. The object of the inquiry (which will, of course, respect the complete anonymity of bank accounts) is to obtain a more detailed analysis of personal savings than has hitherto been available. The estimate of such savings made by the Central Statistical Office and given in the Treasury White Paper issued at the time of the last budget was a residual for which complete factual evidence could not be provided. The main void in this evidence was the lack of any data for calculating how much of the increase in bank deposits was the counterpart of genuine savings. It is to this question that an answer is being sought by the analysis now taking place. Every bank branch will have to select which of the accounts kept with it are of a "personal" character. This means ruling out all corporate accounts, those of trustees, shopkeepers, farmers, and the like. Then a 5 per cent sample of the residual personal accounts will be taken and for each twentieth account, the balance as on June 30 last will be compared with that on June 29, 1940. On the basis of this sample, the proportional and absolute changes in personal deposits over this period will then be calculated.

The value of this investigation, which, incidentally, will entail considerable work for the banks, may seem somewhat problematical. Many of the accounts excluded from the investigation, such as those of small shopkeepers and farmers, include personal as well as business transactions. It is evident, moreover, that the exact incidence of the receipts and payments which determine the size of a bank balance on a particular day is to some extent fortuitous while the choice of June 30th as the day in question is calculated to increase the distortion caused by such chance influences as clearing delays. To make matters worse, the instructions

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Montreal Debt Developments

Progress with the formation of an executive committee to represent British holders of securities of the City of Montreal is slow, it being difficult to find people of the right standing who are free to undertake such duties at this stage of the war. Progress has, however, been made, and meanwhile the provisional committee, formed by the Stock Exchange authorities, has issued a statement which may help to stimulate the individual holder. It is pointed out that issues are made in London on the assumption that local legislation cannot vary the terms of the prospectus, and that, hitherto, this principle has never seriously been challenged. Evidently, the proposed action of Montreal goes even further than that, and this is the principal reason why it must, at all costs, be fought. One further vital point brought out is that the bulk of the money raised in London was for the execution of public works of a revenue producing nature, which should provide for the service of the loans without calling upon the taxable capacity of Montreal. In view of these other facts, the committee consider that if there is any need for a plan, and no evidence has been produced of this need, the London issues should be exempt from its operation. They then revert to the even surer grounds that no plan should be put forward, let alone adopted, without prior consultation with all parties concerned. Meanwhile, there is nothing new from Canada, certainly no indication that either Montreal or Quebec is prepared to consult on the lines suggested. For the moment, the urgent matter is still the formation of a representative committee. If that is secured, and it fails to obtain a reasonable settlement, there is always the possibility of an appeal to higher authority, with a view to effecting some move in the direction of published accounts, such as would render difficult a repetition of the recent, and admitted, mismanagement of the City's affairs.

Company Notes

P. & O. Dividend

Investors should find it satisfactory that the final 3 per cent P. & O. dividend will be accompanied by a 3 per cent cash bonus, making 8½ per cent for the year on deferred stock. To a certain extent, the rise had been discounted, but investors now feel generally confirmed in expecting that the full accounts will reveal a further improvement in total profits. In the year to September 30, 1940, total income rose by nearly £600,000 to £2,976,520. Equity earnings, before deduction of £300,000 transferred to tonnage replacement reserve, rose from 9.9 to 31.4 per cent and the total distribution was raised by 1 per cent. The latest increase restores deferred dividends to the level of 1937-38 when earnings amounted to only 8.2 per cent. The failure to raise the total payment above this level, despite probable benefits under full requisitioning, is, of course, due to the necessity of providing adequately for post war construction and for war time contingencies. The £1 deferred stock declined on the announcement, yielding 5½ per cent at the current price of 30s. 4½d.

Crompton Parkinson Results

The announcement a few weeks ago of a further spread in the Crompton Parkinson interests through the acquisition of Young Accumulator lends special interest to the latest profit figures. The preliminary statement for the year to September 30th last shows a decline in profits, after tax, other than that on dividends, only from £400,514 to £391,404, which argues that the gross figure rose ahead of taxation. Central Benevolent Fund receives £5,000 as in the four previous years and the total distribution on ordinary and "A" ordinary capital of 20 per cent—including a 5 per cent cash bonus—is maintained. Equity earnings are reduced from £351,856 to £342,746, but the rate of cover is up from 35.0 to 35.8 per cent. The whole of the surplus goes to raise the carry forward from £187,360

to £284,218—a level which takes no account of the £4,000 gross due at the end of the year in respect of the final dividend and cash bonus on Young Accumulator shares. Profits of the Crompton Parkinson subsidiary, British Electric Transformer, are down from £52,532 to £18,387. Crompton Parkinson, as ordinary shareholders, receive a dividend of 7½ per cent less tax covered by earnings of 10.2 per cent against 40 per cent tax free in the previous year, equivalent to 69 per cent less tax, a net loss of revenue of £36,250. The carry forward is raised from £5,107 to £6,463. In the absence of full accounts, further analysis is unprofitable, though it is possible to say that results of Crompton Parkinson so far disclosed are fully up to stockholders' most optimistic expectations. The 5s. ordinary stock, at 22s., yields £4 12s. per cent.

Indian Iron Expansion

The expansion of the Indian Iron and Steel Company's business continues, and total revenue, including net addition to stocks, reached a new record of 5,70 lakhs of rupees, against 4,64 lakhs for the year to March 31, 1940, and a previous record of 5,13 lakhs for 1937-38. Expenses increased by some 80 lakhs, while the tax appropriation was doubled at 28 lakhs and the operation of the debenture sinking fund resumed, with an appropriation of 3 lakhs. In consequence, the amount available for dividend was increased only from Rs. 50,07,845 to Rs. 58,57,898. The total payment is raised from 20 to 22½ per cent, and, whereas there was a slight over-distribution a year ago, on this occasion the carry forward is raised from Rs. 4,53,614 to Rs. 6,01,939. The payment is still well below the level of 1937-38. The company is, of course, now fully occupied on war work, especially since the falling off in Japanese demand, now completely stopped. Selling prices are virtually unchanged and the larger turnover is due, in the main, to an increased off-take of pig-iron. The rise in earnings also owes something to sundry income whose source is not specified. The principal changes in the accounts are associated with the reserve appropriations, mainly for tax purposes, the bulk of which has been invested in fixed assets, although there is the usual increase in stock and debtors. Since the close of the year, the tax liability for 1938-39 has been assessed, and paid under protest. The decision of the High Court was not favourable to the company and leave has been obtained to appeal to the Privy Council. The actual provision for taxes in the accounts for that year was 13 lakhs, but this is not necessarily a reliable guide to the amount involved. Since the construction programme was completed early in the year, it seems probable that, once more, earnings have not kept pace with the expansion in turnover. The price of the Rs. 10 ordinary shares is some 57s. ex dividend, giving a yield of some £5 18s. 5d. per cent.

Lever and Unilever NV

News has now reached this country of the allocation of profits earned in 1940 by the Dutch concern, Lever Bros. and Unilever NV. According to a statement which derives from the Reich Commissar for NV, dividends are to be paid on the company's 5, 6 and 7 per cent preference capital, but no payment is to be made to ordinary shareholders who received 3 per cent in 1939 and 7½ per cent in the previous year. The report of the Reich Commissar, Dr Posse, which is discussed at some length in the Free Dutch weekly, *Vrij Nederland*, of November 29th, gives net profits of NV at Fl. 17,056,267 against Fl. 31,755,204. This figure includes dividends received from interests operating in the Reich, including the Protectorate of Bohemia and Moravia and Yugoslavia, but excludes profits from interests in Finland, Hungary, Italy, Poland or Roumania. Reserves receive Fl. 2,000,000 against Fl. 4,000,000 to contingencies in 1939 and Fl. 5,500,000 in 1938 to contingencies and general reserve. It appears from the balance sheet that preference dividends require Fl. 8,583,160. Since the carry forward is reduced from Fl. 16,400,113 to Fl. 11,131,686, the figures, in the absence of the full accounts, suggest that there has been unexplained expenditure amounting to Fl. 11,741,534 against items of some Fl. 3,770,000 in 1939. These figures must be accepted with some caution. The profit of Fl. 17 millions odd clearly does not include receipts from overseas enterprises, but it is felt to be very satisfactory if it includes nothing in respect of this item. The true state of affairs will probably not be known until after the war. Meanwhile, the payment

of the preference dividends releases the funds retained by Limited in its carry forward against the possibility of having to cover them. On the face of it, the 1940 accounts of NV suggest that the specific reserve created for ordinary dividends will have to be used for that purpose, subject to Treasury consent and other safeguards. The balance sheet shows a fall in cash holdings from Fl. 10,654,494 to Fl. 7,750,962 accompanied by a jump in debtors from Fl. 1,040,930 to Fl. 6,803,296 for which investment of liquid assets available in Germany in Reich Treasury bills is responsible. The Dutch concern's current debt to Limited is up from Fl. 19,085,297 to Fl. 21,045,816, the increase is presumably being incurred before May 10, 1940. The reserve fund, after the latest allocation, stands at Fl. 107,000,000. The production of margarine and the cultivation of oil seeds in the Balkans and other areas are of prime importance to the German economy throughout Europe, and it is highly probable that earnings, before tax, in that area will continue to rise.

Associated Equipment Accounts

Full accounts of AEC for the year to September 30th last show a more substantial rise in total profits from £717,799 to £799,577 than was anticipated on the basis of the preliminary statement, discussed in *The Economist* of November 22nd. The decline in the tax free rate of equity earnings from 12.6 to 8.8 per cent is due wholly to the depreciation in tax provision from £421,500 to £560,000. Depreciation requires rather less at £105,477 against £105,551. The maintenance of the tax free rate of dividend on ordinary stock at 7½ per cent permits the transfer of £18,000 against £82,000 to general reserve and the customary increase of £2,000 in the carry forward, bringing this total to £268,000. The chairman points out that the excess of liquid assets over current liabilities amounts to £1,536,732—a figure which actually shows a small decline on the excess of £1,542,335 for the previous year, but which still indicates great strength. The rise in creditors including taxation is, according to Mr Reeve, from £704,418 to £854,912, is, according to Mr Reeve, due almost entirely to the increase in tax provision. War damage provision of £15,000 is charged to general reserve so that this fund is increased only by £3,000 to £673,000 after the current allocation from profits. Among current assets, debtors are sharply reduced from £736,495 to £375,570, while stock is nearly £350,000 higher at £1,778,005 and cash holdings are up from £159,094 to £336,309. The concern is, of course, employed to capacity on Government work, and it is satisfactory to learn that contract prices have now been agreed for last year and the previous year. At existing tax rates there seem to be good prospects of maintaining current payments. The £1 ordinary stock, at 50s. 9d. ex dividend, yields £2 19s. per cent tax free.

Dennis Brothers' Profits

The full accounts of Dennis Brothers for the year to September 30th last show a fall in total net income, after provision for EPT, from £145,095 to £129,400. After the transfer of £10,000, against £25,000, to factory and plant renewal account, equity earnings are reduced only from £99,688 to £98,563, representing a rise in the rate from 132.6 to 137.4 per cent. Shareholders, however, receive a total distribution of 125, against 133.33, per cent, the surplus being used to increase the carry-forward from £166,443 to £171,102. The balance-sheet shows the inevitable rise in debtors and creditors, from £189,233 to £314,006, and from £192,930 to £293,138, respectively. Cash holdings, at £161,105 against £155,157, are slightly higher, and stock at £442,811, against £467,829, slightly lower, owing to more rapid turnover. The company continues to lend £50,000 free of interest to the Treasury and to hold £94,062 of 3½ per cent War Loan. Total reserves, after the increase of £10,000 from current profits, stand at £706,171. The chairman, Mr N. P. Andrew, points out in his statement that the weight of war taxation prevents any rise in distributable profits resulting from the increased turnover. Moreover, it has been necessary to reduce the allocation to renewal fund, while no addition was made to physical plant last year, the balance-sheet value, after depreciation, standing at £251,514. Since EPT was provided at 100 per cent last year, there is, however, no inevitability that the ordinary dividend need be further reduced in the absence of a fresh

rise in the rate of income-tax. The 1s. ordinary shares, now standing at 21s. 6d., yield £5 16s. 3d. per cent.

Gold Mining Profits

According to the annual report of Venterspost, development on the Main Reef shows a decline in payability from 76 to 66 per cent, still a satisfactory figure. Stopping width, which is slightly lower at 89 inches, is still high for the Rand. With a slight improvement in grade, inch-dwts. are almost unchanged at 328. Development on the Contact Reef showed a general improvement, payability having risen from 30 to 44 per cent and inch-dwts. from 459 to 744. The year's development for the whole mine can, therefore, be classed as eminently satisfactory, and the mill is now crushing to its full capacity of 100,000 tons a month. Should development continue as at present, the mine, which is the first subsidiary of West Witwatersrand Areas, should be able to produce at low cost a very large annual tonnage, with possibly a large increase in the reduction plant after the war. A glance at the plan of Sub Nigel shows that major development in depth towards the Vlakfontein is nearing completion, so that the mine will become increasingly dependent upon the comparatively new Eastern Lease, where development has recently shown an improvement, as indicated in the following table:—

	Footage Sampled	Payable	Percentage of Payability	Inch dwts.
Year to June, 1940—				
Whole Mine.....	97,970	47,605	49	447
Eastern Lease.....	17,080	3,040	18	241
Year to June, 1941—				
Whole Mine.....	81,665	36,015	44	470
Eastern Lease.....	13,960	3,750	27	605

It is, of course, the new Eastern Lease area which will ultimately determine the future of Sub Nigel, and prospects here must be more speculative than those in the old portion of the mine. In spite of increased development footage, the New Modderfontein report shows that the ore reserves have fallen heavily, now representing about two years' supply at the present rate of crushing. Remaining undeveloped areas in which payable ore can be expected are steadily declining, so that ore reserves will in future be unable to supply both mills, and it has, therefore, been decided to start mining the pillar which supports the North Mill. The life of the mine is very limited, and profits and dividends will probably continue to fall. The shares can only be considered as a speculation on their eventual break-up value. The report of Nourse shows that, in spite of an increased development footage, the ore reserves fell, representing now about four years' supply to the mill. Development in the upper portion of the mine is almost completed, and remaining undeveloped ground is in the narrow area being developed in the deeper south-east portion, where, however, values are encouraging. Ore reserves will probably continue to fall. The following table indicates ore reserves, payability and dividends for the four mines discussed above:

Company (Year ending June 30)	Ore Reserves		Grade		Dividends		Price	Yield
	Actual	Change	1940	1941	1940	1941		
New Modder 10/-	5,962	-958	3.3	3.1	4/9	3/6	15/7½	22.40
Nourse £1	3,913	-338	4.4	4.3	4/6	4/6	51/3	8.78
Sub Nigel 10/-	3,080	+223	13.3	13.0	15/-	13/3	148/9	8.91
Venterspost 10/-	2,714	+315	4.4	4.4	...	1/4½	37/6	3.66

In a note on Blyvooruitzicht in *The Economist* of November 22nd, it was made to appear, owing to an omission, that the price of 30s. for the shares was considered unduly high. It was not the price of the shares which was in question, but the indefinite continuance of the high development values exposed to date.

ESTABLISHED 1824
SCOTTISH UNION AND NATIONAL
INSURANCE COMPANY
 ASSETS EXCEED £17,500,000
 FIRE LIFE ACCIDENT MARINE
 Edinburgh: 35 St. Andrew Square.
 London: 5, Watlington, E.C.4 (Temporary Address: 5, Lothbury, E.C.2)
 and 46, Pall Mall, S.W.1.

FAMOUS SINCE 1795
OTARD'S
 COGNAC BRANDY

THE STOCK EXCHANGES

London

Note: all dealings are for cash

A FIRM but quiet tone marked the close before the week-end in the markets, but, while at the reopening news from Russia and Libya assisted sentiment, the general tendency was to await developments, and turnover, consequently, has declined. The reinvestment of some of the South African loan disbursements and dividend payments led to a revival in the gilt-edged market where, as in other sections, stock is in short supply. In view of this, relatively little buying in the industrial market, particularly of tobacco and brewery issues, has maintained the steady advance in prices. Conditions in the commodity share markets, however, were quiet pending developments.

A revival of institutional demand occasioned numerous small improvements in the gilt-edged market. Thus, on the previous Friday, gains of $\frac{1}{8}$ were registered for $2\frac{1}{2}$ per cent Consols, Victory Bonds, and $3\frac{1}{2}$ per cent Conversion and War Loan, while Local Loans and $2\frac{1}{2}$ per cent Funding Loan both advanced $\frac{3}{8}$. Comparatively light support for long-dated and irredeemable issues at the reopening was sufficient to raise $2\frac{1}{2}$ per cent Consols and Local Loans $\frac{1}{8}$, while $3\frac{1}{2}$ per cent Conversion and War Loan both improved $\frac{1}{8}$. Among dated issues, $2\frac{1}{2}$ per cent Funding gained $\frac{3}{8}$, and $2\frac{1}{2}$ per cent National Defence Bonds 1944/48 improved $\frac{1}{8}$. On Tuesday, turnover subsided still further, but $3\frac{1}{2}$ per cent War Loan and Conversion both improved $\frac{1}{8}$. Later the market continued quiet, some small gains reflecting the scarcity of stock.

The chief feature of the foreign bond market has been sharp fluctuations in Japanese bonds. After closing at the week-end with small declines, Japanese issues were marked down sharply at the reopening, the 5 per cent loan of 1907 and the 4 per cent of 1910 losing 3 points. The following day the resignation of M. Togo led to a sharp rally, in which most issues gained 3 points, and later remained firm. Chinese bonds were firm before the week-end, but suffered from profit-taking on Monday when the 5 per cent loans of 1912 and 1913 both lost a point. The next day saw some improvement, most issues gaining 1 point and the 5 per cent 1912 loan 2 points. Among South American issues, Brazilian and Chilean

bonds were easy on the previous Friday, but the latter rallied on Tuesday. European issues were mainly without interest, but the 5 per cent Austrian loan gained 2 points on Tuesday, while next day Greek bonds and French rails were in demand.

Apart from a gain of $\frac{1}{8}$ in LNER defd. on the previous Friday, conditions in the home rail market were quiet until Tuesday, when a revival of interest led to a general advance in junior issues. GW ordinary and Southern pref'd. both gained $\frac{1}{8}$, while LMS ordinary and Southern defd. improved $\frac{1}{8}$. Senior issues were generally unchanged. Much-reduced activity in midweek led to small declines for Southern deferred and preferred issues, other prices remaining steady. In sharp contrast to other sections, the foreign rail market was dull, total lack of interest leading to a general and persistent decline in all issues. A sole exception were Cordoba "B" debentures, which gained $2\frac{1}{2}$ points on the previous Friday. Elsewhere Canadian Pacific preference was weak. The fall in Argentine railway equities and senior stocks was accelerated in midweek.

The tone in the industrial market remained firm, but turnover declined appreciably, and interest was no longer widespread, investors showing marked preference for brewery and tobacco issues. Favourable results of various breweries encouraged further support, and both before and after the week-end prices continued to improve. Gains of 1s. were numerous, while, on Tuesday, Benskins jumped 2s. 3d. and Ind Coope 2s. 6d. on the dividend announcements. Quiet dealing in the aircraft and motors group had little effect on prices, though on Tuesday, Fairey Aviation gained 1s. 9d. on the final dividend prospects, while Rolls-Royce lost $\frac{1}{8}$ and Leyland $\frac{1}{8}$. R. Thomas preference gained 1s. on the dividend announcement before the week-end, while at the reopening John Brown lost 1s. 3d. on the reduced interim dividend. In general, iron and steel prices moved within narrow limits. Shipping issues recovered on Monday, while the following day Cunard advanced 1s. and Indo-China defd. $\frac{1}{8}$. In midweek, the announcement of an increased bonus for P & O defd. failed to offset the general weakness. Small gains in the early part of current week reflected quiet support for the textile group. Steady buying of tobacco issues resulted in numerous gains for the leaders.

Carreras rising $\frac{1}{8}$ and Gallaher $\frac{1}{8}$ before the week-end, while at the reopening BAT, Gallaher, Imps all improved $\frac{1}{8}$. A rise of $\frac{1}{8}$ in Imps on Tuesday was accompanied by a gain of $\frac{1}{8}$ for BAT, although Carreras repeated the previous day's loss of $\frac{1}{8}$. Stores issues were also in demand, Woolworth gaining 1s. and Marks & Spencer 6d. on Tuesday, when in the miscellaneous section Murex and Turner & Newall both attracted buyers. Later, an easier tendency developed, but prices generally remained steady, although tobacco issues lost ground.

Turnover, rather than prices, in the kaffir market was affected by the prevailing uncertainty, although quiet trading occasioned a loss of $\frac{1}{8}$ for Central Mining at the opening of the current week. On Tuesday, a slightly easier tendency set in, and although Geduld rose $\frac{1}{8}$, Libanon 10d. and West Wit Areas $\frac{1}{2}$, most changes were downward. Threat of hostilities in the Pacific led to quiet and rather easier conditions in the rubber market, but in the tea market, where stock was in short supply, Jhanzie rose 1s. 6d., and Jorehaut and Lokai both gained 1s. on the previous Friday. Oil issues were generally lower before the week-end, although Shell gained $\frac{1}{8}$ against the trend, Anglo-Iranian and Burmah both losing the same amount. The tone at the reopening was distinctly firmer, Shell rising $\frac{1}{8}$, Anglo-Iranian $\frac{1}{8}$ and Burmah $\frac{1}{8}$. The following day, Shell and Anglo-Iranian both improved a further $\frac{1}{8}$, while Royal Dutch rose 2 points. Dull conditions in midweek were reflected in slightly lower prices in the oil and kaffir markets.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Barings in S.F. List	Corres. Day 1940	Security Indices	30 Ord. Shares*	20 Fixed Int.f
Nov. 27...	3,283	2,003	82.5	132.5	
" 28...	3,539	1,867	82.6	132.5	
Dec. 1...	4,243	1,665	82.8	132.3	
" 2...	3,351	2,330	83.2	132.4	
" 3...	3,262	1,691	82.8	132.4	

* July 1, 1935, 100. † 1928, 100. 30 Ordinary shares, 1941 highest, 83.2 (Dec. 2); lowest, 66.8 (April 24). 20 Fixed Int., 1941: highest, 132.5 (Nov. 28); lowest, 126.1 (Jan. 2).

New York

THE Far Eastern problem constituted the chief handicap to business on Wall Street before the week-end, and with internal uncertainties still prominent no marked trend developed. The good turnover was due principally to persistent selling for tax purposes, but prices were generally steady. Lack of any incentive at the reopening led to a dull session, but on Tuesday, following on the railway wage settlement, a widespread recovery, with gains up to a point, took place, although sentiment was restrained somewhat on the realisation of the full implications of the new wage increases. Persistent profit-taking in midweek was well absorbed, and most issues improved, Chemical stocks gaining up to 2 points.

New York Prices

Total share dealings: Nov. 27, 810,000; Nov. 28, 870,000; Nov. 29, 450,000; Dec. 1, 840,000; Dec. 2, 1,180,000; Dec. 3, 1,090,000.

* Two-hour session.

(Continued on page 699)

Industry and Trade

Concentration of Tinplate Industry

The Welsh tinplate trade is one of the re-rolling branches of the iron and steel industry whose activity has been severely curtailed by the war; a large proportion of the steel formerly used in the production of tinplate for use at home or for export has had to be diverted to other purposes. In 1937, the output of tinned, black and terne plates and of sheets reached nearly 1,000,000 tons, of a gross value, at works, of about £18 millions, and an export trade of 460,000 tons, valued f.o.b. at £10,750,000. Even before the war, part of the industry's plant was obsolete and had become redundant as a result of the erection of a modern continuous strip mill at Ebbw Vale. At present, less than half the mills are working and many of them are not on full time. Here then is an industry ripe for concentration. According to the Census of Production of 1935, 66 establishments were employed in the manufacture of tinplate, with an average annual output of less than 12,000 tons. Even before the war, the national interest dictated the concentration of production at the plants of the Ebbw Vale type and the scrapping of the multitude of small old mills. A committee of manufacturers has been investigating the problem of redundant capacity for some considerable time, but without introducing a realistic scheme. Efforts have also been made to find alternative employment for some of the idle works. Finally, last July, the Ministry of Supply decided to appoint a committee under the chairmanship of Lord Essendon to investigate the problem. The committee's report has now been in the hands of the Government for some time; while its recommendations have not been made public, it is understood that they are anything but drastic. There can be only one solution to the problem. The modern plant at Ebbw Vale should be operated at capacity, while any surplus work should be distributed among the more efficient of the other mills; the older plants that cannot be adapted to other work should be scrapped.

Production Control

Sir John Wardlaw-Milne emphasised during the debate on manpower policy in the House of Commons on Tuesday, that the increase in industry's personnel was only one means of securing an expansion in output, and that another remedy consisted in the better use of workers. There is a double need—for more munition workers as well as for securing an appreciable increase in the output per worker. Much can be done to achieve increased efficiency by better organisation in individual factories and by improved methods of production control. That many industrialists are alive to this need is revealed by the contents of the *Technical Bulletin* issued by the Institution of Production Engineers. A writer in the latest of these bulletins suggests a number of headings under which these problems should be discussed. First, there is the task of devising a production plan which involves the measuring of capacity and load. Secondly, means must be found to check actual performance as accurately as possible; and, thirdly, there is the problem of preventing temporary shortages of materials and stores. These discussions are to be welcomed, because they stimulate research and the pooling of ideas.

The Rise in Earnings

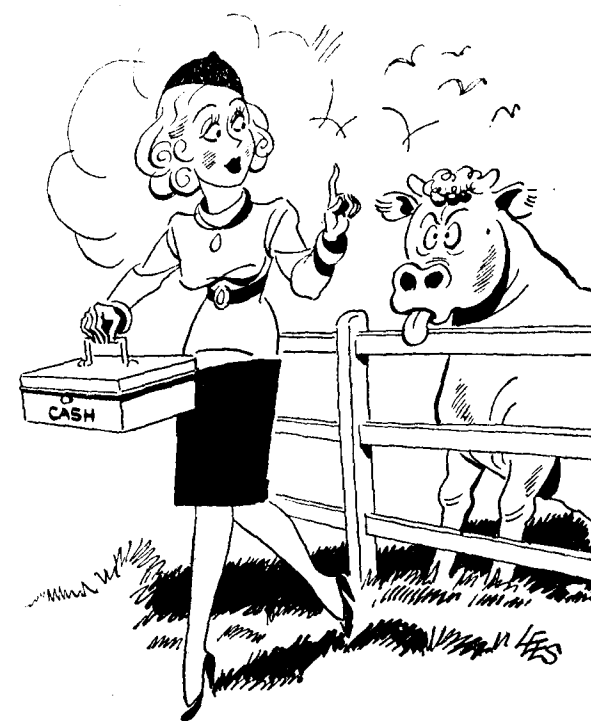
The November issue of the *Ministry of Labour Gazette* carries a year further the enquiry into earnings which is conducted at regular intervals by the Ministry. As before, some firms making returns did not differentiate between men, women, and girls, so that the figures relating to men, women, and girls are based on only 95 per cent of the returns covered by the figures for all workers. The average earnings covered by the figures for all workers were, in the week ended July 12, 1941, 75s. 5d., an increase of 42 per cent compared with the last pay week of October, 1938. There were wide variations between different industries, due in part to variations in the proportions of men, women, boys and girls employed in different industries, for the

wages of these four groups have risen in different proportions as the table below shows:

	Average Earnings in week ended		Percentage increase since
	July 12, 1941	October, 1938	
	s. d.		
Men (21 and over)	99 3		43
Boys (under 21)	40 7		57
Women (18 and over)	44 4		36
Girls (under 18)	25 2		35

The striking increase in the earnings of youths and boys is common to all the principal industrial groups; the only group in which their percentage increase does not exceed

Put every penny into war savings



even if it means going without a little

BOVRIL

By Permission to Deal.... 155,035 ... 119,473
Particulars of Government issues appear on page 703.

(Continued on page 704)

COMPANY MEETINGS

ROYAL BANK OF SCOTLAND

ANNUAL GENERAL COURT OF PROPRIETORS

HIGHLY LIQUID POSITION

LARGE INVESTMENTS IN GOVERNMENT LOANS

DUKE OF BUCCLEUCH'S ADDRESS

The annual General Court of Proprietors of The Royal Bank of Scotland was held at Edinburgh on Wednesday, 26th ultimo, His Grace the Duke of Buccleuch and Queensberry, G.C.V.O., Governor of the Bank, presiding.

His Grace said:

I assume it will be your pleasure that the annual report and balance-sheet, with auditors' report, will be taken as read.

Before dealing with the ordinary business of the meeting, I should refer to the great loss which the bank has suffered through the death, on August 27, 1941, of Mr R. N. Dundas, W.S., who had been a director of the bank since 1929. By his death we have lost a director whose wide experience of affairs was of great value to us and whose kindly qualities endeared him to all his colleagues.

The twelve months covered by our accounts mark the second complete year of the war. The anxieties of the previous year have continued throughout, but although the outlook is still obscure, we can, without minimising the heavy task in front of us, look with growing confidence to the future.

DEPOSITS AND OTHER LIABILITIES

Turning to the balance-sheet, we show, for a Scottish bank, an impressive total of assets amounting to £98,263,226.

Under the heading "Liabilities," deposits and other credit balances have increased by £6,915,856 to the figure of £82,007,146 appearing in the balance-sheet.

Notes in circulation at £4,602,641 show an increase over the previous year of fully £800,000.

The growth under this heading can be largely attributed to the rise in employment and to the increases which have taken place in wages, but the withdrawal, due to the war, of banking facilities through the closing of many branches and the shorter banking hours, are factors which must delay the return of notes to the banks. I agree with the timely warning given the other day against the dangers and folly of hoarding notes.

The total of £2,077,186 for acceptances and indorsements of foreign bills and other obligations shows little change from the figure of last year.

LIQUID ASSETS AND INVESTMENTS

On the assets side our holdings of cash, balances with the Bank of England and other banks, money in London at call and short notice, which reach the large sum of £18,000,000, provide ample evidence of a highly liquid position and, along with Treasury deposit receipts, which stand in the balance-sheet at £6,500,000, represent fully 28 per cent. of our liability for deposits and notes issued. I may add in passing that the amount of Treasury deposit receipts has increased since the date of our balance to £10,000,000.

British Government securities at £34,765,619 are up by almost £6,000,000 on the year.

It will be seen that the whole of the increase in our deposits, in addition to the sums arising through a reduction in our advances—to which I shall refer later—has gone to aid the Government loan programme for financing the war.

I can again say that a high proportion of our investments in Government stocks is in short- and medium-dated loans and that all these and our other investments are valued at or under market prices ruling on the date of our balance.

In spite of the lack of commercial bills, we are able to show a portfolio, which includes Treasury bills, of just over £3,000,000.

ADVANCES

The total of our advances has declined to £23,926,630 from £25,910,494 a year ago, when we then recorded a fall of £2,000,000 in what is regarded as the most remunerative part of a bank's business.

A decline in advances has been a common feature in all recent banking reports, and is largely due to the changed conditions brought about by the war. Thus, with Government control over commodities and greatly restricted imports, requests for accommodation have lessened. I can, however, say that we are doing everything we can, consistent with sound banking practice, to assist those of our customers who are engaged on work of national importance.

PROFITS

The net profit of the year at £491,522 6s 7d is £65,836 13s 8d less than the amount declared a year ago.

I am sure that the stockholders will not be surprised at the lower profit shown in view of the higher taxation and the continued increase in the charges of management.

APPROPRIATIONS

The directors are pleased to be in a position to recommend that a dividend for the half-year on the capital stock at the rate of 17 per cent. per annum be declared, and that £30,000 be applied in writing off expenditure on bank buildings and heritable property, and that £30,000 be carried to staff pension reserve fund. After these appropriations there remains the sum of £70,272 6s 7d, which it is proposed to carry to our inner reserves against contingencies.

BUSINESS OF THE BANK

The business of the bank and of our associates in England—Glyn, Mills and Co., and Williams Deacon's Bank, Limited—has been well maintained.

To fill a vacancy on the board, Mr Charles Augustus Carlow, Coalmaster, Leven, was elected. Mr Carlow, who is a prominent figure in the coal mining industry, holds office until this Court, when he comes up for re-election.

AGRICULTURE AND TIMBER

I do not propose to attempt, under these war-time conditions, any full review on Scottish industry, but, as one who is keenly interested in farming and forestry, I am glad to report that, during the past year, the farming industry as a whole has had a more reasonable measure of prosperity, with arable farming relatively the most prosperous section. Unfortunately, hill sheep farming, which is so important to Scotland, has had a most adverse year, accentuated by the severe weather conditions of the past winter.

Labour shortage has, in many areas, seriously limited the scope of production and prevented farmers from giving their land the full attention needed to attain the best results.

Tremendous demands are being made on timber resources in Scotland, with the result that stocks of mature softwood timber are diminishing.

Complaints are heard from time to time of the injurious burden of Excess Profits Tax upon industrial firms which will have to make heavy replacements of plant after the war. Shipping com-

panies have had their claim met in some measure by credits for tonnage replacements, and forestry also deserves consideration in order to meet the cost of reafforestation.

Some provision seems necessary for the future of the Scottish timber industry, which again is serving a national need, and indeed a national extremity.

TRIBUTE TO OFFICIALS AND STAFF

We have at the present time 592 members of our staff who are serving with H.M. Forces in every theatre of the war and in nearly every branch of the services.

We deeply regret that four members of our staff have made the supreme sacrifice and our sympathy goes out to their relatives. Fourteen others are missing or known to be prisoners.

The absence on active service of almost 43 per cent. of our pre-war staff has thrown an additional strain on those who remain and we wish to express our deep appreciation of the loyal manner in which the staff—permanent and temporary—have carried on.

I am specially glad to have the opportunity of thanking those members of the staff who have also so willingly undertaken guard and fire-watching duties, which have involved absence from their homes on many occasions throughout the year.

To Mr Whyte, our general manager, the assistant general managers, the senior officials at head office, and the managers at London, Glasgow and Dundee offices, our special thanks are once again due for the devoted efficiency with which they have met the exceptional difficulties and responsibilities of the times.

APPROVAL OF ACCOUNTS—DIVIDEND

I now beg to propose that the report, containing a statement of the accounts and balance-sheet, be approved, and that out of the profits of the year a dividend at the rate of 17 per cent. per annum for the half-year, under deduction of tax, be declared in conformity therewith.

The report was approved and the governor, deputy-governor, extraordinary directors and the retiring ordinary directors were re-elected and auditors were reappointed for the ensuing year.

CASTLEFIELD (KLANG) RUBBER ESTATE, LIMITED

SUBSTANTIALLY IMPROVED RESULTS

The thirty-fifth annual general meeting of Castlefield (Klang) Rubber Estate, Limited, was held, on the 20th ultimo, in Oxford.

Mr W. Arthur Addinsell, chairman of the company, moved the adoption of the report and accounts and the declaration of a dividend of 10 per cent. for the year ended June 30, 1941.

In the course of his address the chairman said: The substantial improvement in the results is mainly due to the higher releases under the Restriction Scheme and the better price obtained for our output. We harvested a crop of over two million pounds, which is the highest in the history of the company.

The gross profit figure was £57,525 (compared with £38,666 for the previous year), equivalent to over 28 per cent. on the issued capital. Taxation, however, requires a larger proportion of our earnings. Including the estimated Excess Profits Tax liability, approximately £36,000 will be paid to the Exchequer in respect of the financial year.

It represents 63½ per cent. of the profit, but we have the satisfaction of knowing that we are contributing substantially to the war effort and helping the nation in its grim and epic struggle.

REPLANTING EXPENDITURE

Expenditure during the year on special cultivation and replanting totalled £3,711. An area of 78 acres was replanted on Castlefield Estate and 107 acres were felled and cleared ready for replanting this year.

Since the year 1936 a total of 806 acres has been replanted, of which 509 acres have been budded and 297 acres planted with clonal seed.

The fixing of the quota at 120 per cent. since October 1st last

means that production is virtually unrestricted—to supply our American friends with sufficient rubber for their current needs, to accumulate reserve stocks for industrial purposes and defence, and as a precaution against supplies being cut off.

To obtain full production many producers have had to bring in areas which in normal times would have been rested, and the trees would have benefited considerably. Those companies are therefore exhausting a proportion of their capital by using up bark reserves. For this reason alone the refusal of the Treasury to include rubber in the list of commodities declared admissible for EPT allowance as wasting assets is inexplicable. By working to full capacity producers are subordinating commercial interests to the service of the country.

By producing quantities in excess of normal, anticipatory profits are being obtained, the major portion of which will be paid to the Government as Excess Profits Tax. It is hoped that some tangible recognition will be given by the authorities, and a special allowance made before calculating the liability for taxation.

The resolution was adopted.

BUKIT KAJANG RUBBER ESTATES, LIMITED

INCREASED NET PROFIT

The thirty-second annual general meeting of Bukit Kajang Rubber Estates, Limited, was held, on the 20th ultimo, in Oxford.

Mr W. Arthur Addinsell, chairman of the company, moved the adoption of the report and accounts and the declaration of a dividend of 10 per cent. for the year ended June 30, 1941.

In the course of his address, Mr Addinsell said:

The net profit, after payment of £3,222 export duty to the Straits Settlement and Johore Governments and charging home expenses and crediting dividends on investments, amounted to £53,061—an increase of nearly £20,000 on the previous year.

If that were the end of the story we should have cause for much gratification, but it is necessary to provide no less than £32,450 for taxation. Excess Profits Tax is estimated at £29,000, and the balance will be required to amplify the income-tax deducted from dividends.

With regard to the estates administration, the policy of manuring the middle-aged and young clearings, and gradual replanting of the old areas, is being pursued. The replanting programme for the current year extends to 100 acres, and with the passing of years this rate may have to be accelerated. Accordingly, although the special cultivation and replanting reserve was in credit to the extent of £2,206 at the close of the year, it is deemed prudent to allocate a further £3,500.

Included in the fixed assets is our investment in Edensor Rubber Estate, Limited, and I am pleased to inform you that company has commenced to remunerate its shareholders with an inaugural dividend approximating 4 per cent. on the loan capital invested.

I would also draw your attention to the item of £12,500 invested in National War Bonds.

CROP FIGURES

A crop of 1,862,704 lb. was harvested, which was fully sufficient to met the export rights available. For the first quarter of the current financial year the Quota release was fixed at 97½ per cent., and was advanced to 120 per cent. as from October 1st.

We are advised that the estates will be able to produce sufficient rubber, with the unexportable stock in hand at June 30th, to exhaust the export licences available to December 31st, but if the release continues at 120 per cent. next calendar year, it will not be attainable during the first three or four months because they cover the wintering period.

I consider that we have abundant justification for taking full credit for the contributions this company, as a unit of the rubber-producing industry, is making to the war effort, by supplying a vital war material and providing the financial means of carrying on the conflict.

The resolution was adopted.

ANGLO-IRANIAN OIL COMPANY, LIMITED

FIVE PER CENT. DIVIDEND MAINTAINED

SIR WILLIAM FRASER'S STATEMENT

The thirty-second ordinary general meeting of the Anglo-Iranian Oil Company, Limited, was held, on the 2nd instant, at Britannic House, Finsbury Circus, E.C., Sir William Fraser, C.B.E. (the chairman), presiding.

The following is an extract from the chairman's statement circulated with the report and accounts:—

TRIBUTE TO THE LATE LORD CADMAN

On May 31, 1941, the company suffered a grievous loss by the death of its chairman, the late Lord Cadman, who had served the company in that capacity for fourteen years. Many high tributes have been paid to Lord Cadman's personality and to his achievements in public life. His greatest work, however, was that which he did for the Anglo-Iranian Oil Company. I am sure that all stockholders will join with the board in an expression of deep sorrow at the death of their distinguished chairman. The board has appointed Mr H. B. Heath Eves to be their deputy-chairman, and Sir Warren Fisher to be a director of the company.

Our operations have proceeded as satisfactorily as was possible in the circumstances, and I am glad to inform stockholders that the interests of the company did not suffer seriously in the course of the disturbances in Iraq in May last and in the occupation of Southern Iran by British forces in August. I regret that it is impossible for me to give any further information on our activities, but I am sure the reason for this will be fully appreciated, and I trust that stockholders will be content to remain uninformed until such time as it is possible to speak without detriment to the national interest.

In the balance-sheet the most striking feature is the large increase in the amounts under "creditors" and "debtors." This is a direct result of the war. "Refinery, tank installations, etc." shows a decrease of £804,313. This is due to the depreciation which has been provided and to the fact that new constructional work remained at the minimum to which it was reduced on the outbreak of war. The board are unable to ascertain the position of the company's assets in enemy or enemy-occupied territory included under "investments in subsidiary companies," and they have considered it advisable to make a further addition to the substantial reserves made in previous years.

PROVISION FOR TAXATION

The "balance of profits, etc." shows an increase of £911,613 over the comparable figure for the previous year. Against this amount, however, there is an increase of £1,019,550 in "provision for income-tax and national defence contribution." The result is that the balance brought down, £2,841,909, approximates closely to that for the previous year.

In December, 1939, an interim dividend of 5 per cent. was paid on the ordinary stock. At the annual general meeting of the company in August, 1940, the late chairman said:

The trading profits earned during the year are sufficient to have enabled a small final dividend to be paid, but I am sure that stockholders will agree that in times like the present it is essential to conserve the resources of the company.

In considering the results of the company's operations during 1940, the board felt that they should continue this policy, and they have recommended that a dividend of 5 per cent., the same as that for 1939, be paid on the ordinary stock. This leaves a balance of £1,101,351 on profit and loss account to be carried forward, an increase of £138,800 over the amount brought forward from 1939, thus adding to the reserve which this item constitutes.

TRIBUTE TO THE STAFF

I reported earlier in this statement that our operations had proceeded as satisfactorily as possible in the circumstances. For that fact, a high measure of praise is due to the company's staff, whether they are serving on sea, in the United Kingdom, in Iran, Iraq or elsewhere. There have, unfortunately, been casualties among the staff of the company. Men have been killed and injured. Some are prisoners of war. To the relatives of those who have fallen, we offer our deepest sympathy; and to those who are injured or prisoners, we wish a speedy recovery or an early release from captivity.

The report was unanimously adopted.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

RESULTS OF INCREASED TAXATION

The ordinary general meeting of the Consolidated Gold Fields of South Africa, Limited, was held, on the 4th instant, in London, Mr H. C. Porter (the chairman) presiding.

The following is an extract from the chairman's address circulated with the report and accounts:—

In the profit and loss account of New Consolidated Gold Fields, Limited, dividends, profits, etc., amount to £723,501, compared with £739,218, a small decrease of £15,717. Profits on sales of investments were less by £116,000, opportunities for profitable realisation having been rare until the closing months of the year. Our revenue in general has been detrimentally affected by taxation. The profit carried to the appropriation account is £653,917, about £10,000 less than last year. This year we have to provide £200,000 for U.K. taxation, against nothing last year, in view of the rise in value which took place during the year in our holdings. A dividend of 2s. per share, less tax, has been declared. The payment of this dividend enables your company to distribute a similar amount.

The liquid position of the new company is very strong. Including gilt-edged holdings it was at June 30th well over £2,000,000, an increase of £370,000 over last year's figure. Last year I informed you that after the close of the financial year a marked change for the better in the fortunes of our company came about, and it is gratifying to be able to report that the improvement which began at that date continued throughout the year with which I am now dealing.

The scale of taxation of the gold mines in the South African Union has been considerably increased. The direct result of the increased taxation has been a substantial reduction in the amount declared in dividends, notwithstanding the expansion in operations, so that shareholders in gold mining companies are making increased contribution to the Union's war effort. The mining industry accepts that it should pay its full share of the cost of the war, but the imposition of the tax on shareholders outside the Union is not calculated to encourage the investment of overseas capital for the development of new mines when the war is over, although it is to be hoped that when that day comes the Government in power will eliminate this special tax and, in fact, reduce all forms of taxation on the industry to reasonable proportions in order to foster expansion.

The Excess Profits Tax has fallen with particular severity on the West African gold mining industry, which, for the greater part, only reached full production after the standard period. Though certain concessions have been embodied in recent Finance Acts, their actual value remains to be determined and no effective relief has yet been secured.

The report was unanimously adopted.

THE STRAND HOTEL, LIMITED

IMPROVED RESULTS

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

The following are extracts from Major M. Gluckstein's statement which was circulated with the report and accounts:—A year ago, when referring to the company's prospects, I said that if the figures were no worse than those then under review, and our capital assets remained intact, we should feel that we had no reason to complain. Actually the year's working shows some improvement on that of the previous year, although the volume of our business was still much below normal.

After allowing for the dividends on the preference shares, the year's figures permit the payment of a dividend of 7 per cent. on the participating preferred ordinary shares, and there remains a small balance to add to the amount to be carried forward in the profit and loss account. The dividend on the participating preferred ordinary shares compares with just over 2½ per cent. last year, and in view of present conditions the results of the year's working can be regarded as satisfactory.

You will not expect any forecast of the company's prospects for the current year. I can only say that at present our turnover, bearing in mind all the circumstances, is satisfactory.

The report and accounts were adopted.

CURRENT STATISTICS

Finance

AGGREGATE ISSUES AND RECEIPTS

Aggregate issues and receipts from April 1, 1941, to November 29, 1941, are:—

(£ thousands)	
Ordinary Exp.	3,025,462
Gross Revenue	1,070,263
Gross bor.	1,921,553
Sinking fds.	7,024
Net borrowing	1,914,529
Miscell. Receipts (net)	40,803
	3,025,595

FLOATING DEBT

(£ millions)		Treasury Bills		Ways and Means Advances		Treasury Bills		Total Floating Debt	
Date	Tender	Tap	Public Depts.	Bank of England	By Banks	By Banks	By Banks		
1940									
Nov. 30	845-0	1238-6	87-5	...	269-5	2440-5			
1941									
Aug. 23	960-0	1525-3	213-9	1-0	513-0	3223-2			
Sept. 6	970-0		Not available						
Sept. 13	970-0		Not available						
Oct. 4	970-0		Not available						
Oct. 11	970-0		Not available						
Oct. 18	970-0		Not available						
Oct. 25	975-0	1558-9	241-8	...	662-5	3424-4			
Nov. 1	975-0		Not available						
Nov. 8	975-0		Not available						
Nov. 15	975-0		Not available						
Nov. 22	975-0		Not available						
Nov. 29	975-0	1575-0	128-9	26-2	723-0	3428-1			

TREASURY BILLS

(£ millions)		Amount		Average Rate of Allotment		Per Cent. Allotted	
Date of Tender	Offered	Applied	Allotted	s.	d.	Min.	Rate
1940							
Nov. 29	65-0	152-2	65-0	20	5-23		20
1941							
Aug. 15	75-0	151-8	75-0	20	0-31		34
" 22	75-0	133-2	75-0	20	0-95		57
" 29	75-0	152-3	75-0	20	3-17		38
Sept. 5	75-0	148-6	75-0	20	3-46		41
" 12	75-0	165-8	75-0	20	2-73		29
" 19	75-0	165-0	75-0	20	2-63		26
" 26	75-0	186-5	75-0	19	10-65		37
Oct. 3	75-0	159-4	75-0	20	0-47		35
" 10	75-0	161-5	75-0	20	0-37		32
" 17	75-0	155-6	75-0	20	0-54		35
" 24	75-0	148-1	75-0	20	0-59		38
" 31	75-0	159-6	75-0	19	11-30		25
Nov. 7	75-0	168-3	75-0	20	0-20		27
" 14	75-0	163-5	75-0	20	0-35		33
" 21	75-0	158-2	75-0	20	0-35		33
" 28	75-0	174-6	75-0	20	1-93		23

On November 28th applications at 99 15s. per cent for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 23 per cent of the amount applied for, and applications at higher prices in full. Applications at 99 15s. 1d. for bills to be paid for on Monday were accepted in full. 75 millions of Treasury bills are being offered on December 5th. For the week ending December 6th the banks will be asked for Treasury deposits to a maximum amount of £50 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)		N.S.C.		3% Bonds		2½% Bonds	
Week ended							
Oct. 21	4,387	2,599	8,537	11,938	19,673		
" 28	4,313	3,081	7,678	11,938	19,673		
Nov. 4	4,592	2,430	7,678	11,938	19,673		
" 11	4,190	2,965	8,083	11,938	19,673		
" 18	3,734	3,062	9,438	11,938	19,673		
" 25	7,807	3,336	11,438	11,938	19,673		
Dec. 2	...	...	10,878	12,388			
Totals to date	406,136	365,034	412,168	412,168	412,168		

* 105 weeks. † 48 weeks. ‡ 8 weeks.
§ Including series "A" £128,802,172 to date.
Interest free loans received by the Treasury up to Dec. 2nd amounted to a total value of £41,501,471. Up to Oct. 25th, principal of Savings Certificates to the amount of £50,972,000 has been repaid.

BANK OF ENGLAND RETURNS

DECEMBER 3, 1941

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt	11,015,100
In Circulation	716,848,067	Other Govt. Securities	766,793,781
In Bank, Department	63,393,508	Other Secs.	2,170,831
		Silver Coin	20,288
		Am. of Fid. Issue	780,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,575
			780,241,575

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. Capital	14,553,000	Govt. Secs.	126,902,838
Res.	3,215,876	Other Secs.	...
Public Depts.	7,599,097	Discounts & Advances	4,556,550
		Securities	21,806,522
Other Depts.	136,349,271		
Bankers	136,349,271	Notes	26,363,072
Other Accts.	53,960,574	Gold & Silver Coin	1,018,400
			217,677,818

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

THE WEEK'S CHANGES

(£ thousands)		Compared with	
Both Departments	Dec. 3, 1941	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	716,848	+ 6,805	+ 118,597
Deposits: Public	7,599	+ 2,191	+ 14,354
Bankers	136,349	+ 80	+ 30,560
Others	55,961	+ 2,881	+ 4,354
Total outside liabilities	916,757	+ 7,415	+ 139,157
Capital and res.	17,769	+ 12	+ 38
COMBINED ASSETS			
Govt. debt and securities	904,712	+ 6,726	+ 138,679
Discounts and advances	4,557	+ 584	+ 698
Other securities	23,977	+ 217	+ 252
Silver coin in issue dept.	20	+ 497	+ 8
Coin and gold bullion	1,260	+ 397	+ 15
RESERVES			
Res. of notes and coin in banking department	64,412	+ 43,592	+ 31,388
"Proportion" (reserve to outside liabilities in banking dept.)	32-2%	+ 21-8%	+ 13-8%

COMPARATIVE ANALYSIS

(£ millions)		1940		1941	
		Dec. 4	Nov. 19	Nov. 26	Dec. 3
Issue Dept.:					
Notes in circulation	598-3	706-7	710-0	716-8	
Notes in banking department	32-0	23-5	20-2	63-4	
Government debt and securities	626-2	727-2	727-3	777-8	
Other securities	3-8	2-3	2-2	2-2	
Silver Coin	0-0	0-5	0-5	0-0	
Gold, valued at s. per fine oz.	168-00	168-00	168-00	168-00	
Deposits:					
Public	22-0	10-6	9-8	7-6	
Bankers	105-8	120-0	136-4	136-3	
Others	51-6	53-0	53-1	56-0	
Total	179-4	183-6	199-3	199-9	
Banking Dept. Secs.:					
Government	139-8	150-9	170-7	126-9	
Discount, etc.	3-9	3-0	4-0	4-6	
Other	20-4	23-1	21-6	21-8	
Total	164-1	177-0	196-3	153-3	
Banking depart. res.	33-0	24-4	20-8	64-4	
"Proportion"	18-4	13-2	10-4	32-2	

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £750 millions to £780 millions on December 3, 1941.

NATIONAL BANK OF ROUMANIA
Million lei

	Aug. 17, 1940	Aug. 2, 1941	Aug. 9, 1941	Aug. 16, 1941
Assets				
Gold and gold exchange...	51,816	33,611	33,627	35,65
Foreign exchange...	8,122	31,588	31,588	31,588

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

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked* indicating interim dividend.

MONEY MARKET

The following rates were fixed by the Bank of England remained unchanged between Nov. 29th and Dec. 5th. (Figures in brackets are par of exchange.)

United States. (\$ 4-86½) 4-02-103½; mail transfers 4-02-103½.	Canada. (\$ 4-86½) 4-43-47; mail transfers 4-43-47.
Sweden. Krona (18-159) 16-85-95.	Argentina. Peso (11-145) 17-30-40.
Dutch East Indies. Florin (12-11) 7-58-52; mail transfers 7-58-54.	West Indies. Florin (12-11) 7-58-52; mail transfers 7-58-54.
Portugal. Escudos (200-0) 98-80-100-02.	Panama. Colon (4-02-04) mail transfers 4-02-04.
Manila. Peso 8-09-12.	mail transfers 8-09-13.

Fixed Rates for Payment at Bank of England for Clearing Offices

Market Rates

The following rates remained unchanged between Nov. 29th and Dec. 5th.

Egypt.	Piastres (97½)	97½- $\frac{1}{2}$.	India.	Rupce (18d. per rupee)	17½-18 $\frac{1}{2}$.
Hongkong.	14½-15½d. per \$.		Singapore.	\$ (28d. per \$)	28 $\frac{1}{2}$ - $\frac{1}{2}$.
Congo.	Francs 176½-2.		Shanghai.	22-23 $\frac{1}{2}$ d.	

SPECIAL ACCOUNTS are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates

Forward rates for one month have remained unchanged as follows :—**United States.** $\frac{1}{2}$ cent pm.-par. **Canada.** $\frac{1}{2}$ cent pm.-par. **Switzerland.** 3 cents pm.-par. **Sweden.** 3 ore pm.-par. **Dutch East Indies.** $1\frac{1}{2}$ cents pm.-par.

MONEY RATES, LONDON

The following rates remained unchanged between Nov. 29th and Dec. 5th:—

Bank rate, 2% (changed from 3% October 26th, 1939). Discount rates: Bank Bills, 60 days, $1\frac{1}{2}\%$; 3 months, $1\frac{3}{4}\%$; 4 months, $1\frac{1}{2}-1\frac{1}{4}\%$; 6 months, $1\frac{1}{2}-1\frac{3}{4}\%$. Treasury Bills: 2 months, $1-1\frac{1}{2}\%$; 3 months, $1\frac{1}{2}\%$. Day-to-day money, $2-1\frac{1}{2}\%$. Short Loans, $1-1\frac{1}{2}\%$. Bank deposit rates $1\frac{1}{2}\%$. Discount deposit at call $1\frac{1}{2}\%$; at notice 2% .

Shorter Comments

(Continued from page 699)

Canadian Pacific (\$000s).—Gross earnings in October \$21,577 (\$16,892), working expenses \$15,639 (\$11,421), net earnings \$5,938 (\$5,471). Aggregate gross earnings January 1st-October 31st \$180,034 (\$138,740), aggregate net earnings \$35,666 (\$25,761).

Canadian National (\$000s).—Gross earnings in October \$28,761 (\$22,985), working expenses \$22,722 (\$17,744), net

earnings \$6,039 (\$5,241). Aggregate net
earnings January 1st-October 31st
\$54,628 (\$33,210).

Celanese Corporation of America.—The previous quarter's dividend of 50 cents per Common share has been repeated for the quarter ending December 31st. The Common stock (n.p.v.) is quoted at £6 in London.

Canadian Celanese, Limited.—In addition to the usual quarterly dividend of 25 cents, Common stockholders are to receive a bonus of 50 cents, against 25

cents paid in the two previous quarters. The year's dividend totals \$2 (\$1.90).

The year's dividend totals \$2 (\$11.50).
Nichanga Consolidated Copper Mines.
 —Sales of copper in year ending March 31st amounted to £552,564; operating costs of pilot plant £544,485; resulting in net profit, after general expenses, of £17,943. Of this, £8,113 is put to depreciation reserve and £9,830 to winding off preliminary expenses. This compares with last year's interest receipts of £176.40, when it was decided to suspend the development programme, and to develop the capacity of the pilot plant.

OVERSEA WEEKLY TRAFFIC RECEIPTS

UNIT TRUST PRICES

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

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1941	+ or -	1941	+ or -
B.A. and Pacific....	21	Nov. 22	\$1,365,000	+ 115,000	27,035,000	+ 3,403,000
B.A. Gt. Southern....	22	" 29	\$2,708,000	+ 432,000	47,154,000	+ 5,102,000
B.A. Western.....	22	" 29	1,935,000	139,000	18,233,000	3,762,000
Canadian Pacific....	22	" 30	\$5,848,000	+ 632,000	200,242,000	+ 45,613,000
Central Argentine....	22	" 29	\$1,545,750	+ 80,150	39,582,500	+ 9,011,150
San Paulo (Brazil) ..	47	" 23	1,735,625	380	1,726,500	23,992

† Nine days. ‡ Receipts in Argentine pesos.

(Table excludes certain open and closed trusts)					
Name	Dec. 2, 1941	Name	Dec. 2, 1941	Name	Dec. 2, 1941
Second Brit. Lmt'd. Inv.	22.9-23.6 15.0 x d bid	National D. Century.	11.9-12/9 12.6-13.6	Key. Gold. . .	9.41-10/41
New British Inv. Trust.	8.6-9 x d 9.9-10.9 x d	Scottish.	11.41-12.41 x d	Br. Ind. 4th.	13.0-14.0
Bk.-Insur.	15.9-17.3*	Univ. 2nd.	13.71-14.71 1/2	Plac. Inds.	14.6-16.6
Insurance	15.9-17.9*	Univ. Flex.	10.3-11.3	Met. & Min.	10.10-12/41
Bank	15.9-17.7*	Inv. Gen.	14.3-15.3 x d	Comm. Inv.	10.0-16.6 x d
Scottish	11.9-12.9*	Key. Flex.	12.3-13.3	Producers	6.3-7.3
		Key. Con.	11.0-12.0 x d	Dom. 2nd	5.71-6.41 x d
				Orthodox	7/3*

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

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, Nov. 25, 1941	Price, Dec. 2, 1941	Yield, Dec. 2, 1941	Prices, Year 1941		Last Dividends	Name of Security	Price, Nov. 25, 1941	Price, Dec. 2, 1941	Yield, Dec. 2, 1941
High	Low	High	Low					High	Low					
British Funds														
77	68½	82½	76½	Consols 2½% (after 1957)	82½	82½	27/10½	21½	15 b	7½ a	Hadfield's Ord. 10	27/6	27/3	6 5 0
111½	103½	113	110	Consols 4% (after 1957)	112½	112½	3 0 7	17/9	11 a	4 b	Powell Dutton Ord. 11	17/6	17/6	6 5 3
98½	98½	100	98½	Conv. 2% 1943-45	99½	99½	2 1 0	49/4½	42/6	12 c	South Durham Ord. 11	29/6	28/6	4 16 0
100½	95½	100½	98½	Conv. 2½% 1944-49	100½	100½	2 10 0	48/1½	41/3	12½ c	Staveley Coal Ord. 11	45/7½	45/7½	5 6 6
103	97½	103½	101½	Conv. 3% 1948-53	102½	102½	2 13 0	36/9	28½	6 b	Stewarts and Lloyds 11	35/6	35/6	5 11 0
103½	94	106½	102½	Conv. 3½% (after 1961)	106½	106½	3 5 0	24/3	19/9	2½ a	Swan, Hunter Ord. 11	23/3	23/6	6 16 0
112	107½	108½	104½	Conv. 5% 1944-64	105½	105½	3 2 6	18/3	14/3	4 a	United Steel Ord. 11	18/6	18/6	5 11 0
92½	86½	95½	91½	Funding 2½% 1952-61	99	99	2 16 6	8/9	2/9	Nil c	Vickers Ord. 10	8/6	8/6	Nil
98½	92	100½	97½	Funding 2½% 1959-69	100½	100½	2 18 3	7/7½	3/6	Nil c	Bradford Dyers Ord. 11	7/1½	7/1½	Nil
99½	95	101½	98½	Funding 4% 1960-90	114½	114½	2 19 6	38/3	27/6	6½ b	British Celanese Ord. 10	37/6	37/6	5 5 9
114	108½	115½	111½	Nat. Def. 2½% 1944-48	101	101	2 6 0	36/9	26/9	5½ b	Coats, J. & P. Ord. 11	35/9	35/3	4 11 0
102	98½	101½	100	Nat. Def. 3% 1954-58	101½	101½	2 16 0	29/6	22/9	7½ c	Contrafolds Ord. 11	29/4½	29/4½	5 2 0
102	95½	101½	100	War Bonds 2½% 1945-47	100½	100½	2 9 3	24/3	15/6	7½ c	English Sewing Cn. 11	23/6	24/6	6 5 0
100½	100	100½	99½	War Bonds 2½% 1946-48	100½	100½	2 9 3	53/1½	45/6	18½ c	Laurel Cotton Corp. 11	47/6	48/9	2 0 0
112½	105½	114½	110½	Savings Bds. 3% 1955-65	100½	100½	2 17 6	44/9	38/3	10 c	Patons & Baldwins 11	43/9	43/9	4 11 9
101	98½	101½	100½	Victory Bonds 4%	114	114	2 19 6	91/6	78/9	15 b	Associated Electrical 11	90/6	90/6	4 8 9
103½	93½	106½	102½	War Loan 3% 1955-59	104½	104½	3 6 3	75/6	58/3	10 b	British Insulated Ord. 11	73/9	73/9	4 0 0
83½	80½	96½	89½	Local Loans 3%	95½	95½	3 0 3	23/6	17/6	7½ a	Crompton Park 11	22/6	22/6	4 10 9
94½	85½	99½	92½	Redemption 3% 1986-96	99	99	3 0 6	38/3	28/3	10 c	English Electric Ord. 11	39/4½	37/6	5 6 6
101	97½	101½	100	Austria 3% 1933-53	101	101	3 0 3	84/3	77/6	20 c	General Electric Ord. 11	78/9	78/9	4 9 0
71½	59½	80½	70	India 2½%	80	79½	3 2 8	55/9	42/6	7½ b	Johnson & Phillips 11	55/6	55/6	5 9 0
97½	82½	100½	96	India 3½%	99½	99½	3 10 6	38/3	33/6	5 b	Clyde Valley Electric 11	37/6	37/6	4 5 3
Dom. & Col. Govts.														
107½	101	105½	102½	Australia 5% 1945-75	104	103½	4 3 4	36/3	29/6	5 b	County of London 11	35/6	35/6	4 11 3
105½	100	106	103	New Zealand 5% 1946	105	105	4 6 5	30/6	23/6	3½ a	Edmundsons Ord. 11	28/6	28/6	4 5 9
110½	106	111	107½	Nigeria 5% 1950-60	110	110	3 16 0	14/11	9/3	4½ c	Gas Light & Coke Ord. 11	13/9	13/9	3 5 9
Corporation Stocks														
116½	104	108½	106	Birmingham 5% 1946-56	107½	107½	3 7 6	33/2½	25/6	4½ b	Lancashire Electric 11	33/9	33/9	4 8 9
85	78	93	84½	L.C.C. 3%	92½	92½	3 4 10	36/6	28/6	3 a	North-East Electric 11	29/4½	29/4½	4 14 0
94½	87½	97½	93	Liverpool 3% 1954-64	97	97	3 3 6	39/3	33/3	5½ b	Northampton Electric 11	38/1½	38/9	4 2 0
104	97	105½	100½	Middlesex 3½% 1957-62	105	105	3 1 11	40/3	33/9	3 a	Scottish Power Ord. 11	39/4½	39/4½	4 0 0
Foreign Governments														
92½	71	94	77	Argentina 4½% Stg. Bds.	93	94	4 16 9	19/6	11/3	15 c	Austin 'A' Ord. 5	17/6	17/6	2 17 0
35½	20	48½	31	Brazil 5% Funding 1914	48	48	5 4 2	23/1½	16/6	7½ c	B.S.A. Ord. 11	22/6	22/6	7 0 0
23	9	27½	11½	Chile 6% (1929)	25	25	6 0 0	11/3	9/6	4 a	Bristol Aeroplane 10	10/9	11/9	9 1 9
45½	12	44	26½	China 5% (1913)	41½	43½	Nil	38/6	25/9	12½ c	De Havilland Aircraft 11	37/6	37/6	6 13 3
90½	50½	83½	71½	Egypt 5% Stab. Loan	81	81	4 18 9	14/6	10/10½	12½ c	Fairley Aviation Ord. 10	13/3	13/9	7 5 6
25	12½	20	9½	Greek 6% Stab. Loan	14½	14½	Nil	25/4½	15/9	6 c	Ford Motors Ord. 11	25/3	25/3	4 16 0
65	19½	42	21	Japan 5½% 1930	29½	28	19 12 9	14/9	11/3	17½ b	Hawker Siddeley 5	12/6	12/6	13 6 0
69	50½	73	58	Portuguese 3%	73	73	4 2 2	73/9	57/6	20 c	Leyland Motors Ord. 11	72/6	72/6	2 14 0
57½	37½	45	27	Spanish 4%	39½	39½	10 2 6	66/3	50/7½	2½ a	Lucas (Joseph) Ord. 11	66/3	66/3	4 10 6
Shipping														
								92/6	70/7½	20 c	Morris Motors 5	32/6	32/6	2 13 9
								17/3	10/3	25 c	Rolls-Royce Ord. 11	89/4½	92/6	4 7 9
								17/6	24/3	Nil c	Standard Motor Ord. 5	16/9	17/3	4 7 0
Tea and Rubber														
104	2½	Nil	Nil	B.A. Gt. Stn. Ord. Stk.	9½	9½	£ s. d.	25/6	17/6	5 c	Cunard Ord. 11	14/9	15/3	Nil
12½	7½	Nil	Nil	Can. Pacific Com. \$25.	12½	12½	Nil	30/9	20/6	2 a	Furness, Withy Ord. 11	24/6	24/6	4 18 0
43½	30½	2½ b	1½ a	Great Western Ord. Stk.	42	42	9 10 6	24/6	17/6	5 c	P. & O. Def. 11	30/6	30/6	5 10 0
108½	83½	2½ b	2½ a	G.W. 5% Cons. Pref. Stk.	107½	107½	4 13 0	20/4½	8/3	Nil c	Royal Mail Lines Ord. 11	24/6	24/6	4 1 9
79	50	2½ b	2½ a	L.N.E.R. 5% Pref. 1955.	77½	77½	6 9 0				Union Castle Ord. 11	20/6	20/6	5 0 0
52	33	2½ b	2½ a	L.N.E.R. 4½ 1st Pref.	51½	50½	6 9 0	10/3	7/3	4 c	Allied Sumatra Rbr. 11	8/9	8/9	9 0 0
168	11	2½ b	2½ a	L.M. Ord. Stk.	168	168	9 4 3	13/6	2 a	4 c	Anglo-Dutch of Java 11	17/6	17/6	6 17 0
53½	33½	2½ b	2½ a	L.M.S. 4% Pref. 1923	51½	51½	7 15 4	2/6	2 a	7½ b	Jokai (Assam) Tea 11	32/6	33/9	6 0 0
67½	48½	2½ b	2½ a	L.M.S. 4% Pref. Stock	66½	66½	6 0 4	29/6	24/6	6 b	London Asiatic Rbr. 2	2/10½	2/10½	7 0 0
46½	29	2½ b	2½ a	London Transport 'C' Stk.	41	41	7 6 4	2/6	1/9	5 c	Kaiser Pluss, Trust 11	28/6	28/6	7 2 3
15½	9	1½ c	1½ b	Southern Def. Stock	14½	14	8 18 7				United Serdang Rbr. 2	2/11	2/11	8 8 0
65½	43½	2½ b	2½ a	Southern 5% Pref. Ord.	64½	63½	7 17 3	49/4½	25/11½	5 c	Anglo-Iranian Ord. 11	47/6	48/9	3 10 0
106½	77½	2½ b	2½ a	Southern 5% Pref. Stk.	106½	105½	4 14 9	30/3	24/6	17½ b	Apex (Trinidad) Ord. 5	29/6	29/6	5 3 0
Banks and Discount														
67/6	53/4½	10 b	7½ a	Alexanders £2, £1 paid.	66½	67/6	5 3 0	65/9	38/9	12½ a	Burmah Oil Ord. 11	66/3	67/6	4 8 9
37½	33½	6 b	3½ a	Bank of Australasia £5	37½	37½	6 1 0	71/10½	58/9	7½ b	Shell Transport Ord. 11	59/4½	65/1	1 10 9
68	4½	2 a	4 b	Bank of England Stock	68	68	6 5 9				Shull Transport Ord. 11	68/9	67/6	3 14 0
49½	34½	8 c	8 c	Bk. of Lon. & S. Amer. £5	51	51	4 14 0	63/1½	47/6	5 b	Assoc. P. Cement Ord. 11	51/3	52½	2 17 0
74½	64/10½	7 b	7 b	Bank of Montreal £100	74½	74½	4 7 6	43/6	25/6	10 c	Barker (John) Ord. 11	42/6	42/6	4 14 0
94	72	5 b	5 a	Bank of New Zealand £1	30½	30½	3 12 0	40/6	32/9	24 c	Boots Pure Drug Ord. 5	36/10½	37/6	3 a
53½	47½	5 b	5 a	Barclays Bank 'B' £1	73½	73½	3 16 6	47/9	38/6	7 b	British Aluminium 11	45/6	45/6	4 7 9
163½	169	£2½ b	£2½ a	Chartered of India £5	94	94	5 5 0	105/6	80/7½	11½ c	Brit. Amer. Tobacco 11	100/6	103/9	3 9 9
54½	45½	6 b	6 a	District Bank £1 fy. pd.	52/6	52/6	4 11 6	68/9	61/10½	8 b	British Oxygen Ord. 11	67/6	68/6	5 0 0
88½	77/6	7 b	7½ a	Hongkong and S. £125.	£81	£79	6 6 7	21/3	11/6	10 b	British Paper Board 5	20/7½	20/7½	5 13 6
6½	5½	5 b	5 a	Lloyds 'A' £5, £1 paid	53/6	53/6	4 10 6	70½	52½	4 c	Cable & Wire, Hdg. Stk.	70½	70½	5 13 6
37½	30	8 b	8 b	Midland £2, £1 paid	38	38	4 12 6	125/1	71/3	11½ a	Carreras 'A' Ord. 11	115/6	122/6	4 11 0
63/6	56/6	7 b	7½ a	Nat. Ind. £2½, fully paid	64½	64½	4 14 6	45/11½	36/9	Nil c	Dunlop Rubber Ord. 11	39/6	39/6	5 1 0
42½	397	8½ a	8½ b	N. of Ind. £25, £12½ paid.	36½	36½	5 9 0	30/7½	19/6	15 a	Elec. & Mus. Ind. 11	14/9	14/9	4 0 0
48½	41/3	6½ b	6½ a	Nat. Prov. £5, £1 paid.	65½	63/6	4 14 6	27/11½	19/6	6 b	Ever Ready Co. (G.B.) 5	30/6	30/6	6 11 3
81/9	68½	9 b	9 a	Royal Bank of Scotland.	423½	425	4 0 0	122/6	87/6	20 b	Forestral Land Ord. 11	27/6	27/6	6 13 3
				Union Discount £1	47/6	47/6	4 4 0	25/6	17/6	12½ a	Gallagher Ltd. Ord. 11	120/6	122/6	4 9 0
				Westminster £4, £1 paid.										

to the actual consumer, whose feeding habits are dictated to him—at every stage the industry is subject to decisions that are taken in the public interest, without regard to the balance between profit and loss. Yet there is singularly little public ownership from one end of the industry to the other.

Clearly there is a real and fundamental antithesis between these two ways of running a business. On the one hand, there are all those activities—a growing list in recent times—in which the community is not prepared to allow demand and supply to work without control. The most obvious and fundamental of these are those activities that provide the people with the basic necessities of a decent existence—primarily food, housing, education, health. No community in the modern world is willing to leave these activities alone, to leave them to pay their own way according to the principles of the market place. On the other hand, there are all those activities which the state, however much it may interfere with them, is unwilling to subsidise and must therefore leave in the last resort to earn their living, to cover their costs, to follow the profit motive. This is the real antithesis in modern society, and it is one to which public or private ownership is almost completely irrelevant. It is as possible for "private enterprise" to fit into the category that is run by order of the state as it is for publicly owned corporations to exist by the principles of the free market. This must not, of course, be construed into an argument either for or against public ownership. Nationalisation should be a purely technical matter of organisation. There are many industries that would be the better for it; there are others where it would do no harm; and there are others where nobody in his senses would suggest it. The proper course for public controversy is to detach itself from this particular red herring and concentrate its attention on the real issue, the antithesis between industries run by order and industries run by freedom.

This is an antithesis, but it should not be a conflict. The secret of the political success of democracy, at least in the English-speaking peoples, is that it has learnt how to preserve a just balance between Order and Freedom. The British democracy, for example, would be less successful if its discipline were not tempered by freedom and its freedom by discipline. Perhaps the reason why democracy has failed, in the twentieth century, to repeat in the economic sphere its political success, is that it has not applied the same formula. In economic matters, Free-

dom and Order, instead of complementing each other, have obstructed each other. Every attempt to organise a field of economic activity by principles other than the marriage of demand and supply tends to be defeated by the stubborn rearguard actions of "free enterprise" and "sound money." The exception to this rule is the largest of all activities—war; and it is allowed to be an exception simply because the desirability of the community's doing something that does not pay is in this case, obvious; it is very much harder work to convince the public that any other non-paying activity of the community could also be worth while. But on the other hand, in the sphere where activity must pay its way, there is a tendency to obstruct its path by penal taxation, by cramping regulations and by general abuse of the so-called "profit motive."

It is very important that there should be clear thinking on this broad issue. For if once it could be generally recognised that, in economic matters as in political, the successful practice of democracy requires the principles both of Order and of Freedom, the way would be open for a truly progressive and distinctive democratic economy. The watchword should be "Take the brakes off." In those economic activities that are properly within the province of Order—especially those concerned with assuring a decent standard of living for all—let the organising and planning power of the state be used to the full; let it, if need be, assure a food supply by the communistic method of giving it free, as is now done in education; but in any case let it adopt whatever methods are best suited for its purposes. But let the brakes be taken off in the province of Freedom also. Let it there be recognised that, since enterprise, whether individual, corporate or socialised, is the essential main-spring, successful enterprise must be neither penalised nor derided.

Is there not here the prospect of a grand reconciliation of the creeds? Is it not possible for the Right to realise that enterprise will be the more free the more successfully the state is allowed to organise economic security? And is it not possible for the Left to admit that, once security is assured, its interest lies in stimulating to the full the free enterprise on which the prosperity of the whole community depends. When the question is asked whether we want more state planning or more free enterprise, the only sensible answer is that we want a great deal more of both.

Unity for War

THE world has entered its first phase of universal totalitarian war. To wage it successfully, the Allied nations need a scale and scope of military planning as universal and totalitarian as the war itself. The present demand for an "Allied Supreme Command" or a "United Allied Council," even if its form is impracticable, does reflect the lesson, painfully learnt in the first two years of war, that in total war all means of war are short, that the pooling and allocation of supplies, the rationing and restriction of demand, are the secret of war economy and that priorities and allocation demand a central plan. Now that the major units concerned are the British Empire, the United States, Russia and China, the basic problem is no different from the one faced by Britain and France alone in the first nine months of the war. Only the machinery is far more difficult to devise.

In the all-embracing activity of total war, it is possible to mark off three different spheres of action. They overlap, of course, as things must do when they are all subordinate to one common end, but they can be kept reasonably distinct. The first is strategy, a category which now embraces not only the general military planning of the various campaigns, but also those activities which

were formerly claimed by politics and diplomacy. Relations with the few remaining neutrals, propaganda, even internal political relations, are all subordinate to the single task of victory.

Next comes the sphere of war production proper, the actual output of the machines and the munitions of war. This category fades off without any clear boundaries into the third sphere, that of general economic policy. One of the great psychological steps to be taken in total war is to realise that the aim of these two separate categories is the same, the mobilisation of the most efficient possible war machine. They differ only as the two sides of the same medal—the one concerned with More Guns, the other with Less Butter.

If there is to be a genuine unity of effort between the Allies, none of these categories can be omitted. It may be said that, of the three, some degree of unity of production has already been achieved. In London, the North American Supply Committee and the Allied Supplies Executive, in Washington the British Supply Council, the Office of Lend-Lease Administration (now known as OLLA) and the Supply Priorities and Allocations Board (SPAB)—all these, working together, have established

a considerable degree of unity in planning. Joint Anglo-American aid to Russia and the recent offer to the United States of the facilities of three British-owned shell factories in Canada are only two obvious examples of the process, by which both the sources of supply of munitions and their uses against the enemy are being consolidated into a single plan. The existing machinery, if strengthened, is probably sufficient to meet the production problem, which may well be simplified by the fact that the United States, alone among the Allies, will, in the long run, have an excess production of war material.

The organisation of general economic policy, on the other hand, is still very much in embryo. Lend-Lease arrangements cover more than munitions of war. Aid to Russia has included foodstuffs and raw materials as well as tanks and aircraft. Anglo-American shipping policies are at least partly co-ordinated. The joint operations of the Ministry of Economic Warfare and of the Economic Defence Board have included the buying up of strategic raw materials, and both bodies are concerned themselves with the problem of surpluses and their distribution to Europe after the war. All these activities clearly fall within the sphere of general economic co-operation, yet the mere listing of them shows how incomplete is the field thus covered. The difficulty is, of course, that the necessities of total war are easier to grasp in the sphere of armament production than in that of the national economy generally, where there are the most tenacious resistances to be worn down before it can be seen that in modern warfare there is no such thing as civil production. It is only after each Allied country has reached the point at which supplies for civil consumption need to be rationed, controlled and eked out that a joint inter-Allied plan for this sphere is possible. It is only when each Ally has a national manpower policy that any thought can be given to a joint manpower policy. Yet until the pooling of resources is accomplished, the Allies' war effort will go forward in a wasteful fashion, with many of its major problems undecided.

Little, for example, has been done in the sphere of manpower, although the precedents are there—the most striking is the new venture in British-controlled Eritrea, where American workers are building a fully equipped military supply and repair base. Transport difficulties—if nothing else—would hinder a pooling of labour such as Hitler has achieved in the "new order," but in all administrative, technical and skilled grades of work, a far wider interchange could be secured. Another sphere, which so far has been barely touched, is that of supplying the civil needs of the four-fifths of mankind that is now enrolled in a single alliance. Food has come to Britain and gone to Russia; the British Supply Centre in Cairo has distributed foodstuffs and bought up stocks in the Middle East; the problem of South America's surpluses has also been considered. But until a week ago, many of these problems were discussed in the old peacetime framework of a struggle for markets. The problem now is one of supply, and what is wanted is a review not of this or that need, but of the Allied supply position as a whole. For this, the plan and the machinery are both lacking.

There are two models for such machinery. One is the experiment in total co-operation worked out by the French and the British Governments in the first nine months of the war. The fact that the experiment collapsed with the rest of Franco-British co-operation in June of last year is, of course, no discredit to the machinery set up—nor does the fact that it was never, in these early months, called on to deal with the more critical phases of any economic problem mean that it could not have handled them when they arose. The basic conception of this Franco-British machinery was a joint committee linking each Ministry in London with its opposite number in Paris, with a joint co-ordinating committee at the top. Another obvious precedent is the machinery for co-operation growing up between the United States and Canada. Here, side by side with the Permanent Joint Board for Defence, a number of joint economic committees have been set up. Their task is to effect "the

more economic, more efficient and more co-ordinated utilisation of the combined resources of the two countries in the production of defence requirements," and "to reduce the possible post-war economic dislocation consequent upon the changes each country is at present undergoing." The objects of general economic collaboration among all the Allies could hardly be better expressed.

Both these experiments are bilateral, whereas the problem of Allied supply is multilateral. But it would be a mistake, in the pursuit of tidiness and symmetry, to insist on one supreme and universal Economic Council. There are two reasons that would inevitably prevent any such council from being more than a formality. The first is distance and difficulty of communication. From any one of the centres of Allied power to any other is several days' journey; men who have real weight in their own nation's counsels could not often be assembled in one place at one time, and subordinate delegates might accomplish little more than the normal diplomatic machinery. The second reason is that not everything concerns every country equally. For example, China is not vitally concerned with the question of co-ordinating shipping facilities. Even Russia's concern is not so immediate as that of some of Britain's smaller Continental Allies. Again, there are many arrangements between Russia and China which are of no immediate importance to the other allies. Nevertheless, a broad framework of multilateral machinery will be necessary if bilateral arrangements are to be kept within a proper framework. Apart from a structure of committees which will necessarily be largely bilateral, each country should nominate a small group of men of the highest rank whose task will be co-ordination and perspective. If a Supreme Allied Council is not possible, a corps of Ministers of State At Large could perform many of its functions.

Ultimately both war production and general economic policy depend upon the political discussions of the Allied Governments. Here in the overriding sphere of grand strategy, no machinery, no subordinate organisations can take responsibility from Mr Roosevelt, the British War Cabinet, Stalin, and General Chiang Kai-shek. It is hardly worth repeating that the closest possible understanding and confidence should be established between the governments. It is equally obvious that personal contact in the manner of the Atlantic Meeting can only be reserved for the hours of supreme significance. Probably more could be done—and done more imaginatively—in the way of representation in the Allied capitals, and in the sending of senior Ministers on special missions. For example, British representation in Washington could well be improved. Here the Lyttelton precedent of a Minister of State side by side with an Ambassador is obviously relevant. So possibly is Mr Lyttelton himself.

The sphere of military staff co-operation, though it depends immediately upon the decisions of the governments, demands more regular contact. Quite apart from Russia's unclarified attitude to the Japanese war, the clear strategic division of the war into a European and Far Eastern sphere of land fighting—the naval war is indivisible—makes it impracticable to propose one supreme Allied Command on a world-wide scale; but one commander-in-chief to each front is essential if there are to be effective decisions and prompt action. The Eastern Pacific falls naturally to the United States, North Africa to the British, Eastern Europe to Russia, but there are intermediate spheres—the Atlantic, Persia and the Caucasus and the triangle Singapore-Surabaya-Manila—where there is no obvious decision, and agreement must be reached.

There is a long road to cover and there are many pitfalls to avoid before the goal of total unity for total war is reached. Yet they are not insurmountable provided that the goal of victory is always to the fore and practical politics, not prejudice or ideology, determine what form the machinery of unity shall take. The Allies have little to fear if they go forward together under the banner of confidence and common sense. Indeed, they have much to hope for: the surest foundation for organs of permanent co-operation after the war would be a record of achievement in winning the victory.

Eleventh Hour in India

THERE are stirrings in the Indian deadlock.

I would ask again whether it is not possible for the divisions which exist to be bridged, and for India to go forward as one, in support of ideals for which there is such general and overwhelming support throughout the country.

Lord Linlithgow, the Viceroy, made this appeal on Monday. The *Times of India* is convinced that, if anything can bring about internal unity, it is Japan's aggression. Mr Gandhi has repeated that Congress wishes neither disaster to British arms nor the victory of Nazis or Fascists. Pandit Jawaharlal Nehru, fresh from prison, has admitted that the progressive forces of the world are aligned with Russia, Britain, the United States and China. On the eve of the pre-Christmas meeting of Congress, M. Rajagopalachariar, former Congress Prime Minister of Madras, has called for coalition governments in the provinces and at the centre.

Congress is divided. Neither Mr Gandhi nor Pandit Nehru is willing, while India is "unfree," to support the war they favour. The President of Congress, also just released from prison, is "unable to visualise any change" in the non-co-operative policy of Congress; and there is the same fissure on the other main, Moslem, wing of the Indian Opposition. In Bengal, Mr Fazlul Huq, the Premier and member of the Moslem League, resigned his office as head of a Moslem government on December 1st and announced the formation of a coalition party with non-Moslems. Mr Jinnah, President of the Moslem League, threatened him with disciplinary action; but, on December 12th, Mr Fazlul Huq accepted the invitation of the Governor of Bengal to form a coalition administration. Officially, the anti-British attitude of Congress and the anti-Hindu attitude of the Moslem League remain intact. But the call to co-operate against the common enemy is being listened to by many inside both bodies.

The Japanese danger may conceivably bring Indian politics back to realities. The existing unreality was frankly admitted by Mr Gandhi just before the Japanese move.

The Government claim (he said) that, despite Congress efforts, they are able to get all the men and money they want from India. Therefore Congress opposition in their estimate can only be moral efforts and a moral demonstration. I for one am entirely satisfied with that.

The Mahatma, in short, is content to oppose the British war effort by the "symbolical" anti-war speeches of his followers, so long as he believes that the British will win. India is now the pivot of Eastern defence, the base of supplies and reservoir of manpower for a front which stretches from Libya through Iran to Malaya. Large orders for war material have been placed in India by all the Eastern Group countries. India's capacity for munitions production is being raised to a peak; the Chatfield plan for modernising metal and steel manufacture is nearly finished; engineering and shipbuilding output is being accelerated. In less than eighteen months, the Army in India has come near to the numbers raised in four years in 1914-18. The total of combatants, a fifth of them technical personnel, is now almost a million. The people of India know that Burma and Malaya, both now invaded by the Japanese, are their eastern bastions; last week they were officially told that early air attacks must be expected on Assam, Bengal, Bihar and Orissa.

The coming meeting of Congress will reveal at one and the same time more disposition to co-operate in the war effort and more stubbornness in resistance. Whether the present "symbolical" civil disobedience will be continued, abandoned or turned into something more active and ugly, it is impossible to say until Congress, or more correctly its caucus, the Working Committee, has decided. Certainly, more Indian politicians than at any

time since the war started are now persuaded of the need for unity and collaboration. The closing-in of the world war may save India from the internecine conflict that has seemed possible, even imminent, ever since the constitutional arrangements of 1935 were abrogated, at the beginning of the war, by the withdrawal of Congress from participation in Indian government.

Non-co-operation is an Indian habit, war or no war. The Constitution of 1935 has not failed (as Mr Churchill said it would) because it opened the door for Indian Nationalists to seize power and brush aside all safeguards. On the contrary, it has failed because the Nationalists have refused to exercise any power at all. The view of Mr Guy Wint in a timely book which he and Sir George Schuster have just written in collaboration* is that

if the major parties had shown a reasonable disposition to co-operate with Great Britain and with one another, the transition [under the Act of 1935] to a stage completely satisfying India's aspirations would have been smooth, easy and rapid. . . . One by one the remaining fetters would have rusted and fallen away.

Congress, the strongest Nationalist party, was from the first unwilling to work the Act, even to its own advantage. In 1939, when war was declared without ratification by the central legislature, the Working Committee of Congress ordered a return to non-co-operation. The Viceroy's offer to include "representative Indians" on his Executive Council was refused by the Moslem League as well as by Congress; and neither of these two main political parties has accepted places on the new Defence Council and expanded Executive Council set up earlier this year.

It is arguable that these offers came too late and too much in the shape of "concessions"; that the mistake was made in India, as in South Africa, of ignoring beforehand, ostrich-like, the political problems that an outbreak of war would inevitably raise; and that neither the Executive Council nor the Defence Council have in fact sufficient authority in the conduct of war and administration to justify Nationalist participation. Admittedly, it is nonsensical for people in this country, or in India, to accuse the Indian Government of "reaction" or "oppression" every time it refuses to accept proposals from the Nationalists which are patently absurd or impracticable. And, in the context of the liberal reforms which have been slowly matured for a generation, their proposals are usually unworkable, because it is probably true to say that neither Congress nor the Moslem League has any real faith in Parliamentary self-government. It is a misfortune that Indian Nationalism now is not the same as in 1885 or 1909. Then, the typical Nationalist, who was probably a western-educated Hindu, wanted national unity and home rule; and the reforms of 1919 and 1935 were designed to give India precisely these two things. But the typical Nationalist now is different; he tends to be either a member of Congress who believes that self-government means rule by a single mass party, as in Russia or China, or a Moslem who believes that popular government is a plot to place power in the hands of the more numerous Hindus. But it is equally nonsensical to suggest that all the faults have been, or are, on one side. It cannot be pretended that the Indian Government has played its full part. The trouble is not that the Government has been obstructive or "Imperialist," but rather that it has taken too negative a view of its responsibilities. It has honestly tried to implement the liberal constitutions of 1919 and 1935; it has "fulfilled its obligations." But it has tended to regard the acceptance of Indian self-government, somewhat pharisaically, as a reason for

* "India and Democracy." By Sir George Schuster and Guy Wint. Macmillan. 444 pages. 12s. 6d. Mr Wint surveys the historical and political background, Sir George Schuster the economic and administrative prerequisites of good government.

abdication of its own duty to offer a positive lead in policy and negotiation. There have been personal interventions from the lofty height of the Viceregal Lodge. But, generally, the Government has neither sought the confidence of Indian politicians nor given them its own. Mr Wint speaks of "racial aloofness and the racial estrangement between the dominant power and its subjects."

There has never grown up between Englishmen and Indians the community of life which was the priceless possession of the inhabitants of the Roman world.

Here is the gap in which the free future of India is being lost. It is not the abuses of British rule that have fostered the intransigence and illogicality of Indian Nationalism, but its remote and tactless manner.

The question now, at the eleventh hour, is whether the last word for all India must therefore be left to be spoken by slighted and irresponsible politicians. Mr Wint is pessimistic:

In 1753 (he writes), after a visit to Paris, Lord Chesterfield wrote: "All the symptoms which I have ever met with in history, previous to great changes and revolutions in government, exist and daily increase in France"; and a rather similar observation forms itself in the mind of a visitor to contemporary India.

Congress is not a political party, but a mass movement, dominated by a small and ambitious clique, and the Moslem League is a reply to Congress. Since the Act of 1935 put "power on the counter," Indian politics have been dominated by the communal feud; it is the ambition of the Moslem League to split India into separate states; of the Moslem League and Moslems, there remain the barriers of religious beliefs and peculiar customs. India is segmented by its traditional ways of life and the character of its varied peoples.

It is a constant impediment to every kind of enterprise that some of those engaged, either feeling themselves slighted or because their viewpoint has not *in toto* been accepted, are likely at some stage to walk out.

NOTES OF THE WEEK

The Threat to Singapore

The first fortnight's fighting tends to confirm the original impression that Japan's main purpose is to neutralise, even if not capture outright, the great Allied base of Singapore. The blow at Pearl Harbour was, perhaps, primarily designed to prevent any movement westwards of the main American battle fleet. The attacks on the Philippines—which have slackened in recent days—were possibly also designed to concentrate all the attention of the United States Asiatic fleet and of the Philippine armies on home defence. The Dutch East Indies have not so far been attacked, but besides the occupation of Thailand and the Kra peninsula, new landings are reported from North Borneo, which lies between the Philippines and Singapore. The situation developing in Malaya is undoubtedly grave. Thailand's surrender has proved absolute, and the Japanese have good land and air bases for attacks southwards to Singapore and north-westwards to Burma. So far the attacks are mainly developing to the south. Kota Bharu has fallen to them and they are advancing dangerously in Kedah. It is true that, apart from a landing at Kuantan, these reverses are still taking place at a fair distance from Singapore. But the Japanese do not need to occupy Singapore to reduce its efficiency as the centre of Allied resistance. From the west, it is approached by the narrow waters of the Malacca Straits. If the Japanese secure Penang and spill over into Sumatra, this westward approach will be closed. The occupation of Portuguese Timor by Australian and Dutch forces may help the defence of Australia, but it can hardly affect the threat to Singapore. The Governor of the Straits Settlements has admitted that things are "very difficult," and it does seem as though the whole defence position—on land as on sea—is handicapped by lack of fighter support. Perhaps the best news in the Far Eastern situation was brought back—against all expectation—by Colonel Knox from Pearl Harbour. Heavy though the losses were—one battleship and five other warships

The deadlock and the danger seem complete. But there are other signs. In Bengal, the Punjab, Sind and Assam, 100 million Indians, a quarter of the whole, are still being ruled by parliamentary coalitions under the 1935 Act. All over India, war production and recruitment are going forward practically unimpeded. The Viceroy's Councils, with their new Indian members, are representative neither of the political parties nor of Indian talent; but they are working more effectively and being consulted more by the Executive than was feared or expected. The present position in politics and administration is, on the face of it, untenable; but somehow it has not broken down in disorder; and this must be set against all the dangerous debits in the Indian scene.

The solution of the constitutional impasse is as far off as ever. It may well be that the parliamentary method cannot be fully rooted in Indian soil; and it is likely that, for the stability of Indian self-government, it will be necessary to look to American, rather than British, examples for the status of the Executive. Sir George Schuster is probably right when he maintains that what India needs most, economically, is a practical programme to raise the productivity of Indian agriculture and the nutrition of the people; and that only by collaboration in these economic tasks can Indians work out the political salvation of their country; *solvitur ambulando*. But the politicians refuse to collaborate. The question is whether India's present danger will weaken that refusal enough to provide a new opportunity in the practical tasks of war and defence. Already the politicians are newly searching their hearts—or their fears. It is plainly the responsibility of the great Indian parties themselves to say "yes" or "no" to the challenge. But it is the responsibility of the British and Indian Governments to leave nothing undone to invite them as partners to their duty. Collaboration in this emergency will not solve the constitutional riddle, though it might save India; but it is probably the only way to make a solution possible in the post-war future; it may even be the last chance.

lost, another battleship badly damaged, heavy aircraft losses and 2,729 naval officers and men killed—the American Pacific fleet's fighting force is not impaired, and it has put to sea to seek contact with the enemy.

Australia Looks Homewards

The course of the war in the Pacific is rousing Australia to a fever of excitement and criticism. Single men aged 35-45 and married men aged 18-35 (the young single men have already been called up) will be called up for full-time service in the army; aircraft production is to be given the first degree of priority; and all women, except those in essential services, and children are being compulsorily evacuated from Port Darwin. The Minister for External Affairs has also announced that the Government is working for the establishment of political and military organisations to exercise supreme control of the Pacific war effort, and that Mr Duff Cooper has been asked to arrange for Australian representation on the War Council in Singapore. So immediate, in fact, is the danger to Australia, and so much is there to be done in so short a time that recriminations from the Australian people and press seem a little out of place. Mr Curtin has himself urged that there should be no fault-finding; yet, a Sydney newspaper is blaming the higher commands for over-optimism about the state of Imperial preparedness in the Far East, and Mr Evatt's revelation that the United Kingdom had apparently blanketed Australia's suggestion, before Japan's aggression took place, for a pact of mutual defence between the British Empire and Russia seems to have raised a storm. Australian alarm is very understandable, and there is good reason to sympathise with the people's feeling that they have been lulled into a false sense of security by the authorities. But they have only themselves to blame for their own unpreparedness. Until now, it has not been possible to awake in them any sense of urgency or to make them insist on a

National Government which would have prepared them for the situation that has now arisen. Even to-day Mr Curtin has turned down Mr Fadden's suggestion for a supreme non-party Executive War Council; and "Dunkirk methods" are consequently to be applied by a party Government with a bare parliamentary majority. The Labour Government, said Mr Evatt, had inherited a situation in which . . . "the defence of the Commonwealth had been treated as a subordinate and subsidiary part in a distant war. Henceforth Australia . . . would need the help of those she had helped." If Australia now insists on looking homewards for the rest of a war that is indivisible, she should also look homewards in apportioning the blame for her present straits.

* * *

American Mobilisation

The news from the United States is almost exclusively items of mobilisation. Many of these events are of local concern—the vast legal paraphernalia of bringing into operation emergency provisions long prepared. Many, again, are repetitions of what, on this side of the Atlantic, has long become familiar but was once new and strange. In every country, it appears, or at least in every democracy, ARP is not taken seriously until after the declaration of war, at the earliest. The alarms—perhaps, since this is now a field of technical terminology, it would be better to call them alarms—on the Atlantic Coast have died down; but California has been put in a state of emergency owing to repeated visits by enemy reconnaissance planes. The teething troubles of censorship are also apparent, and it is hoped that Mr Byron Price, the newly appointed Director of Censorship, will have more success in establishing a just balance of interest between the services and the public than his opposite numbers in England achieved for many months. From the flood of other reports, it is difficult to select for mention and impossible to append any comment. These, in barest outline, are some of the measures that have been taken:—

Both Houses of Congress have approved a supplementary defence appropriation of \$8,244 millions and the House has voted an additional supplementary appropriation of \$10,000 millions.

The House, after some argument, has voted to extend the obligation of national service to all men from 21 to 44. No figure has been reported for the number of men in these age groups, but the total may well be in excess of 20,000,000. The Army is to be immediately expanded from its present 1,600,000 to 2,000,000, and all geographical restrictions on its employment have been removed. The US Employment Service throughout the country is to assist in recruiting crews for merchant vessels.

Defence work is, wherever possible, to be on a basis of seven three-shift days. The Ford and General Motors plants have been put on this schedule at the positive request of the United Automobile Workers—one of the chief constituents of the CIO. Both the AFL and the CIO have announced a "no strike" policy. The President has summoned a Labour Management Conference for December 17th. In the meantime the Senate has suspended consideration of all anti-strike legislation.

The Secretary of the Treasury has announced that the increase in expenditure will require a corresponding increase in taxation. No control over the capital and money markets is contemplated for the present.

Prices have been fixed for a number of raw materials and foodstuffs, including cocoa, coffee, pepper, wool, shellac, coconut and palm oil, spices, tea, fats, and dairy products. Complete requisitioning of and control over tin has been assumed. The sale of rubber tyres has been prohibited until January 4th and will then be subject to rationing. From December 23rd all exports will be subject to control.

It is reported that in 1940 there were 126,947 Japanese in the Continental United States, 88½ per cent of them in the three Pacific Coast states.

The America First Committee has been completely dissolved.

* * *

£1,000,000,000 More

The Chancellor's speech in moving the fourth Vote of Credit this year for £1,000 millions did not add a very great deal to the existing public knowledge of the financial position. Its chief item of news was the announcement of a new series of securities for tax anticipation purposes; this is commented upon on page 756. Some of the Chancellor's figures, however, together with those given in earlier statements, make it possible to piece together a more complete statement of expenditure. The chief facts are given in the table at the top of the next column.

	(£ millions)	Estimated Expenditure, 1941-42	Estimated Expenditure, 1941-42
	Actual 1940-41	estimate	estimate
1. Consolidated Fund			
Nat. Debt, etc.	230	272	272
2. Civil Supply Services	417	435	435
Votes of Credit			
3. Domestic expenditure		2,993	
4. Expenditure financed out of adverse balance of payments (other than U.S.)	3,220	507	5,700
5. Expenditure in U.S.A.			300
Total Expenditure	3,867	(4,207)	4,707

The increase in the total is striking, especially when it is remembered that all Lend-Lease supplies are excluded, although similar goods imported in 1940-41 had to be paid for. Unfortunately, it is not possible to estimate exactly how much allowance should be made for this. It would appear that domestic expenditure, on war and normal purposes, has increased from something like £2,800 millions in 1940-41 to something between £3,700 and £3,900 millions in 1941-42 (the £200 millions increase cannot be allocated between items 3 and 4) and to a probable present rate of between £4,000 and £4,200 millions a year. As the Chancellor remarked, these figures in themselves do not prove that the "gap" has widened. But they establish a certain presumption to that effect and the serious tone of the Chancellor's remarks on savings and taxation should be taken as a warning that still greater efforts will be required in both directions.

* * *

War Pay and Allowances

That the latest scheme for the grant of allowances to dependants of serving men has been only a qualified success is tacitly admitted by the Government. The whole matter will be reconsidered by a Government Committee during the Christmas recess. There was nothing in this week's debate in the Commons to suggest that this scheme, which has been in operation since October 16th, has not, within its own limitations, been well administered. Sir Walter Womersley provided impressive figures of the numbers of cases dealt with, and there was some general surprise that the total of claims remained so low—not exceeding 60,000. No amount of sympathetic and swift treatment, however, can remove the basic objection to the existing method of paying allowances. War service grants are not allotted as of right to the families of serving men, but only as the result of individual investigation of circumstances. The distinction between the means test proper and this form of inspection of commitments is perhaps plainer to the investigator than to the victim of the inquiry—a fact which no doubt goes some way to explain the low total of claims so far submitted. There is no likelihood of satisfying public opinion on this matter, whether inside or outside the Services, until the war service grants technique is reserved for cases of exceptional hardship, while the average soldier's family draws of right an adequate allowance, which ranks simply as an earmarked portion of the fighting man's pay. This is the only way to eliminate the essential grievance of the conscript, which is not so much that the man in the factory earns more, but that his own wife and family are in straitened circumstances simply because he has been called to the colours; and the more drastic solution, which was very largely adopted in France, of conscripting every man in the country and returning him to his factory at a soldier's pay only removes the discrepancy without removing the hardship.

* * *

Ostriches Among the Engineers

The National Arbitration Tribunal last week awarded a flat rate increase of 5s. a week to all adult male workers in the engineering industry. The award is less than a third of the "substantial increase in wages" claimed by the trade unions; but it will nevertheless stimulate fresh demands in other industries. In their case for more engineering wages, the unions cited the higher cost of living and bigger taxes on commodities—neither of them good grounds for an increase. The worth of the official index as an exact measure of the cost of living is, admittedly, doubtful. But there are no grounds for alleging that, while the index has virtually been unchanged for many months, the cost of living has, in fact, rocketed up. The cost of living is menaced, it is true, by the new rise in agricultural wages—unless the increased cost is met, as it should be, by a direct Govern-

ment subvention. But the fact is that price control, with the aid of large Government subsidies in the case of foodstuffs, and now covers the main items in the household budget; and rationing, now that it extends to canned foods as well as the clothing, ensures a reasonably fair distribution of the supplies available, except perhaps among the very poorest—whom the engineering unions do not represent. It is the shortage of supplies, rather than the cost of living, that holds down the standard of living of the community, engineers and all; and no amount of monetary manipulation can provide the ships, the manpower and the materials to increase them. It is only by a reduction in the consumption of almost all the nation, including the engineers, that the material resources to carry on the war can be released; and the unions' suggestion that the effects of the purchase tax, which was put on to restrict consumption, should be counteracted by an increase in wages is contrary to common sense. To increase wages in order to counteract any form of wartime taxation is simply to defeat the purpose of the tax, which is to cut down the purchasing power in the hands of the public. The issue is not the detailed merits of the engineers' claim, but the unsoundness of their argument. So long as every group of workers believes that it is possible to maintain its peacetime standard of living in a war economy, and so long as there is no national wages policy, these absurdities will be solemnly repeated—as one group scrambles to gain an advantage over the others in sectional bargaining.

* * *

Wages and Production

In their method of making the award of higher wages to engineering workers, the National Arbitration Tribunal seem to have gone strangely astray. The engineer's "all-in" wage rate is made up of a "basic wage" and a "war bonus," inherited from 1914-18; the "bonus" has become, in effect, a part of the "basic wage." Rightly, the Tribunal point out in their report that this bonus, changes in which have been the usual way of altering engineering wage rates since 1917, differs from "bonuses in industry which have only come into being since the war and are related solely to changes arising out of the war." Wrongly, they say that the increase they have granted should be "applied in the same manner as the existing national bonus." The engineers' claim was a wartime claim, related to "changes arising out of the war"; the award, on the other hand, is an increase in basic wages, an addition to the labour costs of engineering likely to be as permanent as the bonus of 1914-18 has proved to be. In wartime, there may often be grounds for increasing earnings—for vital work or for higher output, to attract recruits from unessential employment or to encourage extra effort. But there is practically never any case for increasing basic wage rates. An effective wages policy, introduced in the early stages of the war, would have frozen wage rates all round, in non-essential work even before essential, and then, by piece rates, temporary wartime bonuses, overtime pay and other additions, would have prevented earnings to rise in the essential industries at the points where incentives to attract more workers or to step up production were most needed. The impolicy which has prevailed of allowing wage rates to hurry upwards, indiscriminately, disproportionately and everywhere, makes the worst of both worlds. Now, while the war is on, there is inflation without incentives; after the war, reconstruction will start off with the structure of industrial costs irrelevantly and needlessly swollen. The right policy is obvious enough; if it is necessary to tempt workers into war factories, offer them higher earnings, guaranteed if need be, not higher wage rates; and if, when the workers are in, more output is required, pay by results, by higher earnings, again, not by higher wages, which are as likely to mean less output as more.

* * *

Battle for North Africa

Since the raising of the siege of Tobruk and the general movement of the Axis forces westwards, General Rommel has been carrying out a skilful delaying action. By retreating on a broad front, he has succeeded in preventing the British from encircling the main force or from bringing the all or part of it to battle. The main body has now reached the high ground well behind Derna with the British in close pursuit, and it may be that the next pitched battle will be fought here. In the meantime, both sides have been attempting to determine the next phase in the campaign, the British by intense naval activity in the Mediterranean, the Axis Powers by increased pressure on Vichy. For Rommel

there are two main issues, either to hold out until sufficient reinforcements have crossed the Mediterranean to reverse the battle in Libya, or to retreat with the knowledge that the Tunisian backdoor is open. For the second, Vichy's consent is essential. For the first, the use of French ships and French bases would be a very great help. It is thus legitimate to suppose that in the recent interviews between Goering and Pétain or Darlan and Ciano, these items have made up part of the agenda. There are signs of a new and subtle development in the Axis "third degree" methods with the unhappy Marshal. The new technique recalls the gloomy winter of 1938 when Italy played the good boy with Chamberlain and clamoured for Tunis from France, while Germany insulted the British and signed a Pact of friendship with France. To-day the Nazis appear to be stiffening their attitude towards the French. The reprisals that are being taken for attacks on German soldiers are so brutal that even Vichy has been led to protest. Italy, on the contrary, has just completed the return of the last French prisoner of war and nothing has been heard for months of Tunis, Corsica and Nice. It is against this background that Darlan's interview with Ciano must be considered. It may well be that the Italians, not the Germans, are asking for naval assistance and the use of bases. In return, they have something to offer—the surrender of their claims on French territory. It is even possible that the old whisper of a Latin bloc to divide Hitler's imperium has been put about. Whether the Marshal's desire not to cede ships and bases can be overcome by this devious route is still uncertain. But a Vichy spokesman reported that the French Cabinet had approved Admiral Darlan's "plan."

* * *

The Germans Withdraw

The Germans have abandoned the attempt to take Moscow before the spring. The last offensive of the year has failed and the German divisions are being drawn off to a winter line and winter quarters. A month ago, the pincer movement round Moscow had reached beyond Klin in the north and Serpukhov in the south. In some sectors, the German divisions were much less than 30 miles from the

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city. Now the Russians have reoccupied Kalinin and are pressing on Tula. The Germans are undoubtedly finding the withdrawal a very uncomfortable business, for, like a spring that has been pressed down and snaps back into place with the relief of pressure, the Russian armies are harassing the retreating German forces so effectively that in some sectors it is hard to distinguish between an orderly withdrawal and a forced retreat. The rout is probably not so great as some enthusiasts suggest—nothing to resemble, for example, the first flight from Rostov—and while in the south, Von Rundstedt appears to be re-establishing his line, it is probable that in every sector, the Germans are withdrawing to positions which have been prepared during the last offensive. The Russians will certainly render very unpleasant the attempt to hold a winter line. Months of demoralising passivity broken by harassing guerilla warfare may well lie before the enemy armies in Russia. Yet the final issue is probably production, not morale. When the campaign reopens in the spring, will the Russian output of tanks, guns and aircraft, diminished by the losses of the Ukraine, in part balanced by new capacity beyond the Urals, equal the output of German Europe? The Russians have secured a notable triumph in the first round. But this is no guarantee that the second will not be even more bitter and prolonged.

* * *

Latin America and the War

The reaction of the Latin American republics to the Axis attack on the United States reveals the success of the Roosevelt Administration's patient diplomacy over the past nine years. Latin America might so easily have adopted as many different positions as there are republics, with endless ensuing opportunities for intrigue and mischief-making. Instead, the Continent has acted as a unit—or, more accurately, as two closely related units. The Caribbean and Central American group have gone so far as actually to declare war on the Axis and are therefore fully in the war. Mexico, it should be observed, is an exception to this group. Contrary to earlier reports, it appears that there has been no Mexican declaration of war. Mexico has preferred to adopt the attitude of the South American states. All these (with one possible exception) have declared their intention of observing Article 15 of the Havana Conference. This article lays down that an American republic attacked from outside shall not be regarded as a belligerent by the other republics, who will accordingly be free to give it defensive assistance beyond the usual rules of neutrality. Some of them have gone further than a strict interpretation of their duties. Thus Mexico has broken off diplomatic relations with all the Axis powers, and Colombia with Japan, while Bolivia and Uruguay have frozen Axis credits. The only possible exception to this front of solidarity is Peru, which has had closer relations with Japan in the recent past than the other republics. But even there the President has pledged the United States every assistance in measures which are deemed necessary to meet the situation in the Pacific. In Argentina, some rather strange domestic political uses are being made of the new turn of affairs. Señor Castillo, the Acting President, has proclaimed a state of emergency. The first use of his powers has been to ban a pro-Ally gathering. The forthcoming conference of Foreign Ministers in Rio can be expected to clear up obscurities such as this, as well as to lay down in more detail the principles of "non-belligerent unneutrality."

* * *

Food and the Future

Lord Woolton has decided against an immediate reduction in rations. This is regrettable; the adjustment of consumption to the new shipping position created by the start of war in the Pacific cannot, in any case, be long delayed, and it should have been made immediately. The Ministry of Food will plainly have to contribute a considerable volume of shipping space toward the solution of the new, and more stringent, merchant shipping problem. That the cut in consumption has not been immediate is evidence of the sound stock position which the Ministry has been able to build up; but it is a grave mistake to draw on stocks until it is absolutely necessary. It will be some weeks before the new shipping position makes itself felt in terms of supplies held by retailers, but there can be no room for doubt that the entry of Japan into the war implies a duty to reduce rations as soon as it can be done. Ability to bring in foodstuffs from both the United States and Australia is temporarily restricted; and substantial stocks are still a necessary insurance

against bombing and sinkings. It is fortunate that large consignments of USA Lend-Lease foodstuffs were successfully transported before the Japanese declaration of war; the mechanism of points rationing, which has been applied to these foodstuffs, provides a convenient and exceedingly flexible method of adjusting rations to supplies, while preserving the greatest possible variety of choice. The normal adult in this country is still better fed than the normal citizen of any other European country, and he faces the prospect of less and plainer food with equanimity.

* * *

Sanctions

It is not enough to have regulations against racketeers; they exist in plenty. It is also necessary to enforce them against the tribe of parasites who manipulate the black markets in limited wartime supplies. To impose fines which, against the profits of illegal trading, are merely a bagatelle is neither penalty nor deterrent; and it is a belated common sense that has led the Government to make a new defence regulation which provides that, in addition to the existing maximum penalties of fine or imprisonment, offenders may be fined three times the value of the goods or three times the price at which they were sold or offered for sale. The present penalties usually leave a handsome net profit to the law-breakers. Now, if the new regulation is administered relentlessly—which is the condition of its success—the game should not be worth the candle. For a long time, it has been a mystery, not only how these leeches get their supplies, but also why their goods are not simply confiscated, while they go straight to gaol. Now, suspected goods can be seized and sold; and, over the whole range of foodstuffs, raw materials, clothes, all goods covered by Limitation of Supplies and other Board of Trade Orders, petrol and coal, the courts can nail and cripple the criminals—if they choose to match the Government's new determination with equal ruthlessness.

* * *

Hail and Farewell

A revised edition of the Schedule of Reserved Occupations has just been published. But from January 1st the Schedule is to be gradually ousted by the investigation of individual applications for deferment of service. It was devised in 1939 to be the regulator or "governor" of the wartime distribution of manpower. The aim was to avoid the maldistribution and waste which occurred in the last war, when essential industries were deprived of key-workers; and the method was to lay down, according to age and occupation, what men would be called up for military service and what men would not. The plan was to adjust the supply to the demand progressively; and, from the outset, the Schedule was specifically "subject to amendment from time to time." As the needs of the armed forces grew, it was necessary to make more recruits available. As the war economy became more comprehensive, it was necessary to cut down the list of reserved occupations and confront men with the choice between military service and transfer to essential industry; the periodic changes in the Schedule have registered the surrender, first, of luxuries, and then of amenities, in aid of the war effort. In practice, the Schedule was itself somewhat wasteful from the beginning. By its rough and ready rule of thumb, which sorted the working population into essential and un-essential in broad categories, individuals were often called up who were actually indispensable in their jobs, so long as these were allowed to continue; many more individuals, reserved on account of their skill or qualifications, were in fact left to do work which was neither useful nor essential; and, because recognised aptitudes in industry or business tended to be the sole basis of discrimination, vital occupations, such as coal-mining, farming and building, were dangerously denuded of heavy labour which was rated unskilled. Before Dunkirk, the Schedule was probably adequate for its purpose. After the fall of France, when the prospect of a shortage of manpower for fighting and producing became certain, it was obvious that, if every man was to be used to the best effect, each individual case would have to be scrutinised on its merits, and not simply decided according to the general formulae of the Schedule; the meshes of the net were too big. Since then, the Schedule has been an unconscionable time-a-dying. In the new edition, the reserved occupations are (as usual) shown with an age against each (in certain occupations two ages are shown, the lower one being for men employed by firms on the Register of Pro-

tected Establishments—which is now closed), and these ages of reservation will be raised by one year on the first of each month, beginning on January 1st. A man of 38, in an occupation reserved at 35, will be dereserved in the spring; in an occupation reserved at 30, he will be freed in the autumn. The reason for this method is presumably to control the flow of dereserved men before the manpower boards who, on the application of employers or employees, will consider pleas for deferment—a very arduous administrative duty. If the need arises, it will be simple to raise the ages of reservation more rapidly. It is nevertheless arguable that the ages in many occupations might have been raised more drastically at once; throughout next year, many men will remain in work which is only nominally useful. But the new policy is obviously on the right lines. The shortage of men for national service is squarely faced. The test of the usefulness of the job and the indispensability of the individual in it, and a large proportion of the occupations in the new Schedule are marked as ones in which deferment will not normally be granted. Care is to be taken to ensure that the blunders which resulted from applying rule of thumb to occupations with special problems will not be repeated. In agriculture, building and civil engineering, the Civil Service and coal-mining, the call-up will be settled by special arrangements, and the reservation ages in these occupations will not be raised month by month. There are already special arrangements for the medical and dental professions, for men with scientific, engineering and agricultural degrees or diplomas, and for students. The sifting may be slow, but it can be exceeding sure.

* * *

Economic Warfare

The proposal to abolish the Ministry of Economic Warfare, which was made and refused in the House of Commons a few days ago, is surely false economy. It is true that a large part of the Ministry's work has been brought to a close by the course of the war. In the early stages, MEW made treaties with neutral powers about trade and financial relations with the enemy; it was a link with the United States, as well as with the important blocs of European, Latin American and Far Eastern neutrals. Now, apart from a few harassed relicts, there are no neutrals. In the last resort, the success of the blockade is assured, neither by MEW nor by the Admiralty, but by the grand alliance of the free peoples against aggression. Nevertheless, even in the field of contraband and prize, there still remain important tasks of classification and adjudication to be performed through the Ministry. Moreover, MEW has always been far more than a Ministry of Blockade. On the factual side, MEW is the Intelligence Department of all the Services that wage war against the economic structure of Axis war-making. It is the intelligencers of MEW who mark industrial, trade and transport targets for the RAF. It is presumably upon the data collected by MEW's experts that the balance of economic power is struck in the planning of strategy and production; and it is not possible, without impracticable duplication of expert staffs, card indexes and statistical information, for the Foreign Office, the Ministry of Information, the Service Departments or the War Cabinet to do the work which at present MEW does, or should do, for them. It is, of course, true that there is already some duplication; there are probably too many economic experts and statisticians at too many places doing the same jobs, collecting and collating the same facts about the enemy's economic resources and productive capacity. But this is an argument for pruning elsewhere, not for getting rid of MEW. Moreover, the United States is now an ally. Among its most important war agencies is the Economic Defence Board set up last July "to supervise economic defence in the widest sense." The liaison between MEW and the Economic Defence Board is already important; a chief weapon of the Allies is still blockade and financial pressure; and there is still an ample function to be performed by MEW and the Economic Defence Board in collaboration.

* * *

Bulgarian Destiny

With last week's declaration of war on Great Britain and the United States, Bulgaria and Croatia fulfilled their obligations under the Tripartite Pact and all but completed the formal alignment of the puppet states. Only the position of Slovakia remains obscure, but no doubt German thoroughness will remove this anomaly in due course. The Bulgarian decision, announced in parliament by the Prime

Minister, Professor Filov, is the latest incident in a sorry record of international relations which for thirty years has proved the basis of Balkan disruption. The declaration does not in itself provide evidence that Bulgaria is about to undertake a more active part in the war. But there is good reason to believe that the German High Command is in fact meditating a move against Turkey. In such a campaign, the assistance of Bulgaria would be useful, while from the Bulgarian side a war against Turkey would, at least with the general public, be preferable to a war against Russia. Clearly, an adventure in Asia Minor, even if undertaken with the limited objective of securing the Dardanelles for the passage of the Italian navy, would hardly be possible for Germany unless a front were stabilised in Russia. If this were achieved, an attack upon Turkey would provide an indirect means of relieving pressure on Rommel in North Africa and would prepare bases for a spring attack upon the flank of the Russian southern army. So far, Bulgarian attachment to the Axis has been profitable and painless; if Bulgaria is forced to make war in anything more than name, she, too, will discover that the position of a puppet state in German Europe is very little superior to that of the conquered nations, while long term prospects are infinitely less happy.

* * *

National Service Bill in Parliament

The National Service (No. 2) Act, 1941, which received the Royal Assent this week, passed through both Houses of Parliament without substantial amendment; but during its passage the Government spokesmen cleared up several obscurities and also gave assurances on the administration of some of its more controversial clauses. It appears that the general obligation to serve imposed by Clause 1 does not cover aliens, who will be the subject of a separate Bill, at present under negotiation with the Allied Governments. The somewhat obscure provisos to this clause become clearer when it is realised that there is a distinction between a civil defence force and a civil defence service. The Minister of Home Security has the power to declare certain organisations to be a civil defence force, and so far he has applied this power to the Police War Reserve, the National Fire Service and the Civil Defence Reserve. The distinction was made after the earlier National Service Act of this year had allowed conscripts to be posted to civil defence; and the position is that persons called up for whole-time duties in a civil defence force enjoy the rights set out in the National Service Acts of 1939-41 as though they had been posted to the armed forces. A further proviso to Clause 1 gives the Minister of Labour power to make defence regulations enabling him to direct persons into civil defence as he already can into industry under Regulation 58A. For the civil defence forces, this power of direction will naturally only be for part-time duties, as whole-time duties are covered by the National Service Acts. For civil defence services, on the other hand, the direction may be for whole-time or part-time duties. Also covered by this proviso is the power of the Minister of Labour to make a defence regulation enabling him to direct persons into the Home Guard for part-time service. The various amendments to the Bill included, first, one making statutory the intention not to conscribe women for lethal duties without their written consent; secondly, one making a wife separated from her husband by decree or court order a single woman for the purposes of the Act; and, lastly, one limiting the exemption of a woman with an adopted child to cases where the adoption took place before the passing of the Act, though genuine cases of adoption after the Act will be considered by the hardship committees.

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THE WORLD OVERSEAS

Hongkong Before the Siege

(From Our Hongkong Correspondent)

November 17th

It took more than a year to convince Chinese traders that the war in Europe was a World War. Until shipments from England were diverted to the Cape route, it was assumed that it was unnecessary to order replacements of stocks more than six months ahead; but when weeks elapsed without producing fresh supplies, and stocks began to melt away, a surge of buying set in. In the meantime, prices began to rise steadily, and the normal demand was swollen by buyers from other places in the Far East which were also running short of British products. The disappearance of European goods also helped to swell the demand for British manufactures, particularly piece-goods, and caused Shanghai dealers to send their buyers to Hongkong to make spot purchases. During the past three months, there have been some big shipments of British piece-goods arriving in Hongkong. Most of these goods were ordered towards the end of last year for normal market requirements. They have arrived with the market nearly bare, and the demand from Shanghai and Free China unsatisfied; consequently, the goods have been cleared *ex ship*, and local dealers have been selling at a highly profitable rate. This state of affairs is by no means confined to piece-goods, but in the case of metals and a few other commodities required for essential purposes, the Government has stepped in and set up a control. Provisions of British manufacture are also in short supply, and are being sold at grossly inflated prices, but as these lines are not necessities for 95 per cent of the population, and are difficult to control, no official action has so far been taken.

The requirements of local industry, such as cotton yarn, woven cloth, metals and chemicals, have increased considerably. South Africa, which is now unable to buy from Japan, has been ordering on a large scale from Hongkong, and if freight space had not been so limited, much more could have been supplied. Orders from the War Supplies Board on behalf of the Eastern Group Council are filling up local manufacturers to such an extent that it is highly probable that commercial orders will have to be refused before long. But even the War Supplies Board's requirements may not be fulfilled, as much of the supply of raw material depends upon priority decisions in London and Washington. At the moment, the Colony is prospering, but no one is so foolish as to ignore the dangers which surround us, and the uncertainties of the immediate future.

The arrival of a substantial force of Canadian infantry, and the possibility of further reinforcements, came as a pleasant surprise to Hongkong, but probably caused greater relief in Shanghai. The lingering anxiety on the part of some residents lest Hongkong should be sacrificed as an appeasement offering can now be set aside, and the evident determination to defend this Colony to the last will not go without notice in Tokyo—or in Chungking for that matter. Civil defence plans have been steadily developed, and there is not a phase of siege conditions which will be without its appropriate corps of auxiliaries.

Bribery and Corruption

Wartime regulation of trade has brought to the surface an evil which for many years past has been allowed to work underground. "Squeeze" is the normal accompaniment of Chinese commercial life, and it still plays a part in official transactions, despite the efforts of Chiang Kai-shek and his immediate circle. It is not surprising, therefore, that Chinese wishing to pass goods through the Trade Control here, or to evade a shipping regulation, should endeavour to purchase immunity, and once such a practice becomes established, it is not long before a set scale of fees is adopted. While there may be some excuse for the toleration of such a system by Chinese subordinates, there is nothing but condemnation for any European official who becomes a party to such corruption. Unfortunately, the system has become so widespread that the temptation to condone it is strong, but public opinion, Chinese as well as British, is beginning to demand action on the part of the authorities. Two recent official inquiries have revealed a disturbing state of affairs, and although Government regulations forbidding bribes are extremely rigid, there is always great difficulty in producing evidence to secure the conviction of offenders. However, the Chief Justice has now been appointed as a Commissioner to conduct a general inquiry into bribery and corruption in the Colony, and as the proceedings will be *in camera*, it is hoped that many of those who shrink from testifying in a public court will provide evidence enabling the authorities to deal effectively with a loathsome practice.

Thailand's Natural Wealth

[BY A CORRESPONDENT]

December 16th

It is not surprising that the occupation of Thailand played an important part in the first stage of the new Japanese war. Apart from its unusual strategical importance, Thailand is a country of considerable natural wealth. Its inclusion, unscathed, in the Japanese sphere of interest, therefore, is a serious adverse factor for the Allies.

It is true that most of the decisive Japanese deficiencies in materials will not be alleviated by the occupation of Thailand. The country produces only an insignificant quantity of coal of poor quality, and the iron output from the deposits in the north is so limited that it is not even adequate for the country's own very small needs. There is also no mineral oil in Thailand, and the supply of vegetable oil (mainly palm oil and copra) is too small to be of major value to the Japanese. The same is also true of the output of cocoa, cotton, and similar produce. In fact, four products make up roughly nine-tenths of Siam's exports, the total value of which amounted to about £20,000,000 last year; they are rice, tin ore, rubber and timber.

The cultivation of rice has always been the backbone of Siam's national economy. Nearly nine-tenths of the country's cultivated land, and between three-quarters and four-fifths of the population, are devoted to rice production in all the lower lying parts of the country. Up to five years ago, nearly two-thirds of Thailand's total exports consisted of rice. Its share has now fallen to about one-half; this decline, however, is not due to a fall in rice production, but to the relative increase in the export of other products, and in particular that of tin and rubber.

Thailand's area under rice fluctuated between 6,000,000 and 7,700,000 acres in the past five years, that is, only slightly less than Japan's own rice area. The output of cleaned rice was, during the same period, between 3,000,000 and 3,500,000 long tons per year, compared with the 7,500,000 and 9,000,000 tons harvested in Japan proper. Thailand is one of the few rice-producing countries which can spare a substantial part of their crop for export, and in

the past five years it has exported an annual quantity of between 1,300,000 and 2,000,000 tons, equal to one-fifth of world shipments. The great bulk of Thailand's rice exports has always been directed to British Malaya, Hongkong and China, while shipments to Japan remained, before 1940, below 50,000 tons even in favourable years. In good crop years, Japan, helped by the shipments from Korea and Formosa, is more or less self-sufficient in rice, but not only have the last three Japanese and Japanese controlled crops been below average, it is also more than likely that the greater war effort will prevent Japan from cultivating its own rice areas with the same intensity as in normal times. In this connection, the huge Thai surplus becomes important. If it can be shipped to Japan or used to supply the Japanese forces in China and the new war zones, Japan's food problem will be solved.

Tin, which accounts for 20 per cent of Thailand's total value of exports, is the second export product. Unlike rice cultivation, which is a native industry, the Thai tin mines are largely controlled by British capital. They are concentrated in both the eastern and western coastal areas of Siamese-Malaya, including the particularly rich Puket Island halfway between the frontiers of Kedah (British Malaya) and Burma. During the past decade the Thai tin output (metal content in concentrates) in 1929 to 17,447 tons in 1940. In the first ten months of 1941, a total of 13,530 tons was produced, against 13,937 tons in the corresponding period of 1940. The Thai supply of tin ore will more than meet Japan's deficiency, but its value to the Japanese is largely nullified by the fact that Thailand does not possess tin smelters, and Japan's refining capacity is too small to treat the even minor tonnages of Thai ore. So far, the whole of the Thai supply has been shipped for treatment to the British smelters in Malaya. One of the two Malayan tin smelting centres, Penang—the second is Singapore—is at present endangered by the Japanese attacks in Kedah. If, as seems likely, the Penang smelters are wrecked in case of a possible Japanese occupation, a long time will pass before Japan can make use of its tin gains in Thailand.

The rubber industry in southern Thailand will be of more immediate value to the Japanese. After supplying no more than 3,600 tons of rubber in 1931, this industry has seen a big expansion in recent years, and last year no less than 43,940 long tons of rubber were shipped from Thailand. In the first ten months of this year Thai rubber exports, at 38,993 tons, were 3,800 tons up on the year, while plantations laid down since 1937 are likely to raise the country's potential output to about 50,000 tons by 1943. Japan consumed up to 70,000 tons of rubber in normal years, though increased military requirements are likely to raise this figure in periods of intensive war operations. French Indo-China produces about 65,000 tons of rubber, and the inclusion of Thailand's production thus solves Japan's rubber problem.

Thailand's timber exports accounted for just under 5 per cent of its total value of exports in recent years. The timber exported consists mainly of teak, used extensively for ship-building. Between 50,000 and 75,000 tons were shipped annually from the mountainous country of upper Thailand. While this timber will hardly be of particular value to Japan, which has sufficient supplies from other sources, its fall under Japanese control will to some extent hit the British Empire, which was previously the main consumer.

It should also be remembered that however important Japan's economic gains in Thailand may appear, in actual fact their benefit will depend on Japan's ability to ship them safely.

Landlord and Tenant in Eire

(FROM OUR DUBLIN CORRESPONDENT)

November 24th

THE relations between landlord and tenant of agricultural land in Ireland have been, as is well known, extensively regulated by law. The landlords have been entirely bought out by the machinery of the Land Purchase Acts and an occupying ownership created. The relations of landlord and tenant in the towns have been the subject of considerable investigation and some legislation in recent years. In 1936, as a result of resolutions passed by the Dail and Senate, the Minister for Justice set up a tribunal to inquire into the law relating to tenancies of dwelling-houses in urban areas. This tribunal, which consisted of four members, has now presented no less than five reports. There is an Agreed Report signed by all the members,

and, in addition, each member has presented a separate report. As each separate report contains a good many reservations on the part of each signatory to the "Agreed" Report, the amount of actual agreement among the members amounts to very little. The reports are of great interest to the student of law, economics, ethics and sociology, but it is to be feared that they will do little to improve the lot of the Irish urban householder in whose interest they profess to be prepared.

The Agreed Report contains a useful review of the past and present state of the law of landlord and tenant of non-agricultural land in Ireland. The principal statutes involved are the Increase of Rent Restrictions Acts 1923-1926 and the Landlord and Tenant Act, 1931. The Commission states that "the Rent Act Code is of outstanding complexity and difficulty." The Rent Acts govern only houses built prior to 1919 not exceeding certain poor law valuations. Certain houses in these categories have been decontrolled by reason of tenancies coming to an end. The Landlord and Tenant Act of 1931 aims at securing that tenants at the end of their leases shall obtain renewals on fair terms. This Act is in contrast to the English legislation on the same subject, which aims simply at providing compensation for tenants on the termination of their leases. This difference in the legislation in the two countries reflects the tenacity of the idea of tenant-right in Ireland, which formed the basis of the agricultural land code prior to land purchase. The policy of rent control, which had its genesis in the housing shortage caused during the last war, proceeded on the assumption that existing rents were fair and should be stabilised subject to certain tolerated increases for rates, repairs and other stated reasons. With the passage of time, the code relating to rent control has become badly in need of revision, and, indeed, the whole policy of limiting rents by law is seriously called in question.

The principal matter upon which the tribunal is unanimous (although even on this there are several individual reservations) is that a new method of determining the standard rent should be substituted for the old. The suggestion is that the standard rent should be that which might have been expected in a letting of not more than five years, made in August, 1914. It is further recommended that, in leases not exceeding twenty-one years, the implied liability for repairs should be transferred from the tenant to the landlord, or, alternatively, that the tenant's liability should be confined to repairs costing not more than 10 per cent of the rent. Proposals are made for the appointment of special officials to see that the Acts are enforced in the case of poor tenants. Another important recommendation is that, upon the sale of every new house, there should be an implied warranty that certain defined building standards have been observed.

Divided Counsels

The separate reports of the four members reveal fundamental differences of opinion on first principles which rendered unanimity impossible. The chairman, a High Court Judge, traces the gradual interference with contracts by the Courts of Equity and by the Legislature, and concludes that a far-going regulation of contractual relations is necessary if any ethical evils are to be avoided. This report criticises recent British legislation on the ground that it is based on expediency rather than on principle. Rent control, it is argued, is either right or wrong. If it is right, it should be pushed to its logical conclusion; if it is wrong, it should be dropped altogether. A fundamentally different viewpoint is put forward by another member of the Commission, a Commissioner of Valuation, who argues that all rent control is an unjustifiable interference with private property, morally tantamount to theft. This member

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German Europe

German Wages.—A short time ago, the Minister of Labour appointed a Special Trustee of Labour to introduce "efficiency wages" into the building industry. His task was to work out the "efficiency-times" necessary to carry out the various processes in the industry. These "efficiency-times" multiplied by the basic wage rates already established will form the new "efficiency wages." A worker who exceeds the standard time may actually receive less than the former minimum set by the basic wage rate.

These so-called "efficiency wages" are, of course, only a kind of piece-rate; but, being calculated on the time required to do a job efficiently, they can be applied to any working process. The idea of "efficiency wages" is an old Nazi demand. There was a time when the Nazis wanted to abolish all general wage scales, but they found it impossible to replace the established system of scales applying to whole industries by individual wages settled by individual employers.

In the war there has been, first, the wages stop, prohibiting any changes in the level of wages which obtained on October 16, 1939. But overtime pay, which was then abolished, was reintroduced by stages, and full overtime pay was restored in September 1940. By September 1940, weekly earnings exceeded those of September 1939 by 7.7 per cent—as a result of the longer hours and the additional payments which war conditions had made necessary, such as separation and travelling allowances, bonuses, additional sickness benefits, payments to men called-up and so on. But the annual reports of companies suggest that this rise came to an end in 1940. Compared in each case with the preceding year, the wages bill of 119 important companies increased in 1938 by 15.6 per cent, in 1939 by 9.25 per cent, and in 1940 by 0.3 per cent.

The rise in the purchasing power of the wage-earning classes is mainly the result of payments to soldiers and their dependants. Severe rationing made it difficult to spend the extra incomes; and one interesting result was the general demand for goods of higher quality and the increase in small savings—it must be noted that a considerable part of the total of small savings was deposited by independent artisans and the numerous small employers, who have been well employed by extensive sub-contracting.

In the matter of wages there is the special problem of the large number of foreign workers and prisoners of war who have replaced called-up Germans. Also hundreds of thousands of workers have been transferred to new occupations; and both the foreigners and the transferred workers are normally less efficient than the workers they are replacing. As a rule, foreign workers are paid the established rates; prisoners of war receive 60 per cent of the wage rates; women workers are paid 80 per cent of the time rates paid for war work formerly done by men, but they receive the same piece rates. If less efficient work is remunerated at the old rates, this constitutes a twofold danger. Costs of production, already very high because of substitute production, are increased, and the volume of purchasing power in the hands of the public is increased. The introduction of the new modified form of piece wages is intended as a remedy. The "efficiency wages" will no doubt be arranged in such a way that a general reduction in wages is the result. The Labour Trustees are virtually wage dictators.

The wage problem in German agriculture is particularly difficult. From the start of the rearmament programme before the war, workers left the land in growing numbers. The demand for better farm wages and working conditions was refused, because the costs of production, especially of cereals, were already exceptionally high. War conditions made the problem more acute, and the Press is now discussing State subsidies for agricultural wages. Probably no solution will be attempted during the war; the very low wages paid to prisoners of war have temporarily solved it.

Wage policy is one of the weak spots in Nazi war economy. Shortly after Hitler came to power, the Trustees of Labour were forced to declare the old wage rates minimum wages. Industry had been too thorough in cutting wages, and as the rearmament programme proceeded, the shortage of workers forced employers to increase wages in order to keep their workers or to attract new ones. This policy was ended by fixing maximum rates shortly before the war,

and the war itself brought the wages stop. Now a general reduction of wages has begun under the guise of these "efficiency wages." It follows the official pressure on employers to reduce their prices for public orders.

*

Conversions.—For some months, a wave of conversions has been going on in the German capital markets, mainly of communal loans, industrial debentures, and mortgage bonds. Mostly they take the form of reductions from 4½ per cent to 4 per cent, though there are instances where State loans have been converted to 3½ per cent. The policy of cheap money (see *The Economist* of March 22, 1941, page 379), started shortly after the beginning of the war, was chiefly intended to reduce the cost of public borrowing; for some time the states and local authorities were not allowed to carry out conversions. But the exceptional financial liquidity which developed and the successive reductions in bank rate and other interest rates created, even in a controlled capital market, anomalous technical conditions. The average quotation of fixed interest securities rose from 98.95 in August 1939, to 103.11 in September-October 1941; in the same period 5 per cent industrial debentures rose from 98.62 to 104.99.

There is no doubt that the conversions of fixed interest securities will continue. The Ministry of Economic Affairs has reluctantly given local authorities permission to issue new loans at 4 per cent, and this set the ball rolling. Generally speaking, debtors are in a favourable position. Later the Ministry consented to the conversion of the total loans of localities from 4½ per cent to 4 per cent. The conversion of industrial debentures is in full swing. The capital involved is small, compared with Reich loans and share issues, but the most important point is that the movement intensifies the fall in the income of individual investors. The reductions in the interest rate on Reich loans during 1940 mainly affected banks, savings banks, and the insurance companies. Now, the public seems to feel that debtors are taking advantage of exceptional conditions in the capital market to mulct the private investor. It is argued that the conditions favourable for this wholesale conversion have been mainly created by the war economy, which is temporary; and the question is asked whether it is in the interest of the national economy, as distinct from the interest of private concerns, institutions and local authorities, that this reduction of interest should take its course. The movement towards lower interest rates was welcome as long as it served the purpose of reducing the costs of public borrowing for meeting the costs of the war. Now, however, it is argued that the most important thing is that those influences should be checked which cause a further increase in share prices; and the continued reduction in the interest rate is thought to be one of the causes of this rise.

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Potato Supplies.—Greater Germany's potato crop is estimated at 65 million metric tons, against 70 million tons in 1940. At the same time, potato consumption is steadily increasing. Before the war, human consumption amounted to 12 million tons; this year's consumption is estimated at 23 million tons. In big towns, the consumption of potatoes has doubled or even trebled. At the same time, more potatoes are needed for feeding pigs and for a number of industrial processes, such as potato-starch, alcohol, potato flakes, etc. That supply difficulties are expected is shown by the forming of a "Reich reserve" of potatoes. In big towns, customers will have to register with grocers for the purchase of potatoes, although there is still no rationing. Restaurants have been ordered to boil potatoes in their skins three days every week and the public is asked not to waste potatoes by peeling. Feeding animals with potatoes supplied to urban areas is strictly prohibited. The most difficult problem seems to be the transport of potatoes to big towns.

The war-time increase in the consumption of 10 million tons makes an additional 12,500 goods trains necessary, at a time when Germany's transport system is overburdened by war transport. Early frost can easily wreck the supply system for the storage clamps cannot be opened during frost. A crop of 65 million tons should be sufficient for Germany's population, but there is no doubt that the supply position will be strained.

THE BUSINESS WORLD

Rubber and Tin Prospects

THE repercussions of Japan's attack on the market have shown how hard it has been for investors to accept the likelihood of a breach of the territorial integrity of the British Empire. Possibly the ultimate value of tin and rubber possessions in Malaya was as much threatened in August 1914, March 1918, and June 1940, as it is to-day, because defeat at the centre would have ended Britain's sovereignty in the Seven Seas. But, possibly because the British people are illogical (and therefore hard to beat), it needed the presence of enemy troops inside Malaya to needed the presence of enemy troops inside Malaya to bring home this threat. The representatives of the plantation and tin-mining industries have been eloquent on the post-war effects of the accumulation of large strategic stocks of both commodities by America, and the similar, if more restricted, official buying at home. There has also been much talk of price factors and of the effect of EPT on profits. Something, but a good deal less, has been heard of their effects on output, and it has been left largely to the more cautious advisers of the investing public to stress the possible effects of hostilities—and that more frequently in terms of interruption to transport than of actual occupation. None the less, caution had so far prevailed that the yields on shares in the two industries were among the highest in the whole list, tin and rubber shares having had only a very moderate share in the recovery movement of the seventeen months prior to Japan's attack. It is evident that the investor underestimated the initial striking power of Japan, but it is still far from clear what this will mean in terms of output. What is important to inquire is whether official quarters have been more cautious, and how far the best provision possible has been made against the event.

On a backward look, it is clear that the sole test which can now be applied to British policy in administering the Empire's resources of rubber and tin during the past two years is quantitative. By this criterion, a tribute can appropriately be paid to the international controls. In pre-war days, the International Rubber Committee, rightly or wrongly, had the reputation of being decidedly more liberal than the Tin Committee in fixing production quotas. But since the war, although the machinery of percentage regulation of output has been kept officially in being, production has long been on an all-out basis, and all concerned have cheerfully co-operated in measures to fulfil American reserve purchases. The attitude of the two controls in the British Government, again, seems on the whole to have been well advised. Outside the Government's own arrangements, the markets for both commodities in London were left free at the outset. It was only after a year and a half, when the price of rubber showed signs of running away, that the Government closed the market down; and the Japanese attack had actually begun before the London tin market shared the same fate.

If there are any regrets for the policy of recent months, judged by its quantitative effects, they arise solely out of the application of 100 per cent EPT, with extremely few concessions, to both industries. Their protests have been insistently voiced, on the ground that as extractive industries they had a strong economic case for special allowances for their high "risk" element and for the wastage of their assets. The "negative incentive" of EPT has certainly not prevented the achievement of high production in both industries. But whether, under a different regime, output might have been still higher, will always be a moot point, particularly in view of the fact that Malaya's exports of rubber and tin, alike, have fallen, in recent months, below the standard allowed by the international regulation schemes.

So far as Malaya is concerned—and probably the Dutch East Indies also—historical criteria have now lost all relevance, and, until the Allies have won the day in the Pacific (and in Europe and Africa) even economic considerations are among those factors which are silent *inter arma*. Normally, Malaya produces a little under half of the world's rubber, and the Dutch East Indies rather more than a quarter. The revised figures of basic tin exports, issued by

the International Committee on the very eve of the Japanese attack, gave Malaya 38 per cent and the Dutch East Indies 22 per cent of the total for all countries in the scheme. If either country came temporarily under enemy occupation, therefore, the interruption of supplies would be on a serious scale in both instances. The extent of British home stocks is not officially known, but it may be presumed that in the case of rubber they amount to a fair number of months' supply, while in that of tin there are important resources available in non-Pacific areas. Nigeria and the Belgian Congo, for example, together contributed 14 per cent of the basic tin exports under the revised scheme, and Bolivia a further 18½ per cent.

Much the most important consumer of both products, however, in peace and still more in war time, is the United States. It has been estimated that United States stocks of rubber represent approximately twelve months' requirements and those of tin a little more—on the basis of consumption during 1941. This year's consumption includes demand for civilian uses, which will now, presumably, be ruthlessly restricted. And in the case of rubber at least, supplies can be supplemented by increased use of the reclaimed product—whose consumption even now is equal to nearly two-fifths of the absorption of crude rubber—and by development of synthetic rubber production. American rubber manufacturers have for some time been conducting successful research into synthetic possibilities, though the actual production has not yet reached as much as 4 per cent of the consumption of crude rubber. An announcement has been made in Washington that productive capacity will reach 80,000 tons per annum in the course of 1942—but this compares with an absorption of crude rubber of 648,000 tons in 1940. Available knowledge of the technical processes involved, however, is sufficiently advanced to make the laying down of plant, on a scale sufficient to represent an appreciable addition to total supplies, say, in 1944, a feasible proposition, provided "commercial" standards are frankly abandoned and the necessary priorities for materials for plant construction are forthcoming.

If supplies were interrupted, they could probably be eked out by technical ingenuity and by drawing on large "hidden reserves" (such as American cars in private ownership) for, say, a couple of years. In the case of tin, there are various substitutes, including some plastic products, and on the "civilian" side the chief problem will be to find means of replacing tinplate as a container of tinned foods.

To think in terms of the total elimination of new supplies from the producing areas may be prudent, but at this stage it is surely ultra-pessimistic. The areas affected are well adapted to put up a strong defence, and Japan's control of

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the seas, on which the efficiency of her expeditionary forces entirely depends, will undoubtedly have a serious challenge to meet. So far, the Dutch East Indies, whose defensive dispositions are believed to be formidable, have been unassailed. In Malaya, the configuration of the country is against any easy attack, from the eastern side, upon the rubber plantation and tin mining areas which (with a few exceptions) are all relatively near the west coast. With the Japanese already in Siam, and astride the Kra Isthmus, the most dangerous thrust will probably come from the north—indeed, it has already begun by the Japanese invasion through Kedah, the most northerly State of Malaya. There are important rubber areas in the south of Kedah, while a considerable proportion of the total tin comes from the Kinta Valley in Perak, lying in that region.

In the table opposite some representative rubber and tin companies are arranged in order of "geographical vulnerability," from areas where the enemy already has a footing, southward through various States of Western Malaya, in due order, down to the Dutch East Indies. In every case, the percentage fall in share quotations on the Stock Exchange is shown, between the last working day before Japan's attack and December 15th, when the market had had a week for appraisal of the new situation. It will be seen that the market had made little attempt to differentiate between companies in different areas according to their relative accessibility or otherwise to enemy penetration. There are wide disparities in the percentages by which different shares have fallen which are capable of no explanation except that the market has become rather "ragged." But the decline in prices as a whole still leaves values high enough to discount considerable success in checking the Japanese attack. Recent falls go some way to discount the temporary, enemy occupation of some producing areas, but they are almost totally unselective. Thus, investors in their own way, can claim to be setting an example of confidence which events may justify in the long run.

RUBBER AND TIN SHARE PRICES							
Company (and Share Denomination)	Middle Price		% Fall	Company (and Share Denomination)	Middle Price		% Fall
	Dec. 5	Dec. 17			Dec. 5	Dec. 17	
RUBBER							
Malaya				Rubber continued.			
Kedah				Dutch East Indies			
Bukit Mertajam(2s)	2/1½	1/1½	47.0	— continued.			
East Asiatic (2s) (a)	1/6	1/-	33.3	Sumatra			
Perak				General			
Gopeng (2s)	1/6	1/-	33.3	Allied Sumatra (£1)	8.9	7/-	20.0
Selangor				Tanjong (£1)	13.9	10/-	27.3
Anglo-Malay (£1)	8.3	5.7½	31.8	United Serlang (2s)	2/1½	1/6	29.4
Highlands & Low- lands (£1)	24/-	15/-	37.5	General			
Pataling (£1)	28/1½	18.9	33.3	Rubber Trust (£1)	28/-	20.7½	26.8
Tanjong Malim (£1)	10/-	8.9	12.5	TIN			
Negri Sembilan				Malaya			
U. Sna Betong (£1)	45/-	33.9	25.0	Pahang*			
Rembau Jelai (£1)	13/1½	10/-	23.8	Pahang Consul (5s)	13.6	8.9	36.3
Malacca				Perak			
Merlimau Pegoh (2s)	2/1½	1/6	29.4	Gopeng (5s)	9/-	6.9	25.0
Various States				Ipo (16s)	29.4½	23.9	19.2
Lingai (2s)	1/9	1.1½	35.4	Kamunting (5s)	7/-	4/-	42.9
London Asiatic (2s)	2/10½	2/1½	26.9	Malayan Tin (5s)	30/-	17.6	40.4
Dutch East Indies				Pengkalan (5s)	9.4½	8.6	20.9
Java				S. Kinta (4s)	10.9	7.6	30.2
Anglo-Dutch (£1)	17/10½	13.9	23.1	S. Malayan (5s)	21.10½	12.6	42.9
Bajoe Kidol (£1)	12.6	8.9	30.0	Selangor			
Djasinga (£1)	10/3	8.1½	20.7	Ayer Hitam (5s)	18.1½	13.9	24.3
				Petaling (£1)	21/6	11/3	47.7
				General†			
				London Tin (4s)	3/6	2/9	21.4

(a) Also in Trengganu and Johore. (b) Also in Johore.
 * On Eastern side of Malaya; Japanese landing at port, Kuantan.
 † Widespread interests, including Nigeria

Exchequer receipts and payments. The new bonds must therefore be regarded as an interesting, technical equilibrating device, and not as a new contribution to the solution of the fundamental financial problem.

The American Precedent

Tax Anticipation Notes have been on sale in the United States since August 1st last. If the new British security is to follow the American precedent it will be non-transferable and, if encashed prior to being tendered in payment of taxes, it will be redeemable at the purchase price and without accretion of interest. The American notes are available in two series. The first is intended for the comparatively small taxpayer and limited to \$1,200 in any one year for any one taxpayer. They bear interest at just under 2 per cent. The second or "B" series returns about ½ per cent interest and the notes are available in any amount. It is interesting to find that in the first three months of issue of these notes, the series "B" has virtually monopolised the market for them. The total raised by Tax Anticipation Notes up to the end of October was \$1,818,000,000, of which only \$33,000,000 was provided by series "A". The notes, in other words, are appeal almost entirely to the large, corporate taxpayer. It is probable that a very similar experience will meet the introduction of the device in this country. For that reason, it is to be hoped that if only one series of the bonds is to be made available to the British public, the rate of interest will be kept low, certainly not above 1 per cent. At present, the money deposited at the banks in preparation for tax payments earns at most ½ per cent for the depositor and is lent to the Government at 1 to 1½ per cent. The inducement for the depositor to invest such funds in the new bonds need not, therefore, be very great in order to be effective.

South American Banking

Lord Wardington's review of the banking and financial situation in South America at this week's meeting of the Bank of London and South America emphasised the considerable improvement which has occurred over the past year in the balance of payments of the countries in question. Much of that improvement is the result of the defence

programme in the United States and of the attendant purchases of large reserve stocks of strategic materials. But, in addition, there has been some improvement in exports of meat to Great Britain and of cotton to Canada. Another interesting factor has been the influx of refugee investment capital from the United States into such countries as Argentina and Uruguay. The result of this change in the South American balances of payments has been most evident where a free exchange market has been available to record it. The improvement of the Argentine and Uruguayan pesos in terms of US dollars has been the most striking of such evidence. Payments of the South American countries with the sterling area are now in all cases covered by payments agreements which have canalised all payments at fixed official rates of exchange. Substantial amounts of sterling have been accumulating on these Latin American accounts, and Lord Wardington envisaged the possibility of variations to the existing agreements allowing such balances to be used for purposes other than the settlement of existing commitments in the sterling area.

Hongkong and Shanghai Bank

Banking business, no doubt, continues in besieged Hongkong, but that city is no longer the best location from which to direct a world-wide banking business. The Hongkong and Shanghai Banking Corporation, whose Head Office is in Hongkong, has therefore taken steps to transfer control of the organisation to London. On instruction communicated by the Governor of Hongkong, and with the approval of the British Government, that control has now been vested in the person of the London Manager, Mr Arthur Morse. All branches outside Hongkong and enemy occupied territory have been instructed to accept orders from him. By this arrangement the problem of the exact location of the Head Office has been left carefully in abeyance. There had been earlier suggestions that the Head Office of the bank should be transferred first to Singapore, then to London. This, however, is a matter involving the registration of the company, and, therefore, its liability to taxation, and in present circumstances it has been thought better to leave the question undefined.

Finance and Banking

The Circulation

In the money market, the supply of credit has been barely sufficient to meet the needs of the discount houses. The banks have been compelled to begin their year-end preparations earlier than in recent years, and their purchases of bills from the discount market have been exceptionally small this week. The discount market, for its part, has been better supplied with bills than in previous weeks, having received a 29 per cent allotment at last week's tender for Treasury bills. The improvement in this allotment from 23 to 29 per cent was due to the withdrawal of many "outside" applicants following Far Eastern events. The abstention from the tender of many non-market houses which normally apply for bills may be seen in the fall of total applications from £172,100,000 to £155,705,000. The banks' diffidence in buying bills was also due to the comparatively heavy Treasury deposit payments due this week. Fresh deposits of £60,000,000 were called for, as against nominal maturities of £40,000,000. Owing to previous conversions of TDR's into longer term securities, actual maturities amounted to no more than £32,000,000, and therefore £28,000,000 of fresh money had to be found by the banks. The basis of bank cash upon which these payments encroached had, moreover, to stand the strain of a further increase of £13,467,000 in the note circulation. The Bank return shows that the effect of this expansion on the credit basis has been offset to the extent of £6,789,000 only by an increase in the holding of Government securities. As public deposits have at the same time recovered by £2,975,000, bankers' deposits show a reduction of £7,883,000. The seasonal increase in the circulation, superimposed on the secular upward trend, has already eaten into the additional reserve of notes created by the latest increase in the fiduciary circulation. Unissued notes in the banking department, recently strengthened by £50,000,000, have now fallen to £40,182,000.

Tax Anticipation Bonds

In the course of his statement on the fourth supplementary vote of credit for £1,000,000,000, Sir Kingsley Wood announced the imminent issue of a new type of Government security designed to attract the investment of funds in process of accumulation for making tax payments due at some later date. The new security will be available in units of £25 or multiples of £25. It will be eligible for the payment of certain taxes, namely Income Tax (other than schedule E, which is now deducted at source), Surtax, National Defence Contribution, Excess Profits Tax, Land Tax and War Damage Contribution. Provided they are tendered in payment of these taxes within a given period (which is as yet unspecified), the bonds will bear interest at a rate yet to be announced. The scheme is principally aimed at large taxpayers and, in particular, at companies accumulating liquid funds for EPT payments. Seen in this light, it is evident that the new issue will bring very little contribution to the closing of whatever inflationary gap may still persist in the financial structure. The funds that will be tapped by the new issue must, in the main, be those which are now deposited with the banks in preparation for tax payments and which are already being re-lent to the Government through the banking system in the form of Treasury bills or Treasury deposits. Only if the new bonds encourage earlier saving and preparation for such tax payments will their anti-inflationary contribution be real. This, however, is not to suggest that the new securities will not play a useful role in Government finance and in the improved control of the banking situation. They will tend to avoid the accumulation of tax moneys in the banks and the corresponding seasonal fluctuations in the floating debt. By evening out the effective flow of tax payments into the Exchequer, they should help to achieve a better balance over a period between Government revenue and expenditure, and should ease the task of the monetary authorities in immunising the money market and general credit position from the effects of a sharply uneven incidence of

Investment

The Investor Waits

The past week has been one of declining turnover in the stock market, coupled with continued heavy falls in tin and rubber shares and fluctuations, not always small, in almost every section—apart from heavy industrials, electrical equipment shares and home railways, which have improved. Price falls in tin and rubber shares, since December 5th, range from 10 per cent to over four times that figure, and it is evident that the actual drop experienced in any particular case is largely a matter of chance. The corresponding declines in industrial equities and fixed interest stocks over the same period are, according to the indices of *The Financial News*, some 4.2 and 0.6 per cent. To put the movement in perspective, it may be useful to recall that between the end of February and the end of June 1940, equities fell, according to *The Actuaries' Investment Index*, by 35.8 per cent, and in the last month of that period by 21.4 per cent. (At the end of November this fall had been more than made good.) It is evident that the fortunes of individual tin, rubber and other merchandising concerns operating in the Pacific area must depend upon the detailed course of the war there, which cannot be forecast. Even at present prices, a very material interruption to trade for a considerable period appears to be discounted, especially bearing in mind the high yields obtainable on many of these shares in recent months. This is not to say that further falls will not occur, but there is plainly room for a selective adjustment in the process. In other securities, weakness owes more to the possible repercussions of the extended battle front upon conditions in this country.

Taxes and Inflation

Interest in Sir Kingsley Wood's statement, announcing the fourth vote of credit for £1,000 millions, centres upon his introduction of tax anticipation certificates, on the lines

of American practice. No information is available as to whether these will be marketable, or as to the rate of interest offered. All the indications are, however, that even transferability will, at best, be strictly limited, while the interest can scarcely be such as to allow the new instrument to compete directly with normal gilt-edged securities, even if it can be dealt in. In fact, the case for the certificates reposes largely on the contention that companies have refrained from investing money held to meet maturing tax payments. From the standpoint of the investing public, therefore, the Chancellor's statements are to be studied for any little light they throw on the general budgetary position. Actually, the light is very small. A very large part of his statement, and of the debate which followed, was devoted to the need for increased savings. He gave an assurance that the "gap," after taking in non-budgetary receipts, will not be greatly increased over that estimated in April last, but there was no answer to a question about how far the country is from reaching maximum outlay—leaving on one side the further rise in costs which seems inevitable. The stress placed on the need to refrain from expenditure is welcome, and it reinforces, if that is necessary, the belief that there will be further curtailment of individual expenditure; but it cannot be said that the debate throws any fresh light either on next year's outlays—even those of the coming quarter cannot be accurately estimated—or upon the means of meeting them. This is perhaps natural, but some official pronouncement of a policy designed to avoid inflation, which Sir Kingsley Wood described as "a danger which, if allowed to develop, may threaten the basis of the material welfare and the peace of mind of all of us," should be made without further delay.

Imperial Smelting Earnings

The profit and loss account of Imperial Smelting for the year to June 30th last shows gross interest and dividends

received of £298,842, compared with £280,640 for 1939-40, a result which amply justifies the hopes expressed by the chairman a year ago. Unfortunately, EPT absorbs £48,500, against nil, but there are this year no preference dividend arrears to be cleared, so that it is possible to increase the payment on ordinary from 3½ to 4 per cent and to restore the draft made on the carry forward a year ago. The consolidated profits of the whole group are given on a different basis, and it is a pity that comparable figures for the previous year are not included. In preparing the table below, it has been assumed that a rise in trading profit and a fall in dividend receipts of similar amount reflect an internal transfer of some subsidiary or associate to one of the operating concerns, and only the total of these two sources of income is given. The figures in this form are believed to be comparable:

	Years ending June 30,		
	1939	1940	1941
Total income.....	241,641	501,307	503,940
Depreciation	70,164	132,707	113,174
Administrative expenses.....	62,186	73,463	76,685
Deb. redemption	10,433	12,140	10,433
Tax (other than tax on divs.) and EPT	3,873	10,045	†62,848
Preference div.	124,189	186,282	134,538
Ordinary shares:—			
Earned	Dr. 29,204	*84,160	106,262
Paid	...	88,811	101,498
Earned %	...	3.32	4.38
Paid %	...	3½	4
Carry forward.....	74,532	69,871	74,635

* After £2,520 written off preliminary expenses.

† Includes EPT £48,500.

The consolidated statement of assets and liabilities for the subsidiaries and the parent is repeated in its usual form. It shows rises of some £116,000 in depreciation reserve, and of £379,000 in creditors, of which £175,000 is due to higher tax provision. Against this, loans to associates are doubled at £93,200, debtors and cash are up by some £258,000 and £82,000 respectively, while stocks are surprisingly stable at £706,000. There is every reason to suppose that most sections of the group's multifarious activities have been fully occupied, and will continue to work to capacity, subject to adequacy of supplies. The £1 ordinary shares have suffered in the general decline and now stand at 11s. ex dividend, against a recent high of 13s. cum dividend. At the present price, the yield is some £7 5s. 5d. per cent.

Turner and Newall Profits

The Turner & Newall £1 ordinary stock dropped 6s. 3d. on the news of the reduction in the final payment from 11½ to 8½ per cent, making a total of 12½ against 15 per cent. The preliminary statement shows that trading profits, in the year to September 30th, rose from £2,136,726 to £2,545,721, the highest level of the past ten years. Tax liability, including tax on dividends, rose more substantially from £1,277,239 to £1,847,762 and, with depreciation almost unchanged at £188,908, there is a fall in the rate of equity earnings from 18.4 to 15.8 per cent. The net amount earned for ordinary shares fell from about £590,000 to £445,823. The board are to be congratulated in showing the total tax provision of the company and on giving both gross and net amount of dividends. It would be even better if the net amounts of preference and ordinary payments were stated separately. General reserve receives the customary £100,000, and there is, consequently, a draft of £6,326 on the carry forward, which is reduced to £65,189. It is clear from the preliminary figures that the reduction in ordinary dividends is due solely to the weight of taxation and the desirability of maintaining allocations to reserve. There is no doubt that the group, which is prominent in the production of asbestos and rubber insulating equipment, and is a controlled undertaking under the Ministry of Supply, has been working to capacity last year. The £1 ordinary stock, at 66s. 3d., yields £3 16s. 6d. per cent.

P. and O. Earnings

The full accounts of the Peninsular and Oriental Steam Navigation Company for the year to September 30th last show that net earnings from the company's own fleet were

lower on the year, as were dividends from other maritime investments. Under full requisitioning, expenses were much reduced, as is shown by the table given below, and income from other sources rose, but there is a fall in earnings for the deferred capital from 32.3 to 23.8 per cent. It has been necessary to write £100,000 off properties, as a reserve to cover possible damage, against transfers totalling almost £93,000 for losses on sale of investments and on continental interests a year ago. The increase in the dividend on the deferred capital from 7½ to 8 per cent is at the cost of reducing the appropriation to tonnage replacement reserve from £300,000 to £250,000 and placing nothing, against £250,000, to general reserve.

	Years to 30th September,		
	1939	1940	1941
Earnings of fleet.....	1,381,281	2,075,794	1,458,335
Total revenue	2,383,139	2,976,520	2,421,821
Depreciation	885,000	1,034,068	980,214
Expenses	523,098	248,303	†55,424
Provident good service	50,000	225,000	200,000
Interest charges	373,101	321,042	303,896
Preference dividend.....	152,000	152,000	152,000
Deferred stock:—			
Earned	399,910	996,107	730,287
Paid	298,513	344,438	367,400
Earned %	9.9	32.2	23.8
Paid %	6½	7½	8
To reserves	100,000	550,000	250,000
Special items (net)	†6,939	92,968	100,000
Carry forward.....	164,797	173,498	186,385

† Includes £27,209 War Damage contributions.

‡ Income Tax written back, £192,902; and £16,249, profit on sale of ships, set against £216,090 loss on sale of securities.

The balance sheet shows a fall of some £1,290,000 in the net valuation of the fleet to £5,382,947, most of which is due to losses. Receipts on account of these ships were substantially above book values and there is a total rise in the replacement reserve of £1,879,875 to £2,991,475, after bringing in the year's appropriation. In addition to this, the credit in the Government Tonnage Replacement Account amounts to £484,500. This and other allocations result in a considerable improvement in the cash position. Floating assets are up by £2,246,771 on the year, some two-thirds of the rise occurring in holdings of gilt-edged securities. Among liabilities, sums deposited by a subsidiary are lower by some £2,277,000 at £750,000 odd, but other current liabilities have increased from £3,058,086 to £4,086,329. The outbreak of war in the Far East must substantially increase the risk of losses during the current period. Two years of conflict have reduced the net valuation of the fleet by £2,335,000 and other fixed assets by £132,000, but reserves, other than the provident good service account, have increased by £3,331,000, and this ignores the sum payable by the Government on replacement of the fleet. The immediate outlook is probably for lower earnings, but the price of the deferred stock units of £1 is 27s. 3d. ex dividend, yielding £5 17s. 5d., which suggests reasonable confidence.

Carreras' Good Year

Total profits of Carreras in the year to October 31 last rose from £2,205,693 to £2,216,078, the highest level of the last decade. Tax liability, including tax on dividends, amounts to £1,534,464 against £1,072,955, while depreciation is reduced from £79,314 to £60,263. Total staff fund allocations are increased from £19,107 to £30,207. Allowing for the higher standard rate of income tax, the rate of equity earnings is up from 25.9 to 29.3 per cent, while dividends on all classes of ordinary shares are raised from 26½ to 27½ per cent. The surplus is devoted to raising the carry-forward from £276,447 to £311,168. The balance-sheet shows a decline in the excess of liquid assets over current liabilities from £3,930,212 to £3,373,348, due to the considerable fall in stock from £2,952,938 to £1,786,537, which also accounts for the rise in cash holdings from £459,586 to £1,258,652. The liabilities side of the account shows a reduction in creditors, including taxation, from £1,845,831 to £1,758,357. It may perhaps be assumed that the rise in profit was due mainly to increased turnover, although economies in packing may have more than offset a probable rise in distribution charges. The turnover was secured in part from depletion of stock and the maintenance of earning capacity depends upon ability to replenish it. The £1 ordinary shares at 112s. 6d. ex dividend yield £4 17s. 9d. per cent.

ABC Recovery

The full accounts of the Aerated Bread Company for the year to September 27th show a substantial improvement in profits from £51,972 to £258,605 on trading account, and from a total of £58,880 to £205,937. Charges against earnings are heavier than in the previous year, taxation requiring £67,500 against nil and total war damage contribution £51,157 against nil, but this includes all five yearly contributions payable 1941-45 in respect of properties. More-over, £100,000 has been placed to depreciation reserve against £6,375, thus covering 1939-40 arrears. Consequently earnings for preference capital amount only to £1,007 against £4,726 in the previous year and £34,954 in 1938-39. The directors have decided to conserve the whole of the surplus, bringing the carry-forward to £57,216. Thus, service on the 6½ per cent cumulative preference capital remains in arrears since June 1, 1939. The balance sheet shows a reduction in bank overdraft from £677,557 to £488,261. The rise in the total of creditors from £162,262 to £200,276 is due solely to the inclusion of £41,389 for taxation, while an increase in debtors from £75,900 to £93,813 arises from the submission of claims under the War Damage Act. Enemy action, and the difficulty of replacing supplies, accounts for the decline in stock from £147,822 to £114,448. Cash holdings are slightly higher at £8,315 against £7,025, while the total of reserves and carry forward is raised from £144,542 to £245,549. The chairman, Lord Greenwood, attributes last year's improvement in profits to increased turnover combined with administrative economies, but it is not apparent how far the expansion can be carried over to peacetime conditions. There is no doubt that, in present conditions, the management is wise to conserve surplus earnings. The £1, 6½ per cent, preference shares now stand at 17s. 6d. and the £1 ordinary shares at 10s. 6d.

Stewarts and Lloyds of South Africa

Total profits of Stewarts and Lloyds (SA) for the year to June 30th are reduced from £343,061 to £334,012 after managerial expenses and provincial taxation. Depreciation claims £46,591, against £72,827, including £25,000 special depreciation. There was no transfer to Employees Second Trust reserve, against £20,000, or to stock reserve, against £75,000, but the allocation for contingencies is up from £10,000 to £105,000. As this item is treated as a current liability in the balance sheet, it can scarcely be considered as available for dividend payments. On this basis, and without adjustment for taxation, equity earnings, of £126,413 against £109,613, represent 30.8 against 26.7, providing ample cover for the ordinary dividend, which is raised from 15 to 20 per cent. General reserve receives £50,000, against £45,000, and there is a small draft on the carry forward, which is reduced from £83,985 to £78,398. The balance sheet shows a rise in the surplus of liquid assets over current liabilities from £1,175,218 to £1,229,384. Creditors, including an account with a subsidiary, are up from £123,920 to £189,170. Stock is over £200,000 higher at £787,194, while debtors have risen from £692,220 to £805,617 and cash holdings from £130,576 to £249,642. The company has clearly enjoyed a satisfactory year's trading. Its output plays a vital part in South African war production and will no doubt increase substantially. The £1, 6 per cent 1st preference shares, at 25s. 7½d. ex dividend, yield £4 13s. 8d. per cent.

First Kaffir Dividends

The start of the kaffir dividend season indicates that the majority of mines are able to repeat June dividend rates. In 12 cases out of 25, however, payments are below those of a year ago. Increases are announced only by a very few concerns, which have not yet reached their full capacity as dividend payers. Thus, in the Union Corporation group, no company lowered its December payment below that of June, 1941, but while most yearly totals are down, Marievale is, against 3d. on the 10s. shares. In the Rand Mines—Central Mining group, Crown Mines is paying a final of 7s. 6d. against an interim of 8s., making 15s. 6d., against 18s. 6d., and New Modder a December interim of 1s. 3d. against a final last June of 1s. 6d. In this group, only Transvaal Consolidated is raising its dividend, which

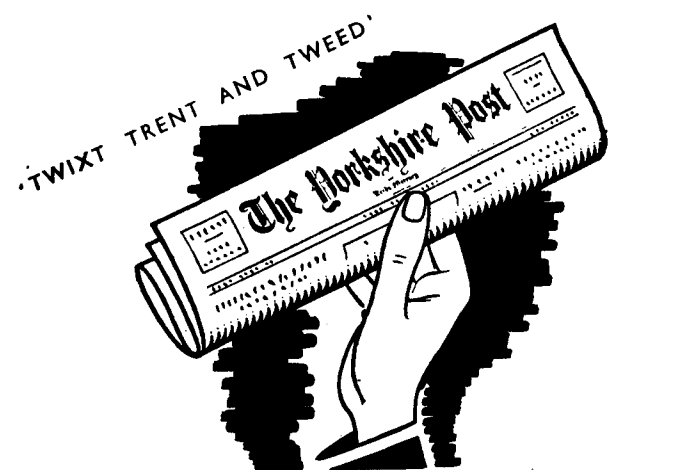
amounts to 1s. 3d. for the year, against 1s. on the 10s. shares. In the Consolidated Gold Fields group, Venterspost and Vogelstruisbult are raising total dividends, while Simmer and Jack is paying a final of 5d. against an interim

DIVIDENDS PER SHARE

	Dec., 1940	Total, 1940	June, 1941	Dec., 1941	Total, 1941
<i>Rand Mines—Central Mining</i>					
Rand Mines (5/-)	4/-	8/-	4/-	4/-	8/-
City Deep (1/-)	2/6	5/-	2/6	2/6	5/-
Consolidated Main Reef (1/-)*	3/-	6/-	2/6	2/6	5/-
Crown Mines (10/-)	9/-	18/6	8/-	7/6	15/6
Durban Deep (10/-)	1/9	3/3	1/9	1/9	3/6
E. Rand Prop. (10/-)	1/9	3/6	1/9	1/9	3/6
Goldfields Deep (1/-)	2/-	4/-	2/-	2/-	4/-
Modder B Gold (5/-)	1/3	2/6	1/3	1/3	2/6
Modder East (1/-)*	4/-	8/-	3/6	3/6	7/6
New Modder Gold (10/-)*	2/-	4/3	1/6	1/3	2/9
Nourse (1/-)*	2/3	4/6	2/3	2/3	4/6
Rouse Deep (1/-)	2/-	4/-	2/-	2/-	4/-
Transvaal Consol. (10/-)	1/-	1/-	Nil	1/3	1/3
<i>Union Corporation</i>					
East Geduld (1/-)	7/-	14/-	6/3	6/3	12/6
Geduld Prop. Mines (1/-)	7/6	15/-	6/9	6/9	13/6
Grootvlei Prop. Mines (1/-)	2/3	4/6	2/-	2/-	4/-
Marievale (10/-)	-/3	-/3	-/6	-/6	1/-
Van Dyk Consol. (10/-)	-/10½	1/9	-/10½	-/10½	1/9
<i>Consolidated Gold Fields Group</i>					
Rietfontein Cons. (5/-)	-/10½	1/9	-/9	-/9	1/6
Robinson Deep "B" (7/6)	2/3	4/9	1/10½	1/10½	3/9
Simmer & Jack (2/6)	-/6	1/3	-/6	-/6	-/11
Sub Nigel (10/-)	7/½	14/6	6/3	6/3	12/6
Venterspost (10/-)	-/7½	-/10½	-/9	-/9	1/6
Vogelstruisbult (10/-)	-/10½	1/7½	-/10½	-/10½	1/9
Luipaards Vlei (2/-)	-/6	1/-	-/5	-/5	-/10

* Financial Year ends June 30.

of 6d., making 11d. against 1s. 3d. for the year. All other payments in this group are the same as at June last. The general declines among mature mines are to be attributed to rising costs and higher Union taxation, accentuated in some cases by declining grades of ore.



The Yorkshire Post

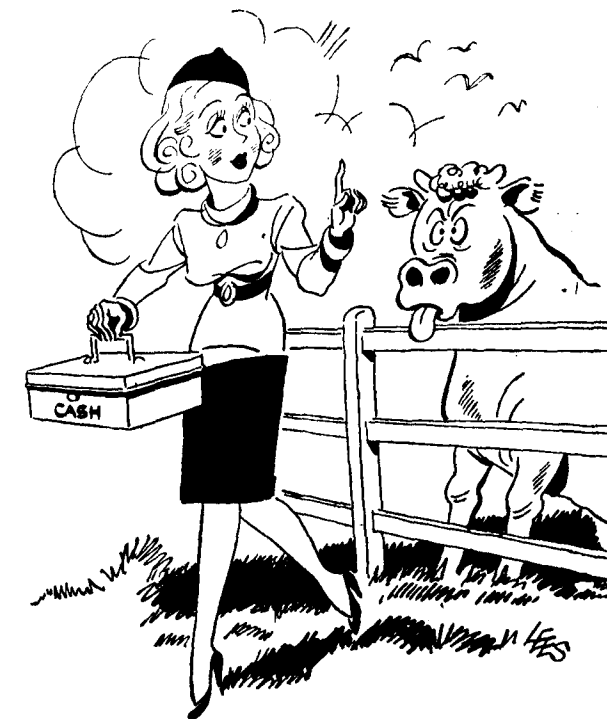
leads the
steady
opinion of
the North

Ask for it at your Club,
Library or Newsagent



Even in wartime, this country absorbs about half the world's tea exports. The Ministry of Food, which took over the control of imports early in the war, has announced its arrangements for the purchase of next season's tea. Dutch East Indies growers will provide 48 million lbs of Java and Sumatra tea ; 280 million lbs. will come from India, 148 million lbs from Ceylon and 24 million lbs from East Africa. In addition, the Ministry of Food hopes to acquire about one million lbs of China and Malaya tea. The total quantity contracted for is 501 million lbs, approximately the same as last year, and about 100 million lbs. above consumption, which is estimated at about 400 million lbs. per year.

The Board of Trade has made various adjustments in the rationing of certain garments; some previously exempted items are now included in the clothes ration, and exemption has been extended to some articles which had been rationed. The changes are, in general, based upon experience gained in the six months during which the ration scheme has been in operation. A few garments were not previously specifically mentioned in the original lists, and actually need fewer coupons than were demanded for them in their original grouping. For example, unlined, single-texture cycling capes, which previously exchanged for 16, 15 and 10 coupons for men's, women's and children's sizes respectively, now rate at 6 coupons in children's sizes and at 4 coupons in children's sizes. Some of the old rates did not allow manufacturers sufficient coupons to make up certain garments which are needed, and pointings have been revised. Kilts, an outstanding example of coupon loss to the manufacturer, were rated at 8 coupons for adults and 6 for children. The new ratings are 16 coupons for men's kilts, 14 for women's and 8 for children's. In place of coupon-free cloth under licence, the making of officers' uniforms, manufacturers will receive documents equivalent to the number of coupons required by coupon ratings for uniforms. Certain widths of cloth require fewer coupons, and the definition of fents (remnants) has been revised. Retailers may now give "change," consisting of coupons in special strips, where coupon vouchers are tendered. Coupons may also be credited or returned to a customer for goods taken back by the shopkeeper within a period of 28 days instead of



*even if it means
going without a little*
BOVRIL

Tea is an almost exclusively Asiatic product, but over 60 per cent of normal world shipments come from areas west of Singapore. None the less, the extension of the war in the Pacific cannot fail to affect world shipments. It is possible that, if the Ministry of Food's contracts are fulfilled, there will be a serious shortage of supplies for other countries. This might, however, in certain circumstances, be made up from the substantial stocks in this country. The value of the Ministry of Food's bulk buying contracts has once again been stressed by the price provisions under the new tea contracts. Despite the steep rise of prices on the free market in recent months, the price paid by the Ministry in the Dutch East Indies remains unchanged at last year's level of 10d. per lb f.o.b. Batavia. In the British producing areas, the price is again based on the average of 1936 to 1938, plus certain allowances for wartime increases in production costs. These provisions, while keeping tea prices in this country at a reasonable level, are fair to the producers though they do not give them excessively high returns.

Earnings in the Metal Trades

In the analysis given on December 6th of the rise in earnings in the several industrial groups, there was not space to deal with the separate industries within each group. In many instances, these showed wide variations; and the highest earnings for men are 127s. 5d. in motor vehicle and aircraft manufacture, their lowest 94s. 9d. in nuts, bolts, etc. The increases over 1938 range from 66.3 per cent in shipbuilding and ship repairing to 22.5 per cent in tin-plate and sheet manufacture. The figures for men, boys and women are given below:

EARNINGS IN METAL ENGINEERING AND SHIPBUILDING INDUSTRIES

	Earnings in week ended July 12, 1941			Percentage Increase compared with last pay week in October, 1938		
	Men (over 21)	Boys	Women (over 18)	Men (over 21)	Boys	Women (over 18)
Blast furnaces	107 3	48 4	...	30.0	44.6	...
Iron puddling, steel etc.	111 5	45 11	...	39.4	48.9	...
Non-ferrous metal mfg.	103 7	50 7	45 4	44.9	67.2	43.2
Tin plate and steel sheet	102 10	39 7	36 10	22.5	58.9	5.5
Iron and steel tubes	106 0	44 7	44 10	49.1	55.5	52.4
Wire, netting, ropes	98 9	38 3	40 4	44.3	50.0	37.9
General engineering and engineering foundry	106 8	40 4	50 7	44.8	65.8	57.7
Electrical engineering	107 4	38 9	47 2	44.2	56.6	45.5
Marine engineering	108 2	37 8	...	44.1	104.5	...
Constructional engineering	101 8	38 1	...	41.2	56.0	...
Motor vehicle and aircraft	127 5	48 5	54 9	53.4	71.4	36.6
Shipbuilding, repairing	116 7	37 10	...	66.3	82.3	...
Railway carriage and tram manufacturing	96 1	41 9	...	33.8	73.4	...
Electrical apparatus	104 11	42 4	42 9	43.7	38.0	18.2
Hand tools, etc.	101 3	38 1	38 8	48.2	60.4	38.5
Bolts, nuts, screws, etc.	94 9	38 9	44 4	46.9	60.3	48.6
Brass, etc., goods	97 6	39 10	43 8	41.6	52.2	43.2
Heating and ventilating engineering	104 1	39 8	...	36.4	50.2	...
Watches, jewellery, etc.	95 1	38 6	40 0	33.8	50.5	30.4
Other metal industries	106 3	43 0	45 3	52.0	54.5	41.4
Total	111 5	41 11	48 2	48.7	63.8	47.4

Women earn most in motor vehicle and aircraft manufacture and in general engineering, and least in the tinplate and in the hand tools industries. Their biggest increase in earnings has occurred in general engineering, with iron and steel tubes a good second. Boys, on the other hand, find non-ferrous metal manufacture the most profitable industry, and earn least in constructional engineering and in the manufacture of hand tools. The most spectacular figure is the increase of 104½ per cent in the earnings of boys in marine engineering, which contrasts with a rise of only 38 per cent for boys in the manufacture of electrical apparatus. There are only three industries in the whole group in which boys' wages have not increased by

over 50 per cent. In making comparisons between all these various figures it must be remembered that divergences and decreases in the proportion of skilled workers can alter the average earnings without any change in rates of payment or hours worked.

Coffee Control

Though coffee is consumed in very small quantities in this country—probably smaller than in any other civilised country—it has not escaped Ministry of Food control. The Ministry has prepared a scheme to begin on January 1, 1942, covering imports and distribution, which will be carried out through importers and registered dealers. Dealers will be registered if they have paid duty on 50 tons or more of coffee during any consecutive twelve months from July 1, 1937, to June 30, 1939. Retailers will obtain supplies from these dealers. The public auction of coffee will cease. The Ministry of Food will allocate any further imports to the registered dealers on the basis of their previous transactions. Last March, a maximum retail price of 2s. 8d. per lb. was fixed, and retailers were also obliged to stock coffee at 1s. 8d. per lb. Since 2s. 8d. was not an excessive price for coffee, it can be assumed that stocks of better coffee were disappearing. Pre-war consumption in this country has been estimated at about 300,000 cwts a year. It is unlikely, in spite of tea rationing, that this figure is very much changed, though easy-to-make coffee preparations appear to have gained popularity. Imports into this country averaged slightly more than 400,000 cwts between 1936 and 1938. Of this total, about 125,000 cwts came from Costa Rica, and British East Africa provided some 112,000 cwts. While large stocks are held in this country, it is probable that the varieties are not the same as in pre-war days. The rationing of coffee is not contemplated and retail prices will remain at the levels fixed last March.

The "Closed Shop" in British Mining

The Mineworkers' Federation, having got rid of the conditions governing the payment of the attendance bonus, is now endeavouring to bring the application of the Essential Work Order into greater harmony with its own views and policy. On July 18th, the General Order was amended to make illness a valid excuse for absenteeism, and the miners are now asking that this exception should be applied to the coal mining industry and also extended to cover absences due to accidents, lack of workmen's transport facilities and trade union business. A far more serious issue is that raised by the request of the Federation that the cost-of-living war addition of 2s. 8d. per shift and the attendance bonus of 1s. per shift should be withheld from non-unionists. In recent years, the employers' view that membership of a trade union was the personal concern of the worker has been greatly modified by the growth of the practice of collective bargaining. Though the employers in one or two of the districts have, during the last two years, converted their collieries into "closed shops," the majority, while prepared to help with the collection of trade union dues, have been reluctant to surrender completely the principle of non-interference; and since the Essential Work Order has been in operation the number of non-unionists have increased substantially in some of the coalfields. Apparently, the colliery owners have been advised that the payment of the war wage and the attendance bonus is now an integral part of the contract of every miner at present employed. It has been ascertained also that the National Service Officer could not give permission for the termination of employment on the ground that a workman was not a member of a trade union, unless such membership was already a condition of employment. In Yorkshire, a threatened stoppage has been averted by a decision of the owners to withhold the payment of the attendance bonus from non-unionists, subject to an undertaking on the part of the Yorkshire Mineworkers' Association to indemnify them in respect of any future claim for wages or damages. In Northumberland and Durham the employers and the workmen's representatives are stated to have reached "a mutual understanding to end non-unionism." During the last war it became compulsory under the Defence of the Realm Regulations for every miner to be a trade unionist for the duration of the war.

(For Commodity and Industry News, see page 774)

Books Received

- Proceedings of the National Conference of Social Work.* Grand Rapids, Michigan, May 26-June 1, 1940. (London) H. Milford. 736 pp. 20s. net.
- Early Guild Records of Toulouse.* Edited by Sister Mary Ambrose Mulholland, B.V.M. (London) H. Milford. 192 pp. 20s. net.
- Organising a Public Welfare Committee in Spring County.* Edited by M. F. Byington. (London) H. Milford. 82 pp. 4s. 6d. net.
- U.S.S.R. Speaks for Itself. Vol. II. Agriculture and Transport.* (London) Lawrence and Wishart. 104 pp. 2s. 6d. net.
- The War of 1939.* Edited by G. Dennis. (London) The Caxton Publishing Company, Ltd. 4 volumes. 95s. net.
- American Influence in Canadian Mining.* By E. S. Moore. (London) H. Milford. 144 pp. 14s. net.
- Full Employment.* By J. H. G. Pierson. (London) H. Milford. 297 pp. 15s. 6d. net.
- Daily Mail Year Book, 1942.* Edited by D. Williamson. (London) Associated Newspapers, Ltd. 240 pp. 1s. 3d. net.
- Retrospection.* By Lord Newton. (London) John Murray. 288 pp. 15s. net.
- Practical Business Economics.* Second Edition. By A. C. Ross. (London and Sydney) Angus and Robertson, Ltd. 308 pp. 7s. 6d. net.
- Banking Studies.* By Members of the Staff Board of Governors of the Federal Reserve System (Washington, D.C.).
- Workers' Protective Legislation in Poland. Twenty Years' Co-operation with the I.L.O.* (London) Polish Social Information Bureau, 11, Waterloo Place, S.W.1. 30 pp. 3d. net.
- Plan for Living.* By C. Williams-Ellis. Rebuilding Britain Series, No. 5. 36 pp. 1s. net.
- Industry and Town Planning.* By R. Pumphrey. Rebuilding Britain Series, No. 6. 36 pp. (London) Faber and Faber.
- Board of Governors of the Federal System.* 496 pp. No price stated.
- The Poetry of Matthew Arnold.* By C. B. Tinker and H. F. Lowry. (London) H. Milford. 404 pp. 12s. 6d. net.

LONGMANS PAMPHLETS ON THE BRITISH COMMONWEALTH.

- Britain and India.* By R. Coupland. 94 pages.
- Britain and South Africa.* By E. A. Walker. 64 pages.
- From the British Empire to the British Commonwealth.* By Sir A. Zimmern. 52 pages. (London) Longmans, Green and Co., Limited. 6d. net each. Paper.

MACMILLAN WAR PAMPHLETS.

- No. 11 *Argument of Blood.* By Julian Huxley. 48 pages.
- No. 12 *Science in Chains.* By Sir Richard Gregory. 32 pages.
- No. 14 *Why Britain Fights.* By A. H. Tawney. 46 pages.
- No. 14 *Minds in the Making.* By E. R. Dodds. 32 pages.
- No. 15 *Dynamic Democracy.* By F. Williams. 32 pages. (London) Macmillan and Co. 3d. each net.

PENGUIN BOOKS.

- Oil Paint and Grease Paint.* Autobiography of Laura Knight. 3 volumes. 6d. each volume, illustrated.

Official Publications

- Sixteenth Report from the Select Committee on National Expenditure. Session 1940-41.* 2d. net.
- National Debt: Papers relative to the position at 31st March, 1941.* Cmd. 6286. 1d. net.
- Clothing Coupon Quiz: Answers to Questions on the Rationing of Clothing, Footwear, Cloth and Knitting Yarn. Issued by the Board of Trade.* 2d. net or 3s. per 25 copies.
- National Debt: Return showing transactions connected with the National Debt for the year 1940-41.* Cmd. 6309. 2d. net.
- Finance Accounts of the United Kingdom for the financial year 1940-41—ended March 31, 1941.* 1s. 6d. net.
- Report of the Departmental Committee on Police Widows' Pensions.* Cmd. 6312. 9d. net.
- Explanatory Notes for Traders. Limitation of Supplies (Cloth and Apparel) Order, 1941, and the Consumer Rationing Order, 1941.* Board of Trade. 9d. net.
- Annual Report of the Chief Inspector of Factories, 1940.* Cmd. 6316. 4d. net.
- Agricultural Statistics, 1939, Vol. LXXIV. Part I.* 1s. 6d. net.

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OTARD'S

COGNAC BRANDY

COMPANY MEETINGS

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

PROGRESS IN DIFFICULT YEAR

STATEMENT BY SIR JOHN CAULCUTT

The following statement has been issued to the shareholders by the chairman, Sir John Caulcutt, KCMG, on the report of directors and balance sheet for the year ended September 30, 1941:

Before proceeding to deal with the general business of the bank, I wish to express our deep regret at the death of Dr Alexander Aiken. Dr Aiken has rendered distinguished public services in South Africa, and his knowledge of business affairs in Johannesburg must have been almost unrivalled; with his great qualities and wide experience he was an invaluable member of our South African board, and we deplore his loss.

LOSSES ON ACTIVE SERVICE

I also regret to have to announce that since the beginning of the war we have lost the following members of our staff while on active service: C. G. Berlyn, Howick branch, Natal; K. A. Brown, Johannesburg branch; I. P. Cleaton-Jones, Main Street branch, Johannesburg; C. Clokie, Durban branch; S. P. de Bustros, Alexandria branch; W. S. B. Doyle, Umtali branch, Southern Rhodesia; A. L. Earp-Jones, Claremont branch, Cape Province; C. C. Gordon, Commissioner Street central branch, Johannesburg; P. E. Hardy, Woodstock branch, Cape Province; A. E. Mackie, Jamaica branch; J. R. Pugh, Durban, Natal Bank branch; A. W. Rodger, Johannesburg branch; I. W. G. Slabber, Long Street branch, Capetown; T. Sturgis, head office; and the following by death due to enemy action: H. S. Armstead, Gracechurch Street branch; Miss M. M. Bodfish, Gracechurch Street branch; Miss B. R. Dewar, Circus Place branch; A. J. Elkins, head office; W. A. Martin, Barbados branch; Miss M. F. Withers, Circus Place branch.

We pay tribute to their memory and extend to their relatives our deepest sympathy.

In addition to the foregoing, two of our officials on active service have been reported missing and eight have become prisoners of war.

CONTRIBUTION TO WAR EFFORT

I am proposing on this occasion, having regard to the times, to confine my remarks to the domestic affairs of the bank, in connection with which I feel shareholders will be interested to know that nearly 1,000 members of our staff, here and overseas, have joined the forces. I am pleased to say that owing to the widespread distribution of our branch system we have been able to render many services to the Governments of the territories in which we operate. In this way we have been able to make a special contribution to the war effort.

Following the military occupation of Abyssinia and Eritrea, and, at the request of the authorities, we have opened branches at Addis-Ababa and at Asmara.

The omission of the usual territorial survey of conditions does not mean that there is nothing of interest which could be said about events in the various countries with which we are concerned, but I feel that justice could not be done to the subject without incurring risk of infringing the regulations of the censor.

BALANCE SHEET

Turning now to the figures of the bank, current and deposit accounts, at approximately £157,000,000, show a further record figure for this bank, being an increase for the year of over £30,000,000. Cash in hand has been maintained at about 33 per cent. of the liabilities, while the total amount of advances is approximately the same as a year ago. Our increased resources are reflected in the figures for investments, which include a substantial contribution to new Government issues; and in the figure for bills, in which are included our holdings of United Kingdom and South African treasury bills. The market value of investments is in excess of the figure at which they stand in our books.

The net profit for the year ended September 30, 1941, after making provision for taxation and for bad and doubtful debts and contingencies, amounted to £399,685, compared with £423,692 last year. The sum of £171,936 was brought forward from October 1, 1940, making a total to be dealt with of £571,621.

ADDITIONS TO RESERVE

Having regard to the continued growth in the bank's liabilities to the public, the directors have decided to transfer £200,000 from the current year's profits to the reserve fund. In addition, a sum of £300,000 has been transferred to that fund from the contingency account, to which account we have during the past three years allocated £470,000 from our profits. These transfers will bring the reserve fund to a figure of £2,600,000.

After making the above appropriation it is proposed to pay a final dividend of 4 per cent. (actual) on the cumulative preference shares and 3½ per cent. (actual) on the "A" and "B" shares, less income tax at 8s. 10d. in the £ in all cases, payable on December 29, 1941, leaving £196,470 to be carried forward.

CONVERSION OF SHARES INTO STOCK

The importance of curtailing clerical work as far as possible will be appreciated, and, with this end in view, it has been decided to invite you, in accordance with powers conferred by our articles of association, to pass a resolution authorising the conversion of the bank's fully paid shares into stock. If approved, this measure will eliminate the labour involved in recording and checking the numbers of shares on the registers, certificates and transfers, and means that the £1 "A" shares and £1 eight per cent. cumulative preference shares will, after January 1, 1942, be known as "A" stock and eight per cent. cumulative preference stock, respectively, and will be transferable in multiples of £1. In recommending the passing of this resolution, I have little doubt that it will be acceptable to you.

I would ask shareholders to note that the existing certificates will not be called in: they should be retained by shareholders, and will be accepted by the bank when transfers are being effected.

TRIBUTE TO MANAGERS AND STAFFS

I have pleasure in expressing once again the board's thanks and appreciation to the boards overseas, to the general managers in London and in South Africa, and to the whole of our staff here and overseas, for the manner in which they are carrying on the business of the bank in these exceptional times. Their devotion to duty has been exemplified in ways which will surely cause the year 1941 to be remarkable in the history of this bank.

I think shareholders may be interested to know that the staff on night duty at one of our principal London offices probably saved the building from total destruction during a raid in May of this year. They remained at their post throughout the night, fighting a bad fire which followed a severe blasting of the building by a land mine. I am glad to say that owing to great good fortune nobody was seriously injured. The business of the branch was carried on next day in temporary premises, without interruption or inconvenience to customers. Thanks to our system of duplication of records, all the books were balanced without delay or difficulty. Repairs to the premises have now been carried out, and the branch has for some months past been re-established in its old quarters.

On the whole, I think we may feel that we have, so far, been fortunate in our experience, particularly when we consider the territories which we serve and the possibilities of air attack to which they are subject.

I think we can look back on the past year's working with some satisfaction: it has been an eventful year, marked by many anxieties but some progress. I feel we have grounds for viewing the future with confidence.

THE NATIONAL BANK OF SCOTLAND LIMITED

A VERY SATISFACTORY RESULT

LORD ZETLAND ON NATIONAL FINANCE

The one hundred and sixteenth annual general meeting of the proprietors of The National Bank of Scotland Limited was held in the bank's head office on 18th instant. The Most Honourable in the Marquess of Zetland, PC, GCSI, GCIE, the Governor of the bank, presiding. The Governor said: Turning to the statement of accounts before you, it will be observed from the profit and loss account that the heavy burden of taxation and other charges resulting from the war has had its effect upon the profits for the year, which show a reduction of some £17,000 at £262,000. These profits are arrived at after making full provision for all interest, and you will not be surprised to learn that Government taxation alone absorbs a sum greater than the net profit figures shown. Dividends are recommended at the rate of 16 per cent. per annum on the consolidated capital stock and at the rate of 5 per cent. per annum on the "A" stock.

THE BANK'S LIABILITIES

When I last addressed you I commented upon the high figure at which the notes in circulation stood at November 1, 1940, viz., £4,190,678, an increase of £900,000 over the figures at the same date in 1939. You will observe that the notes in circulation at November 1st last have reached the still higher figure of £5,280,862, an increase of more than £1,000,000 during the year, a striking indication of the large sums being expended week by week mainly on wages in connection with war work. The deposits likewise show a large increase at £50,806,000, the figures being higher than last year by almost £9,000,000, and this has taken place notwithstanding the considerable drain through the substantial support given by our customers to Government loans and war savings schemes in War Weapons and Warship Weeks throughout the country. Acceptances, guarantees and other obligations on account of clients are slightly higher at £2,945,000.

THE BANK'S ASSETS

On this side of the balance sheet, cash, money at call and short notice, balances with the Bank of England and other banks, as well as cheques in course of collection, total £14,451,000, showing well as cheques in course of collection, total £14,451,000, showing apart altogether from Treasury deposit receipts of £3,500,000 a thoroughly liquid position. The holding of other British Government securities has increased by £10,000,000 during the year and now stands at £30,535,000. As mentioned in the report, the new stands at £30,535,000. As mentioned in the report, the value of the investments held by the bank, at prices ruling at November 1st last, exceeds the figures stated in the balance sheet. Advances on current and other accounts again show a fall and are just under £10,000,000. Bills discounted, at £254,500, now represent a small and dwindling proportion of bank loans.

The balance sheet figures have reached a new high level at £62,722,000, an increase of £10,000,000 in the year. As you will no doubt have observed, the higher resources at the disposal of the bank have all been utilised in furthering the financing of the country's war effort (firstly) by the support given to the various Government war issues, investments in Government securities being higher by £10,000,000 than a year ago, and (secondly) by an increase in the amount lent to the Exchequer by way of Treasury deposit receipts.

IMPORTANCE OF SAVINGS

Some at least of the figures with which I have been dealing, and particularly those referring to the large increase in the note circulation and in the deposits with the bank, seem to invite comment on more general grounds. In spite of the spectacular results of many of the War Weapons and Warship Weeks in different parts of the country, they give rise to doubt whether as large a part as possible of the increased earnings of the public is finding its way to the Exchequer through the agency of National War Bonds, Savings Bonds, Savings Certificates and Post Office Savings Bank deposits. And no one who has given any thought to the matter can be indifferent to the urgent need from the

point of view of financial stability of every penny possible being brought into the net of the Treasury as an offset to the unprecedented expenditure which the war effort entails—expenditure so vast as to stagger the imagination even of the most practised statistician.

As an aid to some understanding of the stupendous figures of present-day national expenditure, which by reason of their very magnitude are to most of us meaningless, it is, perhaps, worth while drawing a comparison with the past. In the year 1913 our national expenditure was £188,000,000, or a little more than £500,000 a day. Income tax stood at what was then regarded as the very high rate of 1s. 2d. in the pound. Today it stands at 10s. in the pound while surtax and a whole series of other ingeniously devised charges play their part in bringing in an annual revenue undreamed of in the history of this or any other country.

NATIONAL EXPENDITURE

But what of our expenditure? It is not, as it was in 1913, a mere half million a day, but some thirteen million pounds sterling in the course of every twenty-four hours; and vast though the amount brought in by taxation undoubtedly is, it is altogether inadequate to meet expenditure on this colossal scale. How, then, is the growing gap between the Nation's income and its expenditure to be filled if not by individual savings lent to the State? The danger to which we become exposed if these fall short of what is required is obvious, for to the extent to which we fail to fill the gap, by so much do we increase the evils of inflation—soaring prices swiftly followed by rising wages and increasing costs of production culminating inevitably in a fall which, under the increasing momentum of the process, may become catastrophic, in the value of the pound. This is an aspect of the struggle upon which we are engaged that demands constant attention, surely, not from the Government only, but from every individual who by refraining from spending becomes increasingly able to lend.

TRADING POSITION

So much for considerations of a general nature. In normal circumstances I should have followed the course customary at these meetings of making some observations on the state of trade and industry during the period covered by the accounts; there is, however, little scope for any such review when as you are all well aware there has been a still more marked restriction on normal trading and a further concentration and extension of effort on production for purposes closely connected with the prosecution of the war. This is shown in yet another contraction in our banking advances, despite the support given wherever required to customers engaged upon Government contracts for vital war supplies.

The greater prosperity attending the operations of those engaged in arable and dairy farming has also had the effect of reducing the financial assistance required in those branches of the agricultural industry. It is much to be regretted that the important section engaged in hill sheep farming suffered a further setback since our last annual meeting through the disastrous storms of a severe winter as well as from other adverse conditions. There is some satisfaction however to be derived from the Government's recognition of these misfortunes by the grant of a subsidy which has been trebled in amount in respect of certain stocks and by the appointment of a commission to examine and report upon the serious state of the industry and to recommend measures for placing it upon an economic footing. Attention has also been called in addresses from this chair to the state before the war of the Scottish fishing industry, which had for years experienced very adverse conditions and had been brought to a position occasioning much anxiety to all connected with it. It is greatly to be hoped that the Government is preparing measures for the immediate post-war period which will ensure the rehabilitation and re-equipment of our fishing fleets, the men and vessels of which have rendered and continue to render vitally important and most hazardous services to their country in these days of peril.

The report and accounts were unanimously adopted.

BANK OF LONDON AND SOUTH AMERICA, LIMITED

SATISFACTORY RESULTS OF A DIFFICULT YEAR

CHAIRMAN'S STATEMENT

The meeting of the Bank of London and South America, Limited, was held, on the 16th instant, in London. The Rt. Hon. Lord Wardington, the chairman, presided.

The following is a summary of the statement by the chairman which had been circulated with the report and accounts on December 8th and was taken as read: Broadly speaking, the main economic development in the Western Hemisphere over the past year—and especially during recent months—has been the marked intensification of inter-American trade, particularly with the United States, which has done much to offset lost trade with Europe. The governing factor in this respect has been the North American demand for commodities, which has facilitated the disposal by the Southern Republics of some of their surpluses—a demand which has more recently been broadened by the requirements of Washington's defence programme.

A year ago I pointed out that, following the loss of practically all European Continental markets, the problem of mounting export surpluses loomed large in Latin-America, but, with the important exception of the grain situation in Argentina, to which I will refer later, international co-operation has done much to lessen the acute nature of this problem. Wool and hides have been shipped in large quantities and at good prices to the United States, meat has been exported regularly to Great Britain, the coffee crops have been sold to the United States at much improved prices under the successful Pan-American quota agreement, cotton has found ready markets in Japan and Canada, while the demand for copper and other minerals has been constant. In the latter connection, the defence preparations in the United States entail the purchase of large reserve stocks of commodities and strategic materials, and it is reported that all base metals produced south of the Rio Grande are virtually reserved for armament purposes in the United States.

LEND-LEASE SUPPLIES

Conversely, and following the same policy of hemispheric defence, materials for that purpose are now being supplied by the United States to South America under the Lend-Lease Act, substantial facilities of this nature having, for example, recently been extended to Brazil and Uruguay. These credits are apparently quite apart from those authorised to Latin-American Governments for some time past by the Export-Import Bank of Washington for the sale of industrial capital goods. Incidentally, it is understood that these Export-Import Bank credits have so far been utilised to only a comparatively limited extent, although reports have reached us from New York that fresh developments in the direction of short-term banking credits are now contemplated by that institution so as to overcome difficulties of financing current trade caused by war-time delays in delivering American manufactured goods.

In short, under the threat of Axis penetration into the Western Hemisphere, so strikingly revealed by President Roosevelt in his Navy Day speech, the Washington Administration is pursuing a policy of ever-closer politico-economic co-operation with the Governments of South and Central America.

The development of trade between the various South and Central American Republics themselves has also been appreciable, noticeably in Brazil, where cotton textiles and many other lines of manufactured goods now figure prominently as exports to neighbouring countries. Canada, too, has participated in the general expansion of inter-American commercial relations, which has been marked by much activity in concluding new trade agreements.

REVERSAL OF IMPORT CONDITIONS

Due primarily to the shortage of shipping, the concentration of British industries upon war work and the operation of the priority delivery system in the United States, there appears to have been a complete swing-round in conditions in the import markets of Latin-America during the past few months. In fact, there is now a shortage of essential imported goods, notably fuel and materials required for public utility companies, national manufacturing industries, etc. Broadly speaking, it appears that South

American importers are now willing to buy and able to obtain the necessary exchange cover for any goods that supplying countries can ship.

The foreign trade outlook of the United Kingdom is now decidedly obscure. The Government is compelled in the national interest to devote the whole of the country's industrial resources to achieving victory, and as the war goes on the calls upon supplies and man-power will make it increasingly difficult to maintain exports. It is true that all the other great industrial nations of the world are similarly engaged in or preparing for war, but export trade is so vital to these islands that the task of reconstituting it after the war must not be made needlessly hard, and the principle of legitimate competition in foreign markets must be preserved so far as is possible. Evidence is not lacking that official circles both in London and Washington have this question well in mind, and are already studying the problem of the post-war restoration of British export trade, so that I feel that further comment at this juncture would be premature.

STERLING REMITTANCE LIMITATIONS

The past year has seen the completion of payments arrangements between Great Britain and all countries in Latin-America. The general principle of these arrangements is to canalise payments at fixed official rates between the sterling area and Latin-America, and as it appears that a substantial amount of sterling is accumulating, for example, in the Argentine special account, a decision may have to be reached in the future as to the utilisation of such balance for purposes other than the settlement of existing commitments in the sterling area. In considering the general question of the relation of South America's present favourable trade balances to the service or redemption of foreign debts, regard must be had to two important factors. Firstly, such favourable balances are largely in American dollars, so that, from the point of view of sterling debts, the question of arbitrage arises under existing exchange restrictions. Secondly, the export figures as published in some countries include commodities the full value of which does not return to the country of origin, so that, allowing additionally for such invisible items as freight and insurance, Government and private remittances, etc., the recorded favourable trade balances cannot always be regarded as fully effective.

PROFIT AND DIVIDEND

The net profit, including the amount brought forward, is £774,612, as against last year's figure of £709,327, or an increase of £65,000. When you consider that the markets of the European Continent have been closed to the field of our activities—a field which in pre-war days was so important to us—you will perhaps be looking for the reason of the improved result. We find it in one word—organisation. Your board, your management and your staff assiduously and untiringly spend their energies in availing themselves of all opportunities of acquiring new business. The conservative policy that your board has always followed, and the result achieved this year, has, I am glad to say, enabled them on this occasion to recommend a small increase in the dividend, which I have no doubt will be welcomed by you in these difficult times. The directors now recommend the payment of a final dividend of 4 per cent. (making 6 per cent. for the year, subject to income tax), amounting to £161,600, leaving to be carried forward to profit and loss account the sum of £177,212, as against £177,327 last year.

THE FUTURE

Having given a brief survey of the chief economic trends in the individual countries of South and Central America, the chairman continued:—

The immediate outlook in South America, as elsewhere, is obscured by the possibility—one might almost say probability—of an extension rather than the cessation of hostilities, so that any comments upon future prospects would serve no useful purpose.

The report and accounts were unanimously adopted.

ANSELL'S BREWERY, LIMITED

RECORD OUTPUT

Lieut.-Col. J. A. Fairhurst, TD, DL, JP (chairman), presided over the forty-first ordinary general meeting, held, on the 18th instant, in Birmingham. The directors' report and accounts were approved.

Profits (net)	£528,866	12	9
Brought forward	251,176	3	5
	£780,042	16	2

Dividends on preference and ordinary stock (paid and to be paid)	£367,500
To properties reserve	70,000
To general reserve	25,000
To income tax reserve	40,000
To Air Raid Damage Insurance Reserve	25,000
	527,500 0 0
To be carried forward	£252,542 16 2

POINTS FROM CHAIRMAN'S SPEECH

In the course of his speech, the chairman said: This company and its subsidiaries have contributed by way of taxation over five million pounds last year.

So far our contracts for malt have cost us 140 per cent. above the price we paid in 1939-40. This factor will reduce our gross profits, and will probably relieve us of the liability of paying Excess Profits Tax, although net profits will not be affected.

There is grave anxiety as to whether a sufficient quantity of barley can be malted owing to the loss of experienced men, so that immediate Government measures are necessary if a shortage of beer is to be averted in 1942.

The brewing trade have been remarkably successful with their policy of preventing any general increase in the price of beer (excepting the beer tax). This is a feather in their cap, because there could be no surer way of starting general inflation than an increase in the price of the working man's beer.

Notwithstanding the difficulties of the past year, we have been able, by working the plant to its utmost capacity, to turn out more beer than ever before in the history of the brewery. This has been insufficient to satisfy the demand in this important munition area.

Consequently, in order to ensure an equitable distribution among all classes of our customers we were compelled to resort to a system of rationing.

UNSUBSTANTIATED ACCUSATIONS.

The recent Government Order under which permission may be granted for works' canteens has aroused the familiar fanaticism of the teetotallers, who are attributing to the Government this time all kinds of ridiculous motives.

For instance, a parson in a statement to his congregation, which appeared in the Press under the heading "Methodist Minister's Immoderation," has in effect accused the Government of conspiring with the trade to perpetrate the ruin of young women recruits.

The outburst of this Methodist parson is another concrete case of gross misrepresentation calculated to discredit not only the brewers but the Government.

As a matter of fact, it has been ascertained that the object of the Government is to provide canteens in remote areas where large numbers of workers have been removed to newly established munition factories, and where beer would only be supplied along with a meal.

We ourselves have had to reluctantly refuse the requests of certain highly placed Ministry officials to increase supplies to munition workers where, they stated, evidence existed that the shortage of beer was affecting production, because, working as we were to full capacity, it would have meant the curtailment of supplies to other classes of customers.

GUY MOTORS, LIMITED

STRONG POSITION

Presiding at the twenty-sixth annual general meeting at Wolverhampton, on the 17th instant, Mr Sydney S. Guy, the chairman, said:—

The balance sheet calls for little comment. The fixed assets and the capital accounts stand at substantially the same figures as last year. The creditors and accrued charges are higher than usual, this being partly due to reserves for taxation, and also to increased deliveries of materials and other supplies during the last months of the year. In consequence there is a corresponding increase in stock-on-hand. The drop in debtors is due to arrangements which have been made for more prompt payment for contracts.

The turnover for the year was most satisfactory.

The reserve accounts have been increased by the sums approved at the last meeting to £175,299, and if the directors' recommendations this year are also approved the reserve fund will be raised to a figure which is very nearly equal to the subscribed capital.

PROFIT AND DIVIDEND

The profit and loss account, after making provision for taxation and all normal trading charges, shows a net profit of £46,011 which, with the balance brought forward, gives £52,391 available profit. The reduction in the net profit shown is, of course, due to the effect of increased taxation.

Your directors have pleasure in recommending that a dividend of 15 per cent. be paid on the ordinary stock, and I would remind you that this is the fifth year in succession that a dividend of 15 per cent. has been proposed.

If the ordinary dividend is approved, then there will fall to be paid a dividend of 7½ per cent. on the preference stock.

Your directors then recommend that the usual provision be made for debenture redemption and for the staff profit-sharing bonus, which will amount this year to £5,500. The staff and employees have responded magnificently to the call for the greatest possible effort. These efforts have been gratefully acknowledged by the directors, and I ask that you will give them due recognition by approving this measure.

ALLOWANCES FOR DEPRECIATION

I mentioned in my speech last year that your directors had no objection to the Excess Profit Tax and they wholeheartedly agreed that abnormal profits should not be made out of the war. I also referred to the totally inadequate allowance for depreciation granted by the Inland Revenue. Since then, those allowances have been increased, and while this is satisfactory so far as it goes, we still consider that, having regard to present conditions, with long hours and extensive diluted labour, together with the difficulty of releasing plant for overhaul, the relief is not sufficient. Accordingly we consider it necessary to reserve a further £5,000 to cover this exceptional depreciation.

I entirely agree with the views expressed by Sir John Wardlaw Milne, in the House of Commons on July 10th, "I consider the depreciation on machinery and the amount allowed for obsolescence in certain private enterprises is inadequate, and the losses due to the exceptional war effort will not be recovered," and "I wonder whether we have gone too far in that restraint upon private enterprise to get the best results."

DISPOSAL OF SURPLUS VEHICLES

Some of you may have seen recently comments in the Press on a matter directly affecting our future business. An arrangement has been reached between the commercial vehicle industry and the Government whereby surplus vehicles for disposal are being taken over by the manufacturer and handled by the retail trade on terms ensuring a fair price to the eventual purchaser. The scheme is working satisfactorily, and I hope that it will be the means of preventing a recurrence of the chaotic conditions brought about in the industry after the last war.

With the great shortage of transport, and the difficulty of carrying out regular maintenance, the policy of your company in building "Guy's for Life and Lower Running Costs" has proved to be an inestimable advantage to those users who were wise enough to invest in Guy vehicles, a fact which will, no doubt, be remembered in years to come with beneficial effects on the company's future business.

Finally, I would refer you to the matter of directors' remuneration, which is included in the agenda. The amount of directors' fees is fixed by the shareholders and I am asking you formally to approve of an increase in the allocation from £1,000 to £1,500 to be divided amongst the directors as they decide.

The purpose of my request is not to increase the fees of the individual directors, but to permit an increase in the number of directors (if at any time it should be considered desirable) at a remuneration compatible with their responsibilities."

The report and balance sheet were unanimously adopted, and a vote of thanks to the chairman closed the meeting.

RHOKANA CORPORATION, LIMITED

TAXATION'S EFFECT ON DIVIDEND

The annual general meeting of Rhokana Corporation, Limited, was held, on the 17th instant, in London, the Rt. Hon. Sir Auckland Geddes, PC, GCMG, KCB (the chairman), presiding.

The following are extracts from the chairman's statement circulated with the report and accounts:—

Our trading profit amounted to £2,157,018. After providing for debenture and loan interest, depreciation reserve account and development reserve account the amount carried to the appropriation account was £1,882,803.

Whereas in the previous year we received a dividend from Mufulira Copper Mines, Limited, of £177,668, we have received no dividend from that company in respect of the year ended June 30, 1941. The Mufulira board has announced that it is owing to heavy taxation that they cannot recommend a dividend in respect of the period mentioned. The appropriation account shows provision for taxation of £1,006,044.

The directors recommend a final dividend of 15 per cent., bringing the total dividend for the year to 30 per cent. as compared with 6½ per cent., 6½ per cent., 50 per cent. and 40 per cent. for the years ended June 30, 1937, 1938, 1939 and 1940 respectively.

I must again contrast the amount of the issued ordinary and "A" share capital of the Corporation of £2,500,002 with the capital which has been raised and employed in the Corporation's undertakings, which is just under £18,000,000. Distribution therefore this year of £750,000 by way of dividend represents a return of 4.17 per cent. on capital invested in a wasting asset.

I think it is a somewhat significant commentary on the operation of the existing taxation legislation that the amount available for distribution to shareholders of this Corporation is less than one-half of what was available in the years ended June 30, 1937 and 1938. The directors, however, do not allow this consideration to affect their policy of making the maximum effort to produce copper and cobalt which are so urgently needed in the national interest.

The report was unanimously adopted, the dividends as recommended were approved and the conversion of the shares into stock was also approved.

LONDON AND RHODESIAN MINING AND LAND COMPANY, LIMITED

The ordinary general meeting of the London and Rhodesian Mining and Land Company, Limited, was held, on 18th instant, in London, the Rt. Hon. Viscount Elibank (the chairman) presiding.

The following are extracts from the chairman's statement circulated with the report and accounts: The net profit for the year is £55,715, compared with £67,391 in 1940, and stockholders have received a dividend of 5 per cent. This year the total of our investments taken at cost or under is £374,482. Last year the figure was £471,299. At June 30th last the market value of certain of our investments, together with others valued by the directors, showed considerable appreciation.

Stockholders received in January last an interim dividend of 5 per cent. in respect of the year's profits, but the question of paying a final dividend cannot be considered. The directors have again declared an interim dividend of 5 per cent. for the current year. All being well, profits during the current year should show some improvement, but I cannot make any forecast as to the payment of a final dividend.

Having regard to the times in which we live, I believe stockholders will be well satisfied with the company's progress.

The report was unanimously adopted.

IMPERIAL SMELTING CORPORATION, LIMITED

MR. J. R. GOVETT'S STATEMENT

The twelfth annual general meeting of the Imperial Smelting Corporation Limited, was held, on the 18th instant, at 95, Gresham Street, London, E.C.2.

The following statement by the chairman (Mr. J. R. Govett) was circulated to the shareholders with the report and accounts:—

In view of the fact that I am not able to give you the usual detailed account of the corporation's activities, and for the convenience of shareholders who are unable to attend the meeting, it has been decided to circulate this statement with the report and accounts in place of the speech which, under normal conditions, I would have made at the annual meeting.

The annual meeting will therefore be of a formal nature only and confined to the passing of the report and accounts, and re-election of directors and auditors, but any shareholders who wish to be present will be welcome.

The corporation and its subsidiary and associated companies have been actively engaged during the period under review.

The profits available for distribution have been reduced not only by the charge for taxation (which includes Excess Profits Tax) shown in the accounts, but also by war damage contributions and premiums and debenture redemption, all of which is inadmissible in computing the Group's liability for Excess Profits Tax and Income-tax. The charge for Income-tax would have been greater but for tax recovered and tax reserves build up in past years.

DIVIDEND

The dividend on the ordinary shares recommended by the directors is 4 per cent. as against 3½ per cent. in the previous year, when, however, the accumulated arrears of preference dividend were also paid off. After payment of this dividend there will be left a balance of £53,871 to be carried forward, as against £50,919, the amount brought forward from the previous year.

Under existing conditions the results of the past year may be considered satisfactory.

I would like to express our appreciation of the work of our joint managing directors, and for the way in which they have carried the many increased responsibilities that have arisen. To Mr Stanley Robson, to Mr Donald Orr and to Mr F. A. Crew, and to all their staff, I must extend our thanks for the work that has been done, often under the most difficult conditions.

Finally, I would like to record our gratitude to all our employees who have carried on their work in the face of great trials and difficulties.

E. W. TARRY AND COMPANY, LIMITED

The annual general meeting of E. W. Tarry and Company, Limited, was held, on 18th instant, in London.

Sir J. Fortescue Flannery, Bt., DL (the chairman), said that last year he had said that it was useless to speculate about the trend of affairs in days of war but that he was confident of the economic future of South Africa. Since then that country had enjoyed much business activity and there had been a remarkable expansion in new industries, especially in the Union. The industrial activity had undoubtedly been stimulated by the war, with the consequent demand for a wide range of products, but there were many opportunities in that great country for further enterprise and growth. When they came to consider the accounts it was evident that the company had shared in the prosperity.

The year they were reviewing had been a prosperous one; the sales had reached record figures and, although high selling prices had to some extent influenced the total value of sales, they must attribute that fine achievement in the main to the judicious management in South Africa. The net profit was £42,501, and having regard to the prevailing war conditions, he felt there was every reason to consider the result very satisfactory. It was proposed to pay a dividend of 7½ per cent. on the ordinary shares.

The report was unanimously adopted.

DICTOGRAPH TELEPHONES, LIMITED

INCREASED DEMAND FOR LOUD SPEAKERS

The fifth ordinary general meeting of Dictograph Telephones, Limited, was held, on the 16th instant, at Croydon.

Mr Philip V. Summer (the chairman), who presided, said that for approximately two-thirds of the year under review conditions had created the most difficult trading period so far experienced.

In view of losses through air raid damage, restrictions on the movements of employees due to black-out regulations, further recruitment of employees for HM Forces and interruption of production through air-raid alerts, the results could be regarded as very satisfactory.

The company was playing its part in the national effort, having regard to the importance of communication systems generally.

Installations of loudspeakers for control of personnel during air raids, location of executives, and the broadcast to employees of musical and radio programmes had now become almost a standard feature of war-time factories; the demand for those installations had continued to increase rapidly. The company's output was fully absorbed, and they had as much work on hand as its present personnel could undertake. The demand for these products to date had fully justified the directors' opinion that an active market would continue after the war for that type of installation.

He would again emphasise the valuable medium so created for approach by national leaders and qualified Government spokesmen not only to the workpeople at the benches and the machines, but also to the management of those establishments.

It was gratifying to the directors to report a year of satisfactory progress on the part of Gramophone Reproducers, Limited, and the subsidiary company had declared a dividend.

The whole of the capital losses sustained by the company during the year had been written off rental installations account; so far as such losses were the subject of war damage claims, they had been included under sundry debtors.

The report and accounts were unanimously adopted, and the dividend recommended was approved.

J. BROCKHOUSE AND COMPANY, LIMITED

A REMARKABLE RECORD

The forty-fourth general meeting of J. Brockhouse & Company, Limited, was held, on the 17th instant, at West Bromwich.

Mr J. T. Brockhouse, JP (chairman and managing director), said that for years they had been building up their resources and strengthening their company from every angle. They had thus been able to meet the exceptional wartime conditions when the emergency came. The finances were set on a strong and sound basis, their machinery and plant had been brought up to date for spread over Great Britain. The greatest care had been taken in choosing the executive to run their various activities and the strongest co-operation and encouragement was given to them by the Board.

Their record for the past few years was really remarkable. On the consolidated profit and loss account their trading profit for 1938 was £172,000, for 1939 £415,000, for 1940 £611,000 and for

Shorter Comments

(Continued from page 760)

BA Midland Railway.—Rent to June 30th from BAGS and BA Western Railways £158,091 (£164,272). To expenses £2,904 (£1,881), debenture interest £92,970 (£96,000), preference dividend £39,880 (£40,000). Ordinary dividend £15,035 (£20,000). Interest on advances from BAGS and BA Western £5,365 (£10,400). NDC £2,746 (£3,000), balance £1,562 (same).

Marshall Field and Co. (Chicago) (\$000s).—Nine months' gross profit to

September 30th \$6,175 (\$3,483). Federal tax provision \$3,419 (\$1,059). Net profit \$2,756 (\$2,424), equal to \$1.07 (90 cents) per preferred share.

Pennsylvania Railroad. (\$000s).—Gross revenue for Sept. \$56,250 (\$42,687); net operating income \$10,710 (\$8,394); nine months gross revenue \$446,309 (\$347,190); net operating income \$71,386 (\$59,751).

Mexican Light & Power Co. (Canadian \$).—Net earnings for Oct. \$316,230 (\$134,896), aggregate net earnings Jan.-

Oct. \$2,053,953 (\$1,434,450). The improvement in gross earnings since June is due to the increased tariffs effective from June 15th.

Mexican Railway.—Profit for year ending June 30th, Ps.8,247,289 (7,924,977), working exes. Ps.8,494,761 (8,255,984), leaving deficit Ps.247,472 (331,007) equivalent to £13,748 (£18,389), raising total debit forward to £1,685,567.

Canadian Breweries.—Three months' profit to Oct. 31st after tax and all charges \$189,130 (\$178,926). Year to Oct. 31st, \$570,570 (\$526,445).

the year under review £788,000. When one took into account the fact that profits on some contracts were more restricted than they had been—in many cases only 4 per cent. profit was possible—an idea was given of the rise in turnover those figures represented.

They were planning for peace in all they did to-day. Buildings and plant had never been in better condition. Considering the expansion of the last few years, they were moderately rated on the balance sheet. They had a strong and energetic team of managers and it would be with the utmost confidence that they would face peace-time conditions when the opportunity arose.

The amount available for distribution was £507,238. They recommended a final dividend of 12½ per cent., making 20 per cent., less tax, for the year on the ordinary stock and shares. He felt confident that the shareholders would consider 20 per cent. a satisfactory dividend. When it was first fixed some years ago, the Board felt that it was a percentage which could be maintained, and, whilst it was impossible to prophesy, they trusted that it would never be necessary to reduce it.

The report and accounts were unanimously adopted.

PRICES, TAILORS, LIMITED

SERVICE TO THE PUBLIC

The thirteenth annual general meeting of Prices, Tailors, Limited, was held, on the 16th instant, at Leeds, Sir Henry Price (chairman and managing director) presiding.

The following is an extract from the chairman's speech circulated with the report and accounts:—The trading profit and dividends received amount to £503,611 compared with £542,216 for the previous year. The preference and preferred ordinary dividends have already been paid and £78,000, after deduction of tax, has been transferred to Prices Trust Company by way of dividend upon our ordinary share capital.

The year under review has been one of constantly changing conditions. Up to the introduction of the purchase tax in October 1940, the company had continued trading at pre-war standard prices plus 10 per cent. to cover increases in material and other costs. The introduction of the purchase tax necessitated further price changes, and later in the year we had the introduction of the Limitation of Supplies Order to disturb the normal flow of materials from our manufacturers, and this called for important deviations from our pre-war trading methods. The introduction of the coupon system on June 1, 1941, imposed yet another restriction upon normal retail trade.

It is clear, then, that throughout the year we have had to continue to adjust our policy to meet new conditions and restrictions, and it is not surprising, therefore, that the trading profit shows a slight decrease as compared with last year.

In normal times I could, with some confidence, give you an idea of future trading prospects, but I am sure you will agree that in these times it would be more than unwise to attempt to do so.

So long as there are men, women and youths in civilian occupations, civilian clothing will be needed and your company will continue to supply these needs, maintaining, as far as conditions will allow, established high standards of materials and workmanship at the lowest possible prices.

The report and accounts were unanimously adopted and the dividend recommendations were approved.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended Dec. 13, 1941, total ordinary revenue was £33,806,000, against ordinary expenditure of £98,637,000, and issues to sinking funds of £155,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £2,111,204,000 against £1,818,361,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1941-42	April 1 to Dec. 14, 1940	April 1 to Dec. 13, 1941	Week ended Dec. 14, 1940	Week ended Dec. 13, 1941
ORDINARY REVENUE					
Income Tax	756,000	170,666	304,338	3,682	13,572
Sur-tax	80,000	20,567	20,615	1,270	810
Estate, etc.	82,000	54,258	61,525	1,422	941
Duties	14,000	9,378	8,793	230	230
N.D.C.	210,000	15,247	14,314	750	240
E.P.T.	210,000	40,862	161,785	2,390	4,520
Other Ind. Rev.	1,000	329	247	19	...
Total Ind. Rev.	1,143,000	311,307	571,617	9,533	20,313
Customs	310,700	214,358	254,862	6,020	7,869
Excise	266,660	128,200	227,600	2,100	2,000
Total Customs & Excise	577,360	342,558	482,462	8,120	9,869
Motor Duties	39,000	12,988	12,401	...	...
P.O. (Net Receipts)	3,300	10,200	12,200	900	950
Crown Lands	1,100	800	670	...	...
Receipts from Sundry Loans	2,600	970	2,958	...	96
Miscell. Receipts	20,000	21,159	55,616	...	2,578
Total Ord. Rev.	1,786,360	699,982	1,137,924	18,553	33,806
SELF-BALANCING P.O. & Brdcastg.	99,346	58,500	67,200	1,500	1,400
Total	1,885,706	758,482	1,205,124	20,053	35,206

Expenditure	Estimate 1941-42	April 1 to Dec. 14, 1940	April 1 to Dec. 13, 1941	Week ended Dec. 14, 1940	Week ended Dec. 13, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	255,000	194,405	217,358	3,130	3,037
Payments to N. Ireland	9,200	5,487	5,246	...	...
Other Cons. Fnd. Serv.	7,800	3,776	4,145	...	...
Total	272,000	203,668	226,749	3,130	3,037
Supply Services	39,349	23,074	30,154	77,000	95,600
Total Ord. Exp.	420,695	251,166	324,194	80,130	98,637
SELF-BALANCING P.O. & Brdcastg.	99,346	58,500	67,200	1,500	1,400
Total	430,041	259,666	330,994	81,630	100,037

After decreasing Exchequer balances by £257,557 to £2,525,372, the other operations for the week (no longer shown separately) raised the gross National Debt by £66,424,564 to about £13,472 millions.

NET ISSUES (£ thousands)	
P.O. & Telegraph	170
Anglo-Turkish Armaments	9
War Damage Act	1,541
	1,720

NET RECEIPTS (£ thousands)	
Land Settlement Facilities	25

AGGREGATE ISSUES AND RECEIPTS

Aggregate issues and receipts from April 1, 1941, to December 13, 1941, are:—

(£ thousands)	
Ordinary Exp.	3,241,794
Ord. Revenue	1,137,924
Gross Debt	2,972,565
Sinking fds.	7,334
Net borrowing	2,065,231
Miscell. Receipts (net)	38,538
Dec. in bal.	101
	3,241,794

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits	Total Floating Debt
1940				
Dec. 14	845-0	Not available	...	...
Sept. 6	970-0	Not available	...	...
" 13	970-0	Not available	...	...
" 20	970-0	Not available	...	...
" 30	2577-2	246-5	600-0	3424-4
Oct. 4	970-0	Not available	...	...
" 11	970-0	Not available	...	...
" 18	970-0	Not available	...	...
" 25	975-0	1558-0	241-8	662-5
Nov. 1	975-0	Not available	...	...
" 8	975-0	Not available	...	...
" 15	975-0	Not available	...	...
" 22	975-0	Not available	...	...
" 29	975-0	Not available	...	...
Dec. 6	975-0	Not available	...	...
" 13	975-0	Not available	...	...

TREASURY BILLS

Date of Tender	Amount Offered	Applied for	Allocated	Average Rate of Allotment	Per Cent Allotted at Min. Rate
1940					
Dec. 13	65-0	144-0	65-0	20	1-25
1941					
Aug. 29	75-0	152-3	75-0	20	3-17
Sept. 5	75-0	148-6	75-0	20	3-46
" 12	75-0	165-8	75-0	20	2-73
" 19	75-0	165-0	75-0	20	2-63
" 26	75-0	186-5	75-0	19	10-65
Oct. 3	75-0	159-4	75-0	20	0-47
" 10	75-0	161-5	75-0	20	0-37
" 17	75-0	155-6	75-0	20	0-59
" 24	75-0	148-1	75-0	20	0-54
" 31	75-0	159-6	75-0	20	0-33
Nov. 7	75-0	168-3	75-0	19	11-90
" 14	75-0	163-5	75-0	20	0-20
" 21	75-0	158-2	75-0	20	0-35
" 28	75-0	174-6	75-0	20	1-95
Dec. 5	75-0	172-1	75-0	20	1-97
" 12	75-0	155-7	75-0	20	2-66

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds
Nov. 4	4,592	2,430	7,672	8,300
" 11	4,190	2,965	8,083	5,905
" 18	3,734	3,062	9,439	18,327
" 25	2,807	3,536	11,438	14,185
Dec. 2	4,872	3,075	10,871	12,388
" 9	4,805	4,250	10,905	13,191
" 16	...	...	9,281	14,184
Totals to date	415,813	372,359	432,302	167,847

* 107 weeks. † 50 weeks. ‡ 10 weeks.

§ Including series "A" £148,988,386 to date.

Interest free loans received by the Treasury up to Dec. 16th amounted to a total value of £42,024,072.

Up to Nov. 29th, principal of Savings Certificates to the amount of £50,972,000 has been repaid.

BANK OF ENGLAND RETURNS

DECEMBER 17, 1941

ISSUE DEPARTMENT	
Notes Issued:	
In Circulation	740,059,324
In Bank, Department	40,182,251
Govt. Debt	11,015,100
Other Govt.	766,879,922
Securities	2,093,469
Other Secs.	11,519
Silver Coin	...
Am. of Fed. Issue	780,000,000
Gold Coin & Bullion (at 168s. per oz. fine)	241,575
	780,241,575

BANKING DEPARTMENT

Proprietary Capital	Govt. Secs.	Other Secs.
14,553,000	135,657,838	...
Rest	3,255,776	...
Public Deps.	10,740,659	...
Other Deps.	...	...
Bankers' Deposits	121,160,738	...
Other Accts.	53,608,184	...
	174,768,922	...
	203,318,357	...

THE WEEK'S CHANGES

Both Departments	Dec. 17, 1941	Compared with
		Last Week Last Year
COMBINED LIABILITIES		
Note circulation	740,059	15,467 126,884
Deposits: Public	10,741	2,975 1,280
Bankers	121,161	7,883 8,111
Others	53,608	2,156 944
Total outside liabilities	925,569	6,403 118,437
Capital and rest	17,809	22 38
COMBINED ASSETS		
Govt. debt and securities	913,553	6,806 118,099
Discounts and advances	3,644	473 165
Other securities	25,264	273 766
Silver coin in issue dept.	12	6 6
Coin and gold bullion	905	174 308
RESERVES		
Res. of notes and coin in banking department	40,816	15,641 22,888
"Proportion" (reserve to outside liabilities in banking dept.)	22-0%	6-2% 12-7%

COMPARATIVE ANALYSIS

(£ millions)	1940	1941
Dec. 18	Dec. 3	Dec. 10
Issue Dept.		
Notes in circulation	613-2	716-8 726-6
Notes in banking department	17-1	63-4 53-6
Government debt and securities	626-3	777-8 777-9
Other securities	3-7	2-2 2-1
Silver coin	0-0	0-0 0-0
Gold, valued at s. per fine oz.	0-2	0-2 0-2
Deposits		
Public	12-0	7-6 7-8
Bankers'	129-3	136-3 129-0
Others	52-7	56-0 55-8
Total	194-0	199-9 192-6
Banking Dept. Secs.		
Government	169-1	126-9 128-9
Discount, etc.	3-8	4-6 4-1
Other	20-8	21-8 22-9
Total	193-7	153-3 155-9
Banking depart. res.	18-0	64-4 54-5
"Proportion"	9-3	32-2 28-2

* Government debt is £11,015,103; capital £14,553,000. Fiduciary issue raised from £730 millions to £780 millions on December 3, 1941.

OVERSEAS BANK RETURNS

CENTRAL BANK OF ARGENTINA

Million paper pesos	
ASSETS	
Gold at home	1,120
Other gold and for. exch.	216
Non-int. Govt. bonds	119
Treasury bonds	395
LIABILITIES	
Notes in circulation	1,164
Deposits: Government	148
Bankers	394
Certs. of participation	185
Reserve ratio	78-1%

BANK OF PORTUGAL

Million escudos	
ASSETS	
Gold	921-6
Balances abroad	648-7
Discounts	470-6
Securities	278-4
LIABILITIES	
Notes in circulation	2678-5
Deposits: Government	322-3
Bankers	502-9
Others	128-8
Foreign commitments	256-8

SOUTH AFRICAN RESERVE BANK

Million £'s	
ASSETS	
Gold coin and bullion	40-44
Bills discounted	0-80
Invest. and other assets	32-87
LIABILITIES	
Notes in circulation	22-25
Deposits: Government	2-78
Bankers	19-21
Others	5-53
Reserve ratio	57-9%

NATIONAL BANK OF HUNGARY

Million pengü	
ASSETS	
Metal Reserve	1940
Gold coin and bullion	124-1
Foreign exchange	41-5
Int. bills, wts., and secs.	780-1
Advances to Treasury	503-1
LIABILITIES	
Notes in circulation	1320-6
Sight liabilities	178-5

BANK OF JAPAN

Million yen	
ASSETS	
Gold & Bullion: Gold	501-3
Other	25-6
Foreign exch. fund	300-0
Discounts and advances	795-5
Government bonds	2672-3
Agencies accounts	278-7
LIABILITIES	
Notes issued	3446-5
Deposits: Government	846-5
Other	95-4

CENTRAL BANK OF TURKEY

Million Turkish pounds	
ASSETS	
Gold	108-5
Clearing and other exch.	139-4
Treasury bills	258-5
Commercial bills	55-8
Securities	56-7
Advances	56-7
LIABILITIES	
Notes in circulation	364-9
Deposits	147-0
Clearing and other exch.	28-4

MONEY MARKET

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
Dec. 11	23½	23½	Dec. 16	23½	23½
" 12	23½	23½	" 17	23½	23½
" 15	23½	23½			

PROVINCIAL BANK CLEARINGS (£ thousands)

Week ended	Aggregate January 1 to	Week ended	Aggregate January 1 to
Dec. 14, 1940	Dec. 13, 1941	Dec. 14, 1940	Dec. 13, 1941
Working days	6	6	295
Birmingham	1,836	2,103	107,056
Bradford	3,202	1,815	91,360
Bristol	1,516	2,329	90,517
Hull	650	709	35,940
Leicester	799	852	37,408
Liverpool	4,984	4,579	273,636
Manchester	10,784	10,476	556,963

* Dec. 7, 1940, and Dec. 6, 1941. † Clearing began May 34, 1940.

NEW YORK EXCHANGE RATES

YORK EXCHANGE RATES						
	Dec. 11 1941	Dec. 12 1941	Dec. 13 1941	Dec. 15 1941	Dec. 16 1941	Dec. 17 1941
Cables:—						
London	403½	403½	403½	403½	403½	403½
Paris	2-31	2-33	2-33	n.q.	n.q.	n.q.
Montreal, Can.	88-310	88-310	88-810	87-830	87-750	87-750
Bombay	23-35	23-35	23-35	23-35	23-35	23-35
24-00*	24-00*	24-00*	24-00*	23-95*	23-95*	23-95*
5-14	5-14	5-14	5-14	5-14	5-14	5-14

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										Prices, Year 1941		Last two Dividends		Name of Security	Price, Dec. 9, 1941	Price, Dec. 16, 1941	Yield, Dec. 16, 1941
Prices, Year 1940		Prices, Year 1941		Name of Security	Price, Dec. 9, 1941	Price, Dec. 16, 1941	Yield, Dec. 16, 1941	Jan. 1 to Dec. 16		(a) (b) (c)							
High	Low	High	Low									High	Low	(a)	(b)	(c)	
77	68½	82½	76½	British Funds	82	81½	£ s. d.	27/10½	21/-	15 b	7½ a	Iron, Coal, &c.—cont.	26/9	26/9	8 s. d.		
111½	103½	115½	110	Consols 2½%	112½	113	3 8 6	17/9	11/-	4 b	11 a	Hadfield's Ord. 10/-	7/3	16/3	6 15 3		
98½	90½	100½	98½	Conv. 2½% (after 1957)	99½	99½	2 1 0	49/4	42/-	12½ a	14 b	Powell Duffryn Ord. £1	25/-xd	25/-	4 16 0		
100½	95½	100½	98½	Conv. 2½% 1943-45	100½	100½	2 10 0	48/1½	41/3	12½ c	12½ c	South Durham Ord. £1	45/-	44/4½	2 18 6		
103	97½	103½	101½	Conv. 2½% 1944-49	102½	102½	2 12 6	36/3	28/-	6 b	4 b	Staveley Coal Ord. £1	46/3	46/3	5 8 0		
103½	94	106½	102½	Conv. 3½% (after 1961)	106½	106½	3 5 0	24/3	19/9	2½ a	5½ b	Stewarts and Lloyds Ord. £1	36/-	35/-	5 14 0		
112	107½	108½	104½	Conv. 5% 1944-64	105½	105½	3 2 6	18/3	14/3	6 b	4 b	Swan, Hunter Ord. £1	23/6	23/6	6 16 0		
92½	86½	95½	91½	Conv. 5% 1944-64	95	94½	2 16 9					United Steel Ord. £1	17/9	17/-	5 17 0		
98½	92	100½	97½	Funding 2½% 1952-57	99½	99½	2 16 3	8/9	2/9	Nil c	Nil c	Vickers Ord. 10/-	8/6	8/-			
99½	95	101½	98½	Funding 2½% 1952-57	100½	100½	2 18 0	38/9	3/-	Nil c	Nil c	Bradford Dyers Ord. £1	5/9	6/-	Nil		
118	105½	116½	111½	Funding 3½% 1960-90	114½	114½	2 19 0	37/6	27/6	6½ b	3½ a	British Celanese Ord. 10/-	38/-	37½	5 7 6		
102	98½	101½	100	Nat. Def. 2½% 1944-48	101	100½	2 16 3½	36/9	26/9	5½ b	2½ a	Coats, J. & P. Ord. £1	39/4	39/4	4 14 0		
102	98½	101½	100	Nat. Def. 3½% 1954-58	101½	101½	2 9 3	29/6	22/9	7½ c	2½ a	Courtaulds Ord. £1	29/4½	28/9	5 4 0		
100½	100	100½	99½	War Bonds 2½% 1945-48	100½	100½	2 9 3	24/5	16/7	7½ c	7½ c	English Sewing Ctn. £1	23/9	23/-	6 10 4		
...	...	...	...	War Bonds 2½% 1946-48	100½	100½	2 17 0	53/1½	45/-	18½ c	15 c	Lanes. Cotton Corp. £1	48/1½	47/6	2 2 0		
112½	105½	114½	110½	Savings Bds 3½% 1955-65	101½	114	2 19 6½	44/9	38/3	10 b	5 b	Patons & Baldwins					
101	98	101½	100½	Victory Bonds 4%	101½	101½	2 18 3	91/6	78/9	15 b	10 c	Electrical Manufg.	43/9	43/9	4 11 3		
103½	93½	106½	102½	War Loan 3½% 1955-59	104½	104½	3 6 6	75/-	57/6	10 b	5 a	Associated Electrical £1	90/-	90/-	4 8 0		
83½	80	96½	93½	War Loan 3½% after 1952	95	94½	3 4 4	23/-	18/3	5 7½ b	5 a	Edmundson Insulated Ord. £1	73/9	73/9	4 13 3		
94½	85½	99½	93½	Local Loans 3½%	99	99	3 0 6	38/9	28/3	10 b	10 c	Callenders Cable, &c. £1	22/6	21/3xd	4 14 6		
101	97½	101½	100	Redemption 3½% 1986-96	101	101	3 0 3	84/3	77/1	20 c	17½ c	Crompton Park 'A' 5/-	37/6	37/6	4 8 9		
71½	59½	80½	70	Austria 3½% 1933-53	79	78½	3 3 8	55/6	42/6	7½ b	7½ b	General Electric Ord. £1	78/9	78/9	5 8 9		
97½	82½	100½	96	India 2½%	98½	98½	3 10 10					Johnson & Phillips £1	55/-	55/-	5 8 9		
				Dom. & Col. Govts.								Gas and Electricity					
107½	101	105½	101	Australia 5% 1945-75	103	102	4 8 10	36/3	29/6	5 b	3 a	Clyde Valley Electric £1	37/6	37/6	4 5 3		
105½	100	106½	101½	New Zealand 5% 1946-	103	103	4 6 5	30/-	23/6	5 b	3 a	City of London £1	35/-	35/-	4 11 6		
110½	106	111	107½	Nigeria 5% 1950-60	110	110	3 16 9	14/11½	9/3	4½ b	2½ a	Edmundson & Coke Ord. £1	28/-	28/-	4 5 9		
				Corporation Stocks								Gas Light & Coke Ord. £1	13/6	13/-	3 9 3		
116½	104	108½	106	Birmingham 5% 1946-56	107½	107½	3 8 9	33/2½	25/6	5½ b	2½ a	Lancashire Electric £1	33/9	33/9	4 8 9		
85	78	93	84½	L.C.C. 3%	93	93	3 4 6	36/-	28/6	4½ b	2½ a	North-East Electric £1	29/4½	29/4½	4 14 0		
94½	87½	98½	93	Liverpool 3% 1954-64	97	97	3 3 9	39/3	33/-	3 a	2½ a	Northnet Power Ord. £1	35/-	35/-	4 4 0		
104	97	105½	100½	Middlesex 3½% 1957-62	105	105	3 2 9	40/3	33/9	3 a	5 b	Scottish Power Ord. £1	38/9	38/9	4 2 0		
				Foreign Governments								Yorkshire Electric £1	39/4½	39/4½	4 0 9		
92½	71	94½	77	Argentina 4½% Stg. Bds.	94	92½	4 18 8	19/-	11/3	15 c	10 c	Motor and Aircraft	17/6	16/10½	2 19 0		
35½	20	48½	31	Brazil 5% Funding 1914	48	43½	5 12 11½	23/1½	16/-	7½ c	7½ c	Austin 'A' Ord. 5/-	20/9	20/9	7 4 6		
23	9	27½	11½	Chile 6% (1929)	25	25	6 12 0	11/4½	9/-	6 b	4 b	B.S.A. Ord. £1	11/-	11/-	9 2 3		
45	12	44	26½	China 5% (1913)	43	38½	11 18 9	38/3	25/9	12½ c	12½ c	Bristol Aeroplane	38/1½	37/6	6 13 3		
80½	50	83½	71½	Egypt Unified 4%	81	81	4 18 9	16/-	10/10½	11½ c	110 c	De Havilland Aircraft	15/6	15/6	6 13 3		
25	12½	20	9½	Greek 6% Stab. Loan	14½	14½	12 18 -	14/9	11/3	15 a	10 b	Fairley Aviation Ord. 10/-	25/-	24/3	4 19 0		
65	19½	42	9	Japan 5½% 1930	17	17	12 -	73/9	57/6	20 c	17½ b	Ford Motors Ord. £1	13/6	13/-xd	12 10 0		
69	50½	73	58	Portuguese 3%	73	73	4 2 2	13/9	11/3	12½ b	12½ b	Hawker Siddeley 5/-	71/3	71/3	5 12 0		
57½	37½	45	27	Spanish 4%	39½	39½	10 2 6	66/10½	50/7½	24 a	24 a	Leyland Motors Ord. £1	66/6	65/-	4 12 0		
								33/3	24/6	20 c	20 c	Lucas (Joseph) Ord. £1	91/3	90/-	2 13 0		
								92/6	70/7½	18/-	18/-	Morris Motors 5/- Ord.	33/3	30/-	4 8 9		
								18/6	10/3	15 c	20 c	Rolls-Royce Ord. £1	17/6	16/9	6 0 0		
												Standard Motor Ord. 5/-					
												Shipping					
												Cunard Ord. £1	14/6	14/-	Nil		
												Furness, Withers Ord. £1	24/6	24/-	5 0 0		
												P. & O. Def. £1	29/6xd	28/-	5 14 0		
												Peninsular Mail Lines Ord. £1	24/6	24/6	4 1 9		
												Union Castle Ord. £1	20/6	19/6	5 2 0		
												Tea and Rubber					
												Allied Sumatra Rbr. £1	7/6	6/10½	11 12 6		
												Anglo-Dutch of Java £1	16/3	13/9	8 14 6		
												Jokai (Assam) Tea £1	32/6	32/6	6 3 0		
												London Asiatic Rbr. 2/-	2/9	2/3	8 17 3		
												Rubber Pltns. Trust £1	26/3	21/3	9 8 0		
												United Serdang Rbr. 2/-	2/-	1/6	12 0 0		
												Oil					
												Anglo-Iranian Ord. £1	45/-	45/-	2 4 6		
												Apex (Trinidad) Ord. 5/-	28/-	27/-	5 11 0		
												Burmah Oil Ord. £1	56/3	47/6	6 6 0		
												Shell Transport Ord. £1	56/3	53/9	1 17 6		
												Trinidad Leaseholds £1	65/-	68/9	3 12 6		
												Miscellaneous					
												Assoc. P. Cement Ord. £1	50/-	48/9	5 4 3		
												Barker (John) Ord. £1	42/6	42/6	4 14 0		
												Boots Pure Drug Ord. 5/-	45/7½	45/7½	3 5 0		
												Brit. Aluminium £1	92/6	90/-	4 7 6		
												Brit.-Amer. Tobacco	67/6	66/3	4 10 0		
												Imperial Chemical Ord. £1					

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked* indicating interim dividend.

OVERSEA WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1941	+ or -	1941	+ or -
E.A. and Pacific....	23	Dec. 6	\$1,380,000	+ 52,000	29,795,000	+ 3,525,000
E.A. Gt. Southern....	24	" 13	2,533,000	+ 396,000	52,450,000	+ 6,141,000
E.A. Western.....	24	" 13	870,000	39,000	19,963,000	+ 3,850,000
Canadian Argentina....	24	" 14	\$4,767,000	+ 1,031,000	209,672,000	+ 47,649,000
Central Argentine....	24	" 13	1,465,000	+ 68,700	42,582,500	+ 9,263,050
San Paulo (Brazil)...	49	" 7	35,937	2,606	1,801,163	20,490

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

Name	Dec. 16, 1941	Name	Dec. 16, 1941	Name	Dec. 16, 1941
Second Brit. Lmt'd. Inv.	21/9-22/9 14/14-15/14	National D. Century	11/0-12/0	Key. Gold...	9/0-10/0 12/6-14/0
New British Inv. Trust	7/9 bid	Scottish	11/9-12/9	Br. Ind. 4th.	14/3-15/9
Bk.-Insur.	9/9-10/9*	Univ. Ind.	10/7-11/7	Elec. Ind.	10/3-11/9
Ins.	14/9-16/3*	Inv. Flex.	12/10/13-13/10	Met. & Min.	14/6-16/0
Bank	15/3-16/3*	Inv. Gen.	9/9-10/9	Cum. Inv.	6/0-7/0
Scotb.	15/3-16/3*	Key. Flex.	13/7/14-14/7	Dom. 2nd	5/6-6/3
Scotb.	11/3-12/3*	Key. Gen.	10/6-16/6	Orthodox	7/0/1

20/10/68 224 b 4 a || Guest Keen & Co. Ord. 21 25/ 26/ 27/ 28/ 29/ 30/ 31/ 32/ 33/ 34/ 35/ 36/ 37/ 38/ 39/ 40/ 41/ 42/ 43/ 44/ 45/ 46/ 47/ 48/ 49/ 50/ 51/ 52/ 53/ 54/ 55/ 56/ 57/ 58/ 59/ 60/ 61/ 62/ 63/ 64/ 65/ 66/ 67/ 68/ 69/ 70/ 71/ 72/ 73/ 74/ 75/ 76/ 77/ 78/ 79/ 80/ 81/ 82/ 83/ 84/ 85/ 86/ 87/ 88/ 89/ 90/ 91/ 92/ 93/ 94/ 95/ 96/ 97/ 98/ 99/ 100/ 101/ 102/ 103/ 104/ 105/ 106/ 107/ 108/ 109/ 110/ 111/ 112/ 113/ 114/ 115/ 116/ 117/ 118/ 119/ 120/ 121/ 122/ 123/ 124/ 125/ 126/ 127/ 128/ 129/ 130/ 131/ 132/ 133/ 134/ 135/ 136/ 137/ 138/ 139/ 140/ 141/ 142/ 143/ 144/ 145/ 146/ 147/ 148/ 149/ 150/ 151/ 152/ 153/ 154/ 155/ 156/ 157/ 158/ 159/ 160/ 161/ 162/ 163/ 164/ 165/ 166/ 167/ 168/ 169/ 170/ 171/ 172/ 173/ 174/ 175/ 176/ 177/ 178/ 179/ 180/ 181/ 182/ 183/ 184/ 185/ 186/ 187/ 188/ 189/ 190/ 191/ 192/ 193/ 194/ 195/ 196/ 197/ 198/ 199/ 200/ 201/ 202/ 203/ 204/ 205/ 206/ 207/ 208/ 209/ 210/ 211/ 212/ 213/ 214/ 215/ 216/ 217/ 218/ 219/ 220/ 221/ 222/ 223/ 224/ 225/ 226/ 227/ 228/ 229/ 230/ 231/ 232/ 233/ 234/ 235/ 236/ 237/ 238/ 239/ 240/ 241/ 242/ 243/ 244/ 245/ 246/ 247/ 248/ 249/ 250/ 251/ 252/ 253/ 254/ 255/ 256/ 257/ 258/ 259/ 260/ 261/ 262/ 263/ 264/ 265/ 266/ 267/ 268/ 269/ 270/ 271/ 272/ 273/ 274/ 275/ 276/ 277/ 278/ 279/ 280/ 281/ 282/ 283/ 284/ 285/ 286/ 287/ 288/ 289/ 290/ 291/ 292/ 293/ 294/ 295/ 296/ 297/ 298/ 299/ 300/ 301/ 302/ 303/ 304/ 305/ 306/ 307/ 308/ 309/ 310/ 311/ 312/ 313/ 314/ 315/ 316/ 317/ 318/ 319/ 320/ 321/ 322/ 323/ 324/ 325/ 326/ 327/ 328/ 329/ 330/ 331/ 332/ 333/ 334/ 335/ 336/ 337/ 338/ 339/ 340/ 341/ 342/ 343/ 344/ 345/ 346/ 347/ 348/ 349/ 350/ 351/ 352/ 353/ 354/ 355/ 356/ 357/ 358/ 359/ 360/ 361/ 362/ 363/ 364/ 365/ 366/ 367/ 368/ 369/ 370/ 371/ 372/ 373/ 374/ 375/ 376/ 377/ 378/ 379/ 380/ 381/ 382/ 383/ 384/ 385/ 386/ 387/ 388/ 389/ 390/ 391/ 392/ 393/ 394/ 395/ 396/ 397/ 398/ 399/ 400/ 401/ 402/ 403/ 404/ 405/ 406/ 407/ 408/ 409/ 410/ 411/ 412/ 413/ 414/ 415/ 416/ 417/ 418/ 419/ 420/ 421/ 422/ 423/ 424/ 425/ 426/ 427/ 428/ 429/ 430/ 431/ 432/ 433/ 434/ 435/ 436/ 437/ 438/ 439/ 440/ 441/ 442/ 443/ 444/ 445/ 446/ 447/ 448/ 449/ 450/ 451/ 452/ 453/ 454/ 455/ 456/ 457/ 458/ 459/ 460/ 461/ 462/ 463/ 464/ 465/ 466/ 467/ 468/ 469/ 470/ 471/ 472/ 473/ 474/ 475/ 476/ 477/ 478/ 479/ 480/ 481/ 482/ 483/ 484/ 485/ 486/ 487/ 488/ 489/ 490/ 491/ 492/ 493/ 494/ 495/ 496/ 497/ 498/ 499/ 500/ 501/ 502/ 503/ 504/ 505/ 506/ 507/ 508/ 509/ 510/ 511/ 512/ 513/ 514/ 515/ 516/ 517/ 518/ 519/ 520/ 521/ 522/ 523/ 524/ 525/ 526/ 527/ 528/ 529/ 530/ 531/ 532/ 533/ 534/ 535/ 536/ 537/ 538/ 539/ 540/ 541/ 542/ 543/ 544/ 545/ 546/ 547/ 548/ 549/ 550/ 551/ 552/ 553/ 554/ 555/ 556/ 557/ 558/ 559/ 560/ 561/ 562/ 563/ 564/ 565/ 566/ 567/ 568/ 569/ 570/ 571/ 572/ 573/ 574/ 575/ 576/ 577/ 578/ 579/ 580/ 581/ 582/ 583/ 584/ 585/ 586/ 587/ 588/ 589/ 590/ 591/ 592/ 593/ 594/ 595/ 596/ 597/ 598/ 599/ 600/ 601/ 602/ 603/ 604/ 605/ 606/ 607/ 608/ 609/ 610/ 611/ 612/ 613/ 614/ 61

TRANSVAAL GOLD OUTPUT

Statistics for November, 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—Rand Mines—cont.		£	£	s. d.	"Johnnies"		£	£	s. d.
Brakpan	135,000	240,097	75,011	115 7.0	<i>Fine oz.</i>									
Daggafontein	164,000	388,983	225,699	70 7.3	New Modder	194,000	26,251	66,469	117 7	E. Champ D'Or	34,000	72,723	39,426	77 3
East Daggafontein	89,000	198,055	78,714	101 3.6	Nourse	82,000	16,362	32,016	129 0	Gov. Areas	250,000	413,223	160,289	103 6
Stb. African Land	120,000	277,720	153,628	75 1.2	Rose Deep	88,000	13,538	28,100	126 8	Langlaagte	119,000	130,615	10,139	156 7
Springue	165,000	368,911	187,005	82 10.6	Transvaal G.	30,000	4,933	3,024	153 0	N. State Areas	119,000	244,506	118,224	87 11
West Springs	88,000	160,692	58,439	107 1.7	General Mining		£	£	s. d.	Randfontein	390,000	465,957	133,236	120 11
W. Reels Devpt.	58,000	116,566	38,144	113 1.9	Van Ryn	61,000	57,856	6,119	154 5	Van Ryn	103,000	113,730	14,123	147 10
Central Mining—Rand Mines					W. Rand Cons.	237,000	370,506	157,179	100 2	Witwatersrand	88,000	107,260	18,057	141 9
<i>Fine oz.</i>					<i>Fine oz.</i>					<i>Fine oz.</i>				
Citv Deep	111,000	25,429	67,170	115 4	Goldfields	110,000	21,333	48,154	124 2.9	E. Geduld	156,000	45,244	249,133	58 0
Cons. M. Reef	212,000	32,045	50,165	136 9	Venterspost	167,000	26,503	42,624	136 2.1	Geduld	116,000	27,570	118,779	81 10
Crown	341,000	78,118	284,712	95 4	Sammer and Jack.	124,000	25,916	78,159	107 9.9	Grootvlei	128,000	34,888	143,762	85 8
Durban Deep	203,000	36,009	102,587	111 4	Robinson Deep	64,000	39,937	218,097	58 10.7	Marievale	49,000	12,927	34,944	114 1
East Rand Prop.	226,000	44,805	115,306	116 8	Sub Nigel	72,500	18,674	59,494	105 0.6	Modder Deep	48,300	6,039	10,206	135 4
Geldenhuis	69,000	8,660	13,208	137 10	Vogelstruisbult	30,500	4,882	14,127	110 5.6	Van Dyk	99,500	25,511	80,829	104 9
Glyn's Ltd.	9,700	2,855	7,438	116 0	Rietfontein	88,000	18,482	42,327	122 4.7					
Modder B.	90,000	15,694	62,937	88 7	Luipaards Vlei									
Modder East	136,000	22,527	78,096	99 1										

COMMODITY AND INDUSTRY NEWS

Tin Market.—The Ministry of Supply has informed the Metal Exchange that tin dealings will not be resumed. The Ministry will not object, however, to the delivery of tin which is urgently required, provided consumers obtain a licence from the Control. Tin can be bought from the Control for this purpose, but no price has yet been stated. It is understood that the international tin restriction scheme will be continued in spite of the war in the Far East. Basic tonnages will remain unchanged, though Thailand can no longer participate in the scheme.

Cotton Export Quotas.—The present quotas for the export of cotton piece-goods expire at the end of this year, and in view of the developments in the war situation, there has been considerable interest recently as to what the amount would be from January 1st. The Cotton Board has announced that, with the approval of the Board of Trade, new buying and market allocations for the period beginning January 1st are now being prepared; and it is hoped that these will be in the hands of exporters before the end of December. It is stated, however, that the allocations for markets now accessible will be on the basis of 50 per cent of the volume of allocations for the current period. The remaining 50 per cent is being withheld for the present, pending a decision by the Government as to whether certain changes are desirable. Lancashire traders expected some reduction in the possible amount of export trade, but there has been some surprise at the substantial cut in the quotas. Owing to the entry of Japan into the war, the chief markets affected are Java and Rangoon. Substantial orders have still to be completed and most shippers seem determined to fulfil their contracts. Some manufacturers hold the opinion that any loss of export trade will be made up by the increasing demands for the Home and Dominions Governments. It is reported in Manchester that the United States want to purchase large quantities of certain fabrics to meet the war emergency. It remains to be seen whether Lancashire manufacturers can find the necessary supplies.

Wool Rationing by Markets.—It has been announced by the Wool Control that the amount of raw wool available for the manufacture of fabrics to be exported will be less in the year ending October 31, 1942, than in the preceding year.

The amount of the reduction is to depend upon the desirability of the destination. No indication has been given yet of the size of the cut or the way it will operate as between different markets. It is believed by the manufacturers that each country will have its quota, to be divided as fairly as may be among the firms interested, but there is no means of knowing what this quota is to be.

Scrap Metal.—The responsibility for the collection of domestic ferrous scrap has been handed over to the Ministry of Works and Buildings by the Ministry of Supply. The shortage of iron and steel scrap has become even more acute, since imported supplies have practically ceased. Bombed buildings have yielded about 25,000 tons of scrap since July and little remains to be recovered from that source. The removal of railings is proceeding slowly. The Ministry of Works and Buildings is to continue the National Scrap Survey of fixed and industrial scrap, and it is to be em-

powered to take over supplies of this kind.

Price Control.—A Board of Trade Order which came into force on December 17th added a number of articles to the list of price regulated goods under the Prices of Goods Act, 1939. They include toys, motor-cycles, cooking, heating and other appliances and apparatus for personal or domestic use, boot polishes and floor polishes, trunks, ladies' handbags, suitcases and shopping baskets.

Diamond Dies.—The existing control of diamond dies has been enlarged to include diamond tools. Mr R. L. Prain, Deputy Controller of Diamond Dies, has been appointed by the Minister of Supply to be Controller of Diamond Dies and Tools.

"THE ECONOMIST" SENSITIVE PRICE INDEX

(1935=100)

	Dec. 11, 1941	Dec. 12, 1941	Dec. 15, 1941	Dec. 16, 1941	Dec. 17, 1941
Crops	115.5	115.8	115.3	115.3	115.4
Raw materials	171.0	171.0	171.0	171.0	171.0
Complete Index	140.5	140.7	140.4	140.4	140.5
	Mar. 31, 1937*	Aug. 31, 1939	Dec. 17, 1940	Nov. 17, 1941	Dec. 10, 1941
Crops	147.9	92.2	105.1	114.2	115.3
Raw materials	207.3	122.9	165.0	170.7	171.0
Complete Index	175.1	106.4	132.1	138.6	140.4

* Highest level reached during 1932-37 recovery.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM

(1927=100)

	Mar. 31, 1937*	Aug. 31, 1939	Dec. 17, 1940	Nov. 25, 1941	Dec. 9, 1941
Cereals and Meat	93.0	66.9	97.5	102.8	104.0
Other foods	70.4	61.1	85.3	100.0	100.0
Textiles	74.2	54.3	88.3	93.1	93.2
Minerals	113.2	95.4	128.0	129.8	130.5
Miscellaneous	87.0	77.6	106.8	113.9	113.9
Complete Index	87.2	70.3	100.9	107.4	108.4
1913=100	119.9	96.8	138.9	145.1	149.1

* Highest level reached during 1932-37 recovery.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week Ended	Nov. 22, 1941	Nov. 29, 1941	From April 1 to Nov. 29, 1941
Argentina	38	56	5,803	1,153
Atlantic America	59	99	2,662	1,363
Danube region	...	...	678	...
S. and E. Africa	...	...	1,117	...
Indo-China, etc.	...	...	91	...

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

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week Ended	Nov. 22, 1941	Nov. 29, 1941	From April 1 to Nov. 29, 1941
N. America	557	467	6,639	8,374
Argentina, Uruguay	122	197	3,845	3,037
Australia	...	...	...	...
Russia	...	...	84	...
Danube and District	...	...	182	...
Other countries	...	...	...	...

* Unobtainable.

Source: The Corn Trade News.

THE ECONOMIST

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QUARTERLY TRADE SUPP.

General Hitler

THE news that Hitler has dismissed von Brauchitsch, the German Commander-in-Chief, and himself taken over personal and supreme direction of the German armies has set all the old rumours circulating of a split between army and party, of a fundamental cleavage in the German body politic and, inevitably, of imminent schism and collapse—with the generals attempting to negotiate over the Fuehrer's prostrate body. The picture is, of course, the merest moonshine. Any question of an army and a party divided against each other—such as when Röhm was liquidated in 1934. Since that day the army has been one vast SA of the Nazi Party, the military expression of the party's will. To speak of divisions and cleavage here is to underestimate the basically totalitarian organisation of Nazi Germany. When the party cracks, the army cracks with it. If the army is finally routed, the party, too, will not be able to escape complete annihilation.

The reason for von Brauchitsch's dismissal is much simpler. It falls into the normal category of a general taking the consequences of defeat. The Moscow campaign has proved to be the first major disaster in the triumphant progress of the German army. The Commander-in-Chief must bear the responsibility for the failure, and Hitler has decided that the responsibility is heavy enough to warrant removal. Against the constant tendency to over-dramatise German affairs should be set the fact that this is not the first time a commander has been removed after an unsuccessful campaign.

It is not so much von Brauchitsch's disappearance as Hitler's decision to take his place that illustrates the gravity of the situation. In a sense Hitler has been the supreme war lord since February, 1938, just as the Kaiser was supreme war lord throughout the last war. A general responsibility lay with him, but the plans of campaign, the organisation and use of reserves and other major decisions were taken by the Commander-in-Chief.

Now Hitler is apparently to advance from his more invulnerable and remote authority as all-overseeing All Highest into the immediate sphere of plan, decision and execution. He is to see if his magic still works; or, which is far more important, he is to persuade the German people that it can still work.

The situation has not yet deteriorated to the point of needing magic or miracle to restore it, but it has deteriorated. The whole aim and purpose of the German attack on Russia was to achieve a knockout blow before the Russian millions could be mobilised and equipped. Hence the drive on Moscow, for only the capture of the political, economic and military nerve-centre could lead to a total disintegration of the nation's resistance. Moscow has not fallen, although Smolensk was reached in the first weeks in July. This is the supreme importance of von Brauchitsch's failure. Moscow is not simply a loss of prestige; it may mean the loss of the war. Behind the Moscow line, Russian industry has been evacuated to the Urals; millions of recruits are receiving arms and training; fresh reinforcements, as well as seasoned troops, held the city in the critical days in October. Now the chance of quick victory has passed for good. There can be no knockout blow, for there is no one place to knock out; there is on the contrary a hydra-headed Red Army fed by Russia's still vast reserves of industry and manpower.

The war must thus continue, and with winter upon them, the Germans must stabilise a front. Preparations in the rear have undoubtedly been made, but was the planning on the scale of maintaining millions of men in the bitter cold? For the Russians winter equipment is normal, but it is questionable whether the Germans have the sheepskins and felt boots—without which sentry duty on their new line is almost certain death—whether their medical stores include adequate supplies of remedies for frostbite, whether they have had sufficient experience to evolve frost-proof motor spirits or tractors or wheels

in Russia is only five years old, the famines which accompanied collectivisation barely ten. The Spanish Civil War was marked by incredible ferocity on both sides. Iron Guards outdid the Nazis in Roumania. The Ustasi are pursuing a policy of mass extermination of Serbs and Moslems in Croatia to-day. Even the enfeebled Vichy régime relies for the shreds of its authority on secret police and the concentration camp.

Now it is obvious that the British record in this respect is something for which the nation can feel a justified pride. The treatment of conscientious objectors, the treatment of aliens—after a couple of months' hysteria and muddled management on the part of the authorities and the public—stand out in glowing contrast to the abject fate of the weak and the helpless in other lands. The rule of law and habits of peace and decency have been preserved in the middle of total war, and that is no small tribute to the British community. Yet this quite justified satisfaction ought to make the people even more outraged when isolated cases of Europe's disease of brutality do occur. For example, the episode of the *Dunera* makes uncomfortable reading. It appears that the internees who made the voyage out to Australia were submitted to inexplicable hardships; they were robbed and beaten; they were herded together in conditions which were for all the world those of a concentration camp; and they found themselves powerless to obtain any redress from those responsible on board. Some idea of the treatment meted out to the men can be given by this quotation from an account drawn up by them on arrival in Australia:

The order had been issued to run or walk fast during these exercises. Those who did not walk fast were driven along by the sentries with rifle butts or were bruised by blows. At the ends of the decks Lewis guns, loaded and completely manned, were kept trained on the internees in readiness to shoot. At times officers and sergeants assaulted the passing internees, pushed them, beat them and insulted and swore at them while hitting them.

If brutality is a widespread phenomenon in Europe, it is useless to blind people to the problem by concentrating simply on the German varieties. On the contrary, a good case can be made for arguing that the solution of the German dilemma will be reached only from the European end. The Germans are not, after all, politically an original people. The idea of the *raison d'état* which underlay Prussianism came at several removes from Machiavelli, at one remove from Richelieu and Louis Quatorze. The idea of a state dedicated to conquest and based on conscription was worked out in Sweden before it was transplanted to Prussia. The idea of the unified nation state was first realised in France and was the dream of all European Liberals in the nineteenth century. National Socialism is borrowed at one remove from Italy, at two removes from Bolshevism. The originality of the Germans lies in a trait which might perhaps be expected from a race of theorists—their power of carrying programmes and principles to logical and therefore unbearable conclusions. Germany is the mirror in which Europe sees, distorted to more than life size, its own repellent countenance. In a Europe ridden by racial hatreds and absolute government and private and public brutality, small wonder that the Germans have produced the most efficient version.

The causes of Germany's excesses are likewise the causes of Europe's disease. Tyrannical government and public and private violence are not new. They mark the history—"nasty, brutish and short"—of man's slow evolution. But there are new factors in Europe's contemporary crisis which give it a particular significance. The means of cruelty and destruction are greater than ever before. A secret police equipped with wireless, armoured cars and machine-guns is inevitably more formidable than horsemen with muskets. A Gestapo or OGPU trained in psychological manipulation has new ways of torturing its victims to confession or death. The twentieth century regression is all the worse in that it is not the *status quo ante* that has been restored. However arbitrary the rule of a Roman emperor or a mediæval prince, both were conscious of a rule of law independent

of their appetite. To-day the good of the class or the race is the only criterion of justice. The idea of a universal law in which the rights of man, irrespective of race or creed or class, were guaranteed, has been driven out. Gestapo, OGPU, private lawlessness are only particular manifestations of this new—and total—anarchy. At the same time, material insecurity has partly caused, partly accelerated the decline. The fringe of the middle-class vainly struggling to maintain a standard, together with the mass of the unemployed, have provided the hysteria and the desperation which vitalises the totalitarian faiths.

It is against this background that the futility of both Vansittartism and appeasement can best be judged. There is no "racial" explanation of a disease whose roots are deep in the economic and moral disorders of Europe. For German and non-German alike, one of the conditions of post-war betterment is the re-creation of security—steady jobs and steady wages for the labouring masses, opportunity and wider horizons for the white collar workers and the skilled technicians. Thus the guarantee given by the British Government that it will not encompass the economic ruin of Germany after the war is on entirely the right lines.

The provision of security cannot, however, imply further "appeasement." The process is one of cure and rehabilitation, and at the end of the war there will be incurables as well as invalids. After all that the Germans have suffered at Hitler's and Goebbels' hands, they will remain a pathological case for two or three generations. Appeasement—that is, appealing to better qualities—is a nonsensical policy when the better qualities are simply not there. It will be impossible for a long time to appeal to the Germans in the name of international justice. At the same time, a lasting settlement of the European problem cannot be envisaged in any form that does not leave room for an equal, and equally pacific, Germany. That solution may be deferred for generations—but it remains the goal, and the disarmament and restraint of Germany is only the negative and preliminary phase of a new constructive British attitude. The positive element should be willingness to put force behind the law and a steady determination to see the law enforced. The system of co-operation for higher standards of living forecast in the Atlantic charter and the British Government's guarantee of fair economic treatment for all envisage a community of European nations in which each state member will benefit by the work and assistance of its neighbours. The corollary of this must be the acceptance by the state members of certain obligations, of which the most important is obviously the preservation of the basic Rights of Man. Free speech, due process of law, religious and cultural rights can no longer be regarded as matters "internal" to any state government. They are the concern of Europe as a whole. The creation of a new security system on these lines will depend entirely upon the sustained will, effort and interest of the victors, not least of Britain; and if there is a positive element in Vansittartism, it is that it can play a part in securing the abandonment of the two symbols of Britain's inter-war sloth—pacifism and isolationism.

Ultimately, however, the enforcement of law requires the acceptance of the rule of law, a willingness of the great majority of people to live by law. The problem facing the victors in Germany as in Europe is whether, after the Nazi tornado, the land will not have been stripped of all the loyalties, standards, principles and faiths that were knit together to form the texture of European life. Here, more than in economic and military security, lies the real problem of the peace. Appeasement denies the problem. Vansittartism renders it insoluble. It can only be met by the Western democracies if their faith in the conduct of civilised existence is at least as fervent as the energy the Nazis, the Fascists, the Iron Guards, the Ustasi and their own hooligans have displayed in tearing civilisation down. The tasks of post-war Europe are not only those of the economist, the doctor, the policeman. The missionary and the crusader must find their place.

Social Insurance in Russia

AN Anglo-Soviet Medical Committee was set up this autumn. Among its objects is the study of environmental and social medicine in Russia, and its findings will be of interest to legislators as well as to doctors. National health insurance, old age pensions and workman's compensation, all on the list of urgent reforms in this country, are closely linked with medicine; and there are two problems. The first is how technical progress in medicine, such as the treatment of industrial disease or the after-care of tuberculous workers, can be better used to cure or prevent ill-health; it is a medical problem. The other is, how to "socialise" medical progress by making it available on a large scale to the whole population. This is a matter of administration and finance. In Britain, for instance, there are no statutory benefits under social insurance for the rehabilitation of injured workers; and there is a grievous lack of rehabilitation centres and fracture clinics. Yet in 1939, an American witness told the Royal Commission on Workman's Compensation that the famous rehabilitation arrangements of New Jersey received their first stimulus "from England."

The interesting question, therefore, in Russia, is how far the Russians have found it possible to translate the achievements of medicine, in pathology, surgery, and therapy, into terms of social security. In 1913, there were 175,634 hospital beds in Russia; in 1928, 246,100 and in 1932, 405,800. But the population of Russia in 1933 was 165,748,400; and the figure of just over two beds per 1,000 of the population compares badly with the norm of five beds per thousand taken by the International Labour Office, or with the seven beds per thousand in this country. Nevertheless, the planning of social insurance and medical services in Russia has distinctive and important traits. As in other new industrialised countries, such as the British Dominions, it has not been hampered by the legacy of the past in social care; the Russian system is comprehensive and unified, and contrasts markedly with the British system, where public and private bodies are intermingled and where the Ministry of Health, the Home Office, the Ministry of Pensions, the Ministry of Labour, the Assistance Board, the Treasury, friendly societies, approved societies, hospitals' savings associations, insurance companies, collecting societies and trade unions are all associated in its working.

The state regulation of social insurance in Russia is no special mark of socialism. The tendency to administer social insurance by the state or by state-controlled institutions is universal. It was introduced in Germany by Bismarck, who was by no means a Communist. It has taken characteristic forms in Switzerland, Sweden and Ontario. Almost everywhere, industrial accident insurance is operated by state-controlled mutual indemnity associations, composed of representatives of employers and employees. In the United States, there are state-fund insurance systems for workman's compensation in eighteen states. In Victoria, Australia, there is a State Accident Insurance Office with an expense ratio of only 9.7 per cent compared with a ratio of 39.6 per cent in private offices. The fact that social insurance in Russia is not a matter of private profit is neither particularly Russian nor particularly socialist.

Although the state in Russia has full control over social insurance, the tendency has been to decentralise the system in so far as the interests and requirements of different industrial or territorial groups vary. Until 1933, social insurance in Russia was administered by eleven occupational federations under the supervision of the People's Commissariat for Labour; it resembled the system in Germany and Ontario. In 1933, administration was handed over to the General Council of Trade Unions and its 47 affiliated associations, later raised in number to 163. Thus, Russian social insurance is dove-tailed to the ramifications of Russian economic activity and not centralised in a single administration.

In fact, the great administrative difference between the Russian and other systems is not in administration proper but in finance. The funds for social insurance are entirely raised from enterprises, institutions or individuals employing labour. They are not collected from workers. Contributions bear a fixed relation to the size of the wages bill and in no circumstances can they be deducted from wages. Thus the Russian system disregards the so-called "thrift" principle which in other countries lays part of the burden of insurance upon the workers themselves. But, in two other ways, Soviet Russia has preserved the methods of "capitalist" countries. No procedure has been introduced by which every individual worker is equally entitled to whatever social aid is available. Instead of the principle of "work or maintenance" for which several generations of socialists have called, the insurance principle and the public assistance principle have both been preserved; the distinction between social insurance and the care of the destitute has not disappeared, even in Russia. Secondly, the insurance benefits given are not based upon a standard flat rate for all people, but vary widely. In Russia, there are differences in benefit in invalidity schemes according to the nature of the work done, the length of the qualifying period and "normal" remuneration; in Britain pensions are paid at a flat rate. In Russia, pensions as well as sickness benefit are differentiated.

The chief interest of the Russian system is the wide scope of the benefits given, and in particular, under sickness insurance, every kind of medical benefit is granted to the insured population free of charge. The cost of medical benefit is borne by the state and local authorities. Under his insurance, the worker is entitled to every form of medical service, attendance by physicians and surgeons, orthopaedic treatment and artificial limbs, hospital treatment and maintenance in sanatoria or rest homes, most of which belong to trade unions. His dependants are covered by insurance in case of medical or economic need. Funeral expenses, so dearly bought by British workers through industrial assurance, are included among insurance cash benefits in the official statistics; and children's health, physical culture and tourist travelling are included among medical benefits. It may well be that the provision of benefits is, in practice, less generous than this definition of them; but their breadth of scope should be of great interest to a country like Britain, where such extra benefits can only be provided, if at all, when the finances of approved societies will permit it.

The question to be asked of all systems of social insurance is whether they provide results in really human terms. Will they cure the sick and rehabilitate the injured? In Britain, the current of the time is towards regarding social security in physical as distinct from financial terms. British doctors have frequently urged the need to provide a chain of treatment for sick or injured workers, leading from diagnosis to the final cure through all the necessary stages; others have underlined the need to adapt this unified care to regional conditions by the provision of local industrial clinics. The clinic, fully equipped and open to all, is the core of prevention as well as of cure. Here again, the example of Russia may be significant. Unified treatment is possible because the whole system of state insurance, for the destitute, the sick, the injured, the aged and the deficient is unified; local and individual attention is possible because administration is decentralised in the hands of bodies immediately concerned with working and living conditions. How far this system does, in fact, deliver the goods, is unknown. How far the scope and liberality of the benefits under Russian social insurance are realised in practice, cannot be said. All that is known is that social insurance in Russia is organised and conducted according to many principles which have won the support of reformers in other countries. There is in Russia a unified system of social insurance on a uniform basis. Is the social security of the Russian working class family in fact a greater reality? That is the question.

NOTES OF THE WEEK

Mr. Churchill in Washington

The secret of Mr Churchill's second Atlantic trip was better kept than the first. Nevertheless, it can hardly be a surprise to learn that the Prime Minister, supported by the Minister of Supply and the heads of the three fighting services, has gone in person to consult with the President. The entry of the United States into full belligerency has obviously created vast new opportunities, as well as raised difficult new problems, and there is no time to be lost in securing the utmost unity of planning and purpose. The matters to be discussed are adequately outlined by the composition of the delegation. There is the co-ordination of strategy in five continents, four oceans and three elements—with the joint crisis in Malaya and the Philippines as the urgent first item on the agenda. Secondly, there is the problem of supply. An indication of the new temper in America has been given by this week's decision to merge the functions, hitherto separate, of planning the expansion of munitions production and the contraction of civilian consumption. This new outlook completely transforms the picture; there will be a great deal of adjustment of programmes to be undertaken, in England hardly less than in America. Everything—guns, planes, tanks and ships; production in Britain, in Canada, in America, in the Eastern group; production of munitions and of civilian goods; consumption in any of the free continents—is now merged into a single vast problem of joint supply. There may, or may not, be a new declaration of principle by the President and the Prime Minister; but, in any case, even more than on the last occasion, the hard work to be done by the Conference will be detailed and properly secret. There may, or may not, be a decision to create new formal machinery for consultation; but the Prime Minister's ocean crossing will have shown in the clearest possible manner how much more important is the substance than the form of collaboration. The important thing is that the new Allies are getting mixed up together. There are consultations going on in Chungking also; and it may be taken for granted that the importance of associating Russia with the new solidarity is not being neglected.

Grave News from the Far East

The Far Eastern storm centre remains over Malaya, where the news is uniformly bad. After a rapid advance through Kedah, the Japanese were able to occupy Penang, devastated by air attack and thus to secure a base opening on to the Indian Ocean and commanding the very approaches to Singapore. Advancing further into Perak, the Japanese are now within striking distance of Ipoh in the centre of the tin-mining area. The mines are also menaced from the east, where other Japanese forces are pushing on from Kota Bharu. So far, the British armies, which were frequently stated to have been "heavily reinforced," have not been able to stop the Japanese advance, and the danger not only to Singapore but to Rangoon and hence to the Burma Road is very grave indeed. This last issue is clearly one of the most vital, for it is China's continued resistance that is containing an army which would otherwise be capable of overrunning the whole of "East Asia." The Chinese are giving magnificent direct assistance by launching attacks in the rear of the Japanese armies behind Hongkong—where the beleaguered British garrison still holds out—but the battle for Chungking may well be fought between Rangoon and Mandalay. The British are not bearing the brunt alone for the Philippines are again the centre of fierce fighting. Earlier attacks on Luzon were contained and for several days there was a lull in the fighting. However, the Japanese then effected a new landing on Mindanao, the most southerly island, where the majority of the islands' 30,000 Japanese live. This was followed by the biggest landing yet attempted by the Japanese. Some 80,000 troops, brought up in eighty heavily escorted transports, launched an attack against Luzon on a twenty-mile front between Lingayen and Agoo. These widespread landings in all the islands tell an unhappy tale of naval superiority and control of the seas. Airpower is of crucial importance in these narrow waters—as the Dutch airforce is proving by its fine performance against Japanese warships and transports. But in the air, too, the Allies are inferior

and the only bases from which effective blows could be struck against Japan itself—Russia's Siberian bases—are still, inexplicably, neutral.

Crisis in Singapore

Mr Duff Cooper, who, as Chancellor of the Duchy of Lancaster, was sent *en mission* to the Far East to survey the co-ordination of strategy and administration in that region, is now to settle down in Singapore. He has been appointed Resident Minister for Far Eastern Affairs, and will preside over a War Council which, like Mr Lyttelton's Council in Cairo, will be representative of all the British fighting services and governing bodies concerned. Like Mr Lyttelton, too, Mr Duff Cooper will have Cabinet rank, and will serve under, and report directly to, the War Cabinet in London. He takes over his duties at a moment when every aspect of official policy in the Far East is being questioned and criticised. There is the whole of Far Eastern strategy to be remodelled; and the Singapore organisation will have the same tasks of supply and reinforcement as the Cairo Council, with the added difficulty that at sea, on the Malayan mainland, and in the archipelagoes, the advancing enemy has the initiative and superior strength. Mr Lyttelton's task was to mount an offensive. Mr Cooper's is to sustain a siege; and he will need, first of all, to allay the alarm which runs from Burma to Australasia about the unpreparedness of the Empire's eastern defences. Australia is represented on the Singapore Council, but there has apparently been some dispute with the Commonwealth Government about the mode of choosing or nominating this representative. Danger has made Australia more than ever conscious of its independent nationhood. War was declared on Japan direct, and not, as in the case of Germany and Italy, through the Dominions Office; and it is reported that it is Australia's wish to have a fully accredited Minister in Singapore beside Mr Cooper. Mr Cooper himself may lack some of the strong qualities which have enabled Mr Lyttelton in Cairo to weld commanders and civilian administrators into a compact and efficient team. His success, in the teeth of peril, would be a triumphant further endorsement of the policy of uniting the British war effort by itinerant Ministers; and without the fullest good will of the Australian Government and people, he will not be successful.

Labour Peers

The announcement that, "on the advice of the Prime Minister and HM Government," peerages have been conferred on Mr Wedgwood Benn, Mr Josiah Wedgwood, Mr Charles Latham and Mr Fletcher was accompanied by the curious statement that the creations "are not made as political honours or rewards, but as a special measure of State policy. They are designed to strengthen the Labour Party in the Upper House." This would seem to be barely polite to the new peers, who will not only strengthen the Labour benches in the Lords but add to the usefulness of the House; they are all politicians of experience and personality. There are now seven Labour seats vacant in the House of Commons, and the nature of the persons nominated to fill them (for that is what it amounts to) will be very closely watched. Mr George Gibson, a former chairman of the Trades Union Congress, has already been adopted for one of the constituencies. Mr Gibson is an able man in the middle fifties; he will be a valuable recruit. It is to be hoped that the other six will all be much younger men, and that they will not all be Trade Union officials.

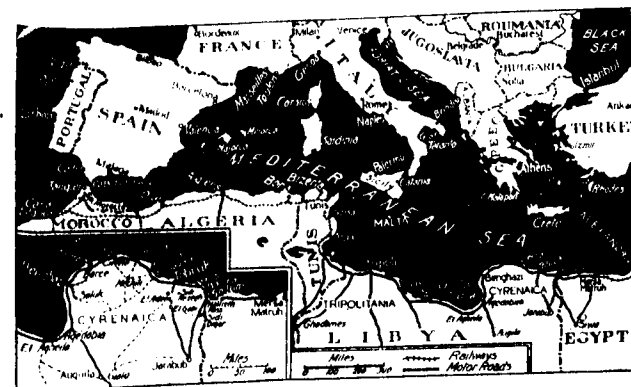
Russia: The Retreat Continues

The German retreat from Tikhvin has been followed up by the Russians, who are now pressing on to the frozen shores of Lake Ladoga. For the Finns, the new situation is grave. The Germans can give them no help for the next four months—on the contrary, will rely on them to hold a vital sector of the line. But if Russian mobilisation and re-equipment have gone far enough to devote to the Finnish front as many divisions—not a very great number—as were necessary to drive through the Mannerheim Line early in 1940, the Finns may see their interven-

tion end in complete disaster; the Russians would not on this occasion halt at Viipuri. In the centre, the recapture of Volokolamsk is further evidence—if it were needed—that the Germans are dictating neither the speed nor the extent of their retreat. Only in the south has their resistance stiffened. There are reports of counter-attacks in the Donetz basin and a renewed onslaught on Sevastopol. It is still too early to say whether the Germans can stabilise the front. Their one aim must obviously be to dig in and secure a respite and breathing space for reorganising their armies for the spring offensive. "Digging-in" is, however, more easily said than done in 50 or 60 degrees of frost and under perpetual harassing from the Russian armies in front and the Russian guerillas behind. However speedily and successfully the Germans establish new positions, it will not be the same invincible German army that emerges next spring after a long nightmare of bitter cold and perpetual minor military action.

First Round in Africa

General Rommel's armies are in full flight. Derna and Makili have fallen, and it says much for the increased striking power and drive of the British desert forces that in just over a month after the launching of the attack, Benghazi is in sight. The advance has lately been more rapid than in General Wavell's original campaign and against a much more formidable enemy. The immediate problem for General Ritchie is to prevent Rommel's forces from escaping westwards along the Gulf of Sirte. At the moment of writing, they are in the neighbourhood of Benghazi and there may still be time to close the coast road at El Agheila. Here the British columns which reached Jalo in the first week of the campaign should be able to play a part. However, even if Rommel's forces are trapped and annihilated, the fate of North Africa is by no means settled. The next phase—the capture of Tripoli—depends primarily upon



reinforcements. How heavy were the blows inflicted by Rommel before he was himself knocked out? To what extent can Egypt make good the losses and re-equip the Eighth Army for the formidable task of advancing in overwhelming strength to the frontiers of Tunisia? Time is the other determining factor. The Italians speak of the passage of a large convoy to Tripoli; the *Luftwaffe* is concentrating once again in Southern Italy, which, significantly, has been placed in a state of siege; there are reports of German reinforcements in Greece and Crete. The worse the man battle goes in Russia, the more vital it is for the Germans to keep open an alternative route to the Middle East and to Russia's flank. Only the very first round has been won in Africa. Almost certainly, the hardest fighting is yet to come.

Hesitation in the West

There can be little doubt that increased pressure has been put on Vichy and Spain in the last weeks. The time for placing all Europe in a state of siege has clearly come, with Russia undefeated in the east and the United States in the war on the Atlantic front. Only one gap remains, the territory lying between the frontiers of unoccupied France and Gibraltar. The discussions which have taken place with Vichy and the exchanges of view between the German Ambassador and the leaders of the Spanish State

in Madrid have been without doubt directed towards securing more active French and Spanish participation, while in the background the submarine attacks on French, Portuguese and Spanish ships in Spanish territorial waters have served the alternate purposes of attempting to embroil the non-combatant countries with Britain or of imparting a veiled warning. The Germans are not likely to have it their own way, however. The drain of the Russian fighting is great enough to check military movements which would draw off more manpower to the west. Either France, Spain and Portugal will co-operate freely or the Germans must think twice before undertaking new commitments. And the moment is not well chosen for persuading them to co-operate. The Russian situation is doubtful and, even more important, the United States and parts of Latin America, have entered the war. The first reactions to the Nazis' pressure are thus ambiguous. The Vichy Government has surprisingly withdrawn its charges against Britain for the sinking of one of its food ships. General Franco has announced his country's continued "non-belligerency." The Germans are perhaps beginning to learn that the most effective diplomacy depends upon a background of unbroken success.

18B Again

There cannot be any doubt that the House of Commons feels very strongly about the famous Regulation 18B, and the arbitrary power it places in the Home Secretary's hands to detain those whom he thinks he has reasonable cause to believe are dangerous to the state. The latest debate on the subject took place on Thursday of last week and concerned the cancellation of a broadcast that was to have been given by Mr. D. E. W. Gibb. Since *The Economist* was indirectly implicated in the affair, it will be as well to rehearse the facts. It will be recalled that the attitude towards 18B that has been editorially taken in these columns has been broadly in support of the Home Secretary. But this position has not been taken with any enthusiasm or with any of Mr Morrison's own complete certainty of the perfection of the present arrangements, but simply because of the inability to see any workable alternative. This view was set out in Notes in the issues of November 8th and 29th—the latter on the occasion of the debate in the House of Commons on the amendment to the Address. In the interval, however, an article was printed giving a somewhat different view and one more hostile to the Regulation, as interpreted by the courts. This article was printed as "By a Correspondent"—the usual device for indicating a lack of complete agreement with its contentions—and it has now been revealed that its author was Mr Gibb. (The fact that Mr Gibb is a member of the Board of The Economist Newspaper, Ltd., is, of course, purely coincidental). This article attracted the attention of the BBC and Mr Gibb was invited to prepare a script for a broadcast to give both sides of the controversy. The broadcast was never given. The BBC consulted the Minister of Information about its impartiality, the Minister of Information consulted the Home Secretary and, on the latter's representations, banned the script. Mr Morrison's view was that the script was not an impartial review of both sides of the controversy. The script has been published in full in *Hand-sard* and every one can judge for himself. Had the BBC held an adverse view and amended or suppressed it, there could have been no complaint. What is utterly improper is that the judge of the script's impartiality should be the greatest partisan of them all—the Home Secretary himself. If Mr Morrison is a sincere man, as he is, he is incapable of judging the objectivity of a statement that tries to hold the balance even between himself and his critics. If he were a man of judicial temperament (as he must be to administer 18B), he would have refused to express any opinion on the script and sent it back to those whose duty it is to decide. The episode was a small one; but it has very considerably shaken confidence in Mr Morrison's administration of his enormous powers.

Women Conscripts

Last week the first Royal Proclamation calling up conscript women under the National Service Acts was signed by the King. The proclamation applies to all women who have reached the age of 20 and have not reached the age of 31, except for married women not separated from their husbands, mothers with children under 14 and

material and talking to the point; and a periodical of fact and comment is distributed for their use, which—in spite of Mr A. J. Cummings' recent diatribe against one issue dealing with Russia—usually reaches a satisfactory standard. Unfortunately, like so many things in the new Army, these discussions are looked at with suspicion by some commanding officers. In several units, there has been no attempt at all to start them; in others, they are regimented and purely formal, with not a vestige of the free talk among men of every range of education and experience which is their only justification. If this scheme is intended to be more than an idle gesture—and for a democratic army in total war, it would seem to be essential—the obligation to carry it out should surely be laid upon every commanding officer, and enforced by an impartial and effective system of inspection.

Tax Evasion

The Treasury's attention should be directed to the hawking about of a method of tax evasion. It involves a contract between a payer of surtax on the highest scale and a charitable organisation which is exempt from income-tax. The scheme begins with the charity making a present of, say, £10,000 to the taxpayer, and the taxpayer in return entering into a covenant for seven years to pay the charity £8,000 a year gross, i.e., £4,000 a year after deduction of a 10s. income-tax. The charity, by virtue of its privileged position, recovers the £4,000 income-tax, and the taxpayer reduces by £8,000 the income on which he pays surtax, thus saving himself £3,800 a year. This brings the net cost of his subscription to the charity down to £200 a year. Paying £200 a year for seven years costs him £1,400, and as he has started off with a present of £10,000 from the charity, he is (without taking interest into account) £8,600 in pocket. The charity will probably have to pay commission for the introduction, but subject to that, and to taxation remaining at its present level, the balance-sheet at the end of the seven years would be as follows:—

Charity + £46,000. Revenue - £54,600.
Taxpayer + £8,600.

It is not a device that reflects any credit on anyone.

Mr Curtin and The Economist

Mr Curtin, the Australian Prime Minister, has thought fit to make a special statement about *The Economist*. As reported by cable, he says *The Economist*—

is a notorious advocate of a chattel relationship of labour to money. In its view, the only true function of labour is to be the stay and prop of the traditional Tory party. Everything *The Economist* has said in regard to Australia's participation in the war has been to oppose increases in soldiers' pay and to be the London mouthpiece of reactionary Australian politicians. It is the reactionary politicians of the British Empire, including Australia, who are responsible for a great deal of what all of us are now sorry for and are suffering by.

It is very difficult to imagine what can have inspired this outburst. There have been very few references to Australian soldiers' pay in *The Economist*, and even fewer remarks that could be interpreted as an expression of opinion. As it happens, the latest and almost the only one of these—written on the occasion of the new Labour Government's Budget—took the view that increases in soldiers' pay and similar allowances could be justified on the score of hardship. It is, of course, quite untrue that *The Economist* is the London mouthpiece of reactionary Australian politicians. *The Economist* is not in contact, directly or indirectly, with any Australian politicians whatsoever, reactionary or otherwise. For the rest, it can only be said that nonsense is nonsense even when it comes from a Prime Minister. If paper were not scarce, the appropriate reply would be to present Mr Curtin with a subscription to *The Economist* in order that his next statement on its views could be founded on facts rather than imagination. He might even be brought to apologise for his ignorant untruths.

Shorter Notes

The preventive occupation of Portuguese Timor by Dutch and Australian troops on December 17th can only be hailed with relief by the Allied public. The island of Timor, situated at the eastern extremity of the Malayan

archipelago, little over 300 miles from the Australian mainland, occupies a position of considerable strategic importance in terms of the Pacific conflict. Negotiations for joint defence in case of need were started between the Allied and Portuguese governments early in November and, by December 8th, it had been agreed that Allied troops should intervene in the event of actual Japanese attack, but, since the Allied action preceded a Japanese attack, Nazi pressure on the Iberian peninsula clearly made it impossible for the Portuguese Government to condone such action officially after the event.

The following table gives the number of civilian casualties in air raids since September, 1940:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Total Sept.-Dec., 1940.....	21,669	30,556	52,225
1941:—			
January.....	1,550	2,021	3,571
February.....	793	1,068	1,861
March.....	4,293	4,794	9,092
April.....	6,131	6,900	13,031
May.....	5,520	5,207	10,727
June.....	406	461	867
July.....	501	447	948
August.....	169	136	305
September.....	217	269	486
October.....	262	361	623
November.....	89	155	244
Totals to date.....	41,605	52,375	93,980

Of those killed in November, 39 were men, 36 were women, and 14 were children under 16.

According to Sir Kingsley Wood, as a further means of economising paper, arrangements have been arrived at between the Paper Control, the banks and the printers, limiting the size of cheques. After existing stocks have been used up, the maximum size of standard cheques will be six inches by three inches for single signatures and six by three and a half inches for two signatures or more, plus a maximum of 2½ inches for counterfoils and binding. For special cheques, the maximum sizes will be 9½ by 4 inches overall for cheques for use with machine accountancy and 10½ by 4½ inches for specially printed cheques, but where the design or type of these cheques is changed they will have to conform to the maximum sizes of standard cheques.

In reply to a question in Parliament, Mr Bevin stated that the present Central and Supplementary Registers of the Ministry of Labour are to be merged into a new Appointments Department. Exactly how far its procedure and functions will differ from those of the old Central Register is not yet clear, but Mr Bevin said that it will deal with persons possessing specified administrative, managerial, professional or technical qualifications and with others whose normal salary exceeds £420 a year. It will maintain a separate register of persons seeking employment, and its provincial organisation will be closely associated with the new district manpower boards.

The number of old age pensioners and the number receiving supplementary pensions, together with the annual cost, is shown in the following table, printed in *Hansard*:—

	No. of Recipients	Annual Cost £
Old age pensions:—		
(a) Contributory—under 70.....	1,230,000	32,000,000
(b) Contributory—70 and over...	1,450,000	37,600,000
(c) Non-contributory.....	510,000	13,120,000
	3,190,000	82,720,000
Supplementary pensions.....	1,340,000	27,500,000

THE WORLD OVERSEAS

Party Thought in the United States

(From Our Washington Correspondent)

[This article was written before the United States entered the war, but it is published for its historical interest, since it shows the already confused state of the political parties on the eve of an event which may abolish the old distinctions altogether.]

November 26th

THE unsettled state of both major parties was underlined by the Neutrality Act debate; it is likely to remain important.

Looseness of party thought in the United States is no novelty. Party leaders have never dreamed of disciplining their policies into a party line—an area of agreement is the best they can hope for, and even that area usually requires skilful gerrymandering. In some measure, this is due to the highly federal structure of national parties, which, as Sir Wilmot Lewis put it, “requires that they shall be all things to all states.” Eighty-three years ago, when Lincoln and Douglas were campaigning in Illinois, one of the taunts hurled by the little giant at the big was that he was saying one thing in the northern part of the state and another in the southern. The difference in political idiom between state and state is, of course, correspondingly greater. The problems created by this difference have been noticeable recently, because they are more striking in the case of the Democratic party than in the case of the Republican. Geographically, Democratic strength is found in the mass of citizenry in the big Northern cities and in the solid South. Republican strength is found in the offices of the big corporations, and in the rural regions above the Mason-Dixon line and west of the Mississippi.

Politically, these alliances have made sense. Economically, they have made something closely approaching nonsense.

The Populist revolt, the Progressive Movement, the Roosevelt landslides in the Middle West, have periodically raised questions about the degree of common interest between finance capitalism and commercial agriculture. And if the political unity between Middle Western agriculture and North-Eastern industry covers important economic divergences, the political antagonism between the South and that same industry covers some economic relationships that are very close indeed. The capital required for Southern industrialisation has come from the North. The paying jobs in the South have been for the satraps of that capital—in iron and steel, in textiles, in insurance, in chemicals, in coal and tobacco. Under the name of the Democratic Party, satraps have run their state governments along approved corporate lines—in some cases they have practically served northern industry as rotten boroughs.

In view of these confusions, the question of what is a Republican or what is a Democrat becomes hard to answer indeed.

During the 1920's the isolationism of the League-defeating Republicans in Washington was no particular burden to the Hamiltonians in New York, who were busily making international loans because they had inscribed the distance between the political and the economic capital in the slogan, “More business in government and less government in business.” Then came the Republican eclipse of the 1930's, in whose obscurity the main battles were on domestic issues. But since World War II took the stage, the relation between economic and political policy has become inescapable; the party has had to declare its intentions again, and is having trouble in doing so. (Part of the trouble comes from two changes that run counter to established myths. The isolationism of the Middle West is axiomatic, but the twenty years just behind us have proved to many farmers their interdependence with world markets. Likewise, axio-

matically, the big financial interests have been interventionist, but here again the years between wars have left their mark; branch plant owners in territory now occupied by Hitler acquired a stake in appeasement, which in some cases gives a new turn to the protection of investments.)

Most of the old Senate isolationists have died off—Johnson of California and Nye of North Dakota are about the only ones of that group left. But a new crop of non-interventionists is coming up in Congress—Taft of Ohio, Clark of Missouri, Vandenberg of Michigan, Fish of New York, Lodge of Massachusetts. The general behaviour of these Republicans is that of an opposition party whose opposition includes disapproval of the Administration's policy in foreign affairs. It acts as the “outs” might normally be expected to act. The anomalous part about its position is that it is midway between the position of the official Republican candidate for President and that of the Republican-dominated America First Committee.

Mr Willkie's views on world policy are so far removed from those of the majority of his party in Congress that one designation seems totally inadequate to cover them. This situation has been recognised in one or two of his recent speeches; it has also led a group of Republicans to urge supplanting Mr Willkie as head of the party by the House Minority Leader, Joseph Martin, Jr., of Massachusetts. But Mr Willkie does not stand alone. With him are an able group, whose Republican background cannot be easily challenged. Foremost of these is Governor Stassen of Minnesota, one of the most vigorous of the Party's younger men, whose capacities as a potential Presidential candidate cannot be overlooked by a party that at its last convention found itself short on home-grown presidential timber.

Between Wood and Willkie

Both of these men are headliners whose popularity is rising at the same time that the tide is turning against America First. The America First Committee is in no sense a product of the Republican Party—but far more than a majority of its members are Republicans, and the greatest common bond among them is hatred of Roosevelt. But the international issue on which America First has picked its domestic fight has subjected the Committee to the inconvenience of a motley collection of Axis allies. Their attendance at meetings, solicitation of funds and members, and editorial approval have given the Committee a progressively bad press, climaxed by the Lindbergh speeches at Philadelphia, where he demanded: “Is it not time for us to turn to new policies and to a new leadership?”; at Des Moines, where he raised the anti-Semitic issue; and at Fort Wayne, where he said, “If the time comes when we can no longer meet face to face as free men in a free country, then we will meet together at the elections next year and by our vote clasp hands though we be a thousand miles apart.”

These proposals have not caught on. But it is doubtful whether America First will fade out of the picture following current resignations from the Committee—it seems more likely to assume a new form which will accelerate the confusion within the Republican Party. Prior to the Neutrality Act vote, an America First convention in Washington pledged the Committee to seek the defeat of the Congressmen voting for revision and to support those who opposed all change in the Act next time they come up for election. Chairman Wood's public statement after the vote was taken ended with what has now become the slogan of America First—“We will meet you at the polls.”

Between Wood and Willkie, where can the Republican Party take its stand?

The Neutrality Act vote emphasised matters of comparable importance to the Democratic Party when a group of Southern Congressmen threatened to withhold their votes from all measures of foreign policy until action is taken by the administration on the labour situation at home.

Southern support to date of New Deal domestic legislation is explicable only in terms of history. For eighty years the Southern states have been one-party states, the name of whose party happened to be Democratic. But whereas the Democratic Party in the North has tended to be the people's party, founded on the urban masses, the Democratic Party in the South has been the party of the classes—the restrictive operation of the poll tax, in effect, denies others the vote. Most Southern Democrats, therefore, are people who elsewhere would be likely to be Republicans—all the more so since the industrialisation of the South has gradually been shifting their base from fields to factories, from cotton to corporations.

Consequently, they have viewed the recent national triumphs of their party with far from unmixed pleasure. The New Deal programme has been very hard to take. The welfare legislation has been looked upon by the ruling groups as threatening existing relationships with both negroes and poor whites; the legislation sanctioning collective bargaining has been even more bitterly regarded.

Until recently, however, the South has had little power to struggle against these innovations. It has been too safe an area at the polls to figure in intra-party bargains. Since the South would be reliably Democratic no matter what the word "Democratic" stood for, the content of the word has been supplied by the Democrats of the states where the two-party system was a reality—a reality whose statistics might turn up in the wrong column if the platform were not properly framed. And in many places that meant framed to appeal to labour.

Southern unrest at this situation was apparent in 1936; in the summer of 1940 the number of Southern Court House towns displaying "Democrats for Willkie" signs showed the extent of the effort that was under way to reconcile a tradition with a conviction. Now the Southerners have found a lever. Major votes on war issues are at present close votes. The Southern bloc is in the advantageous position of makeweight. For the moment, therefore, the struggle in the Democratic Party over domestic policy is likely to be as bitter as the struggle in the Republican Party over the war issues. How long current party names and current political alignments will last, based to the extent that they are on traditions rather than current realities, begins to be a matter for practical speculation.

A Loss to the King Government

[FROM OUR OTTAWA CORRESPONDENT]

December 1st

THE strengthening of the official Opposition at Ottawa by Mr Arthur Meighen's resumption of the leadership of the Conservative party has been swiftly followed by a serious weakening of the King Government through the death, after a brief illness, of Mr Ernest Lapointe, the Minister of Justice. There were distinct limitations to Mr Lapointe's Liberalism. He never showed much enthusiasm for economic and social reforms; his administration of the Defence of Canada regulations since the war began left much to be desired; and his influence was continually exerted in disastrous fashion, notably in connection with the withdrawal of oil sanctions at Geneva in order to weaken Canadian support for the system of collective security. But since Laurier died, French Canada has not produced a politician of such unsullied integrity, and for nearly forty years he gave his country faithful service according to his lights, being at the time of his death the dean of the House of Commons. In the past decade he enjoyed among his French Canadian compatriots an authority and influence almost equal to Laurier's, and the much greater enthusiasm which they have shown for the national war effort in the present struggle than they did in the last war is due in no small measure to the effective, if cautious, leadership given to them by Mr Lapointe. As leader of the French Canadian Liberals, he has been Mr Mackenzie King's right-hand man in recent Ministries, and there is nobody in sight who could begin to fill his place. More-

over, Mr Cardin, another senior Minister from Quebec, is in failing health, and Mr Mackenzie King is, therefore, faced with the problem of reorganising his Cabinet.

Meanwhile, the agitation in the English-speaking provinces for the removal of the existing limitations upon compulsory military service continues, and its supporters have found fresh support in the recent admission of Brigadier Vanier, formerly Canadian Minister to France, who now commands the military district of Quebec, that the voluntary system was not providing sufficient recruits for Canada's active service army. But, speaking at Montreal on December 1st, Mr Thorson, the Minister for National War Services, contended that the system of voluntary enlistment for overseas service was still giving adequate results. Apparently, Ministers have not at present any intention of enforcing full conscription, but they realise the urgent necessity of evolving an alternative plan, which will keep the fighting forces up to the requisite strength without diminishing the national war effort. They have accordingly set officials to work upon an exhaustive examination of the human resources of the Dominion, and are understood to be contemplating the use of women's services on a much larger scale than at present.

The new system of price control came into force on December 1st. Mr Donald Gordon, the able and energetic deputy-governor of the Bank of Canada, has been appointed chairman of the Wartime Prices and Trade Board, and great confidence is placed in his organising ability. But, for the moment, the business community, although it is giving its cordial co-operation, is decidedly bewildered by the complications of the new price regime, and some time must obviously elapse before it will be in smooth working order. The Board has undertaken to indemnify importers of goods essential for war industries and needs against loss from increased prices at the sources of supply. For non-essential imports it intends to maintain the consumer ceiling by the adjustment or abolition of taxes or duties and, when necessary, by the application of subsidies.

Boom Conditions

No winter has ever begun for Canada with such a high level of economic activity; only for certain sections of the agricultural community can conditions be considered unsatisfactory. For the first time for many years there is no problem of winter unemployment, and the national income, which for the first nine months of 1941 was estimated by the Bureau of Statistics at \$3,891 millions, as compared with \$3,511 millions in the same period of 1940, has been running on an average 10 per cent higher each month than during last year.

As a result of the outflow of war contracts from Ottawa, the primary iron and steel companies have been operating on a scale far beyond their reputed capacity. During October the output of steel at 222,853 tons, compared with 200,559 tons in September and 185,091 tons in October, 1940, established a new high record. For the first ten months of 1941 the total production of steel has been 1,971,909 tons, an increase of nearly 20 per cent over the total recorded for the same period of 1940. The production of pig iron in October was 137,114 tons, compared with 111,757 tons in September and 109,385 tons in October, 1940; for the ten months period it was 1,082,222 tons, compared with 948,841 tons. All plants which are capable of producing munitions are working at full speed, and although they are handicapped in some cases by shortages of materials and skilled labour, the general rate of production is highly satisfactory. The motor manufacturing plants, after a certain slackening of activity, have been increasing their output, which in October amounted to 19,360 units, compared with 14,496 in September and 21,134 in October, 1940.

Tightening State Control in Italy

[BY A CORRESPONDENT]

December 10th

IN the last few months "anti-plutocratic" utterances of leading Fascists have preceded or accompanied sweeping economic reforms. Under the new decrees, announced in October, all transactions in real estate must be registered and are subject to a high special tax. All holdings of company shares must also be registered, and all bearer shares are to be changed into registered shares. Dividends will be restricted to 7 per cent (though very few companies have

so far paid a higher dividend) and the existing taxation laws regarding shares and coupons have been somewhat altered with a view to further discouraging the sale of such securities.

While it is thus more difficult for capital owners to speculate in the real estate markets or on the stock exchanges, the Government has also taken special measures against hoarding. The retail sale of gold, jewellery, etc., has been prohibited. During the month of October, when a general inventory was made in all shops, the sale of footwear and textile goods, except hats, gloves and ties, was also forbidden, without any warning being given beforehand to the population. Since November 1st the sale of these goods has been permitted again, but they are so rigidly rationed that, for instance, a man is unable to buy the one suit of clothes and a pair of full-leather shoes in the same year. It has been rightly suggested that this does not mean any hardship for the majority of the Italian people, but who cannot even afford to use up their official rations. But it appears to be a very effective measure against large-scale buying by the well-to-do. Attempts at hoarding are further discouraged by the regulation that, when these goods are sold, the customer must produce an identity card and his name and address must be registered by the salesman. The same rule applies to the sale of soap and washing materials, leather goods, metal goods and non-contemporary works of art.

These regulations have been accompanied by others providing for a smoother working of the price and marketing control, while at the same time new powers have been given to the Fascist Party officials. Already during the summer the Fascist Party was entrusted with the control of prices. In October, it was decreed that no appointment of prices "of public interest" must be made in Italy for any post "of public interest" must be made in Italy without the special consent of the Party, and a little later it was announced that the Italian Corporations would be purged of "unreliable people"; every corporation, with the insignificant exception of those for the glass trade and the amusement industries, was affected by the wholesale dismissal of former high officials.

High Food Prices

All these measures have been found necessary, according to the Italian press, in order to check the attempt of the capital-owning classes to avoid the accumulation of savings or state securities; it has been pointed out that since the outbreak of war large amounts of savings have been invested in company shares and real estate. This tendency, which is obviously born of the inflation scare and the general distrust in the Government's war policy, led to an unprecedented rise in the prices of shares, real estate, and movable goods, which threatened the stability of the lira. The retail price of bread seems lately to have been kept stable, but other prices of consumption goods have risen considerably between the summer of 1940 and 1941; for instance, the price (in Rome) of potatoes rose by 10 per cent, butter by 33 per cent, beef by over 50 per cent, eggs by 100 per cent. Wines and fruit are by 50 to 100 per cent dearer than a year ago and the price of fresh vegetables has nearly doubled. It should also be added, first, that the cost-of-living index had already risen by 65 per cent between 1935 and 1940, and, secondly, that the figures quoted do not take into account the enormous price increases in the black markets.

The price of building property is said to have risen, in many instances, to three or four times its former amount during the last few months, and the prices of many company shares, for which no spectacular dividend can be expected, have also risen considerably. The announcement of the compulsory registration of shares seems to have checked this upward trend, at least for the time being, and the general level of share prices has fallen by more than 20 per cent since the beginning of October. Italian export prices had also been affected by the upward trend, and the problem of their stabilisation has formed an important item on the agenda of the latest Italo-German trade talks.

The attitude of the investing public has been no less detrimental to Italy's war finances than it was to the stability of the lira. Ordinary revenue does not seem to have risen above its pre-war level of 30,000 million lira per year. According to a recent report of the Minister of Finance, the Italian extraordinary war expenditure amounted, from July 1, 1940, to October 8, 1941, to about 76,000 million lira, or almost exactly 5,000 million lira per month. Since the monthly expenditure had been stated at several occasions at the beginning of this period to be above 5,000 million lira, it seems clear, especially in view of the de-

creasing purchasing power of the lira, that there has been a considerable reduction recently in Italy's real war expenditure. Without the help of the Germans, who send large quantities of unpaid materials south of the Brenner, Italy's financial position would be even worse.

In February and September this year the Italian Government issued two series of 5 per cent Treasury bills, repayable after nine years, which brought in a total of 39,100 million lira; a large proportion of the extraordinary war budget has had to be financed by short-term measures, and the only way of further increasing the war chest has been to force the owners of capital, in one way or another, to lend their money to the Government.

On the whole the Government is still trying to enlarge the volume of war production, both industrial and agricultural, and to pursue its policy of self-sufficiency. It has been announced that new subsidies would be paid to agrarians so that in 1942 the "struggle for grain" will have some better results than in the last two harvests. Ninety thousand "special workers" are to be trained during 1942 for industrial jobs. This figure represents over 10 per cent of the total number of workers in the engineering, chemical and extractive industries before the outbreak of war; it seems to confirm a Swiss report that even in Italy, owing to the military mobilisation, the extension of war industry and the enforced migration to Germany, a certain labour shortage has arisen in the industrial field; there is, of course, still a large reserve of other labour in Italy.

The Fascist Party's "anti-plutocratic" propaganda has probably yet another object—to make an excuse for the poor living conditions of the masses. At the same time as investment was restricted by new Government decrees, the bread card was introduced and many other consumption goods were likewise rationed. The weekly bread rations are 50 ounces for ordinary people, 75 ounces for heavy workers, and 100 ounces for very heavy workers; most other rations are differentiated according to provinces, so that the available quantities might nowhere exceed the amount which is consumed in ordinary conditions. Fish, which, however, is scarce, preserves, many vegetables and fruit are practically the only unrationed foodstuffs. Even in the north, rooms must not be heated before December 1st, and then only during a limited number of hours per day. Restaurants have to close, and the ordinary bus and tram service must cease at 10 p.m. every night.

The wartime economic policy of any totalitarian community may be considered under a double aspect. Any measures curtailing the freedom of the individual are mostly introduced as a wartime necessity just as in a democratic country. But there are indications that a certain difference of opinions about the true significance of these measures for the problems of post-war policy exists in Italy herself. The more radical school of Fascists are hailing the end of the bearer shares and the new price regulations as an important step in the construction of a Corporative Order in Italy. Similar measures have indeed been propagated in peace-time already, and for a typically Fascist thinker there is no reason why this policy should be abandoned when this war is over. A more moderate interpretation of the economic war policy has been forwarded a few months ago by an article in the Catholic *Avvenire d'Italia*, where it was pointed out that the price regulations could only be defended as a wartime measure but that they would tend to kill the initiative of any industrialist or trader and should therefore be abandoned as soon as possible. The Government has so far avoided the issue and the wording of the new decree does not make it possible to see whether the registration of shares and the other measures recently taken are intended to function for good—i.e., in the unlikely event of the Fascist regime surviving the present war.



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Turkey's Mineral Resources

[BY A CORRESPONDENT]

December 1st

THE recent refusal of the Turkish Government to modify its agreement to sell chrome to Great Britain and the United States has reminded the world that in the past few years the mineral resources of Turkey have been greatly developed. Details of this development are regularly recorded in the journal of the Turkish "Institute for the Study and Survey of Minerals," and the first two quarterly issues for 1941 supply interesting particulars of the progress made to date in the production of hard and soft coal, iron, chrome, copper and other minerals.

Turkey is fortunate in possessing extensive coalfields, the largest of which is that of the Zonguldak-Eregli area on the Black Sea coast. The production of hard coal from these fields was sufficient before the war, not only to meet the needs of home consumption, but also to allow considerable exports. The war, however, greatly dislocated Turkey's foreign trade. Many commodities could not be imported, and this blocking of sources of supply intensified the Government's already existing desire to develop home industries.

This programme of self-sufficiency provided in particular for an extension of the railway system, an increase in the use of electricity and gas, and the development of steel manufactures. Hence the home demand for hard coal was much widened. The result was a drop in Turkish exports of hard coal in 1940, which, however, was offset by a doubling of the price obtained per ton. Moreover, production was 21 per cent higher, and economy in home consumption was effected by an increased use of lignite and soft coal, the production of which was doubled during the same period.

The output of both types from the Eregli mines in particular was much increased in 1940 as a result of their purchase by the Government. At the end of the year they were consigned for exploitation to a Government corporation which has since embarked on a reorganisation and "rationalisation" of the whole field, giving especial attention to the improvement of roads and labour conditions. Recent geological investigations show that the field extends in unsuspected directions, and new areas are in the process of being opened up. Finally, a school for the training of mining technicians has been established at Zonguldak, and a special Government agency has been created for the distribution and sale of hard coal throughout the country.

The main consumers of hard coal are the State railways, the iron and steel industries (which used almost three times as much in 1940 as they had in 1939), steamship companies, and electricity supply centres. Others whose consumption increased considerably in 1940 are the silk and textile, paper and sugar industries.

The Turkish Government has for some time sought to encourage the use of soft coal, not only in place of hard coal for industrial purposes, but also among the peasantry in place of wood and dung for domestic heating. Its aim here has been, on the one hand, to conserve timber in accordance with its afforestation policy, and to promote the use of natural manure in agriculture. To make possible the adoption of soft coal as fuel by the peasants, arrangements were made for the distribution from rural centres, at low but economic prices, not only of the coal itself but of stoves suitable for burning it in. The result has been a steady increase in its use and a corresponding increase in its production. Production has been effected chiefly under the auspices of the state-owned Eti and Sumer Banks—the first of which controls the fields at Sowa, Degernisar and Tavsaui and the second that in the Aydm district—and of the State Railways, which own the Celtik mines in the Amasya-Merzifon area. These all increased their output in 1940, compared with the previous year.

The year 1939 was an epoch in the history of Turkish industry, in that it saw the large iron and steel factories established at Karabuk begin production. Before they did so, Turkey had been obliged to import all the iron and steel products required for railway construction, building, shipbuilding and sanitation. Hence the Karabuk plant began by concentrating on the production of rails and sleepers, girders, wire, steel plates for ships and tubes. The saving effected in Turkish currency has been

gratifying; the average monthly payments on this account fell from 2,348,000 liras in 1938 to 502,000 liras in 1940.

Turkey provides its own iron ore for these manufactures. It is mined chiefly at Divrik, where, though climatic conditions interrupt the work during the winter, production is enough for domestic needs. Indeed, the stocks accumulated in 1939 were so large that production in 1940 was somewhat reduced.

Less Chrome

Strangely enough—since the mineral plays so important a part in armament manufacture—Turkey's production of chrome declined somewhat in 1940, chiefly owing to the insecurity of sea transport. Of the 182,327 tons produced last year, 95 per cent were sold to Great Britain, the United States and France, the only other states to which sales were made being Norway and Sweden. Chrome exports last year earned Turkey 3,224,000 liras in foreign exchange. Fourteen companies are concerned in chrome exportation, the Eti Bank again controlling half this activity.

In contrast to chrome exports, copper exports made great advances between 1938 and 1940. Almost two and a half times as much was sold abroad in 1939 as in 1938; and in 1940 the amount sold to the United States alone was over three-quarters of the total exported in 1939. Prices also rose sharply last year and earned Turkey almost two million liras' worth of foreign exchange. In 1940, production from the mines of Ergain and Kuvarshan showed an increase of just under 27 per cent over 1939. Rather less than a quarter of this was devoted to Turkish armament manufacture.

Such are the particulars furnished by the *Journal* of the actual exploitation of Turkey's mineral resources. But it is clear that these have not yet been fully explored. Investigations are, in fact, being carried on in various directions, particularly for further supplies of soft coal, iron and copper and for oil; all of these have already produced results, oil, for instance, having been found at Romon Dogu. The *Journal* itself is evidence of the Government's ambition and enterprise in this sphere. For its pages are, for the most part, devoted to articles by European geologists, scientists and experts (mostly, unfortunately, German) on such subjects as Turkey's unexploited resources and the latest European discoveries in the use of minerals—one article, for instance, deals with the manufacture of paper and cardboard from lignite.

A remarkable feature of this effort on the part of the Turks to develop their mineral wealth in recent years is the extent to which they have been able to rely on their own capital for the purpose. The leaders of the republic were in part spurred to this achievement by unhappy memories of the past when foreign loans resulted in foreign interference. But in view of the poverty of the country when the new regime was established after eleven years of almost ceaseless war, the present Prime Minister, Dr. Refik Saydam, was well justified when, in a speech which is reported in the spring number of the *Journal*, he pointed with pride to this accumulation of capital as affording Turkey resources such as no other comparable state could boast.

Switzerland's Budget Difficulties

[FROM OUR GENEVA CORRESPONDENT]

November 14th

THE Swiss Federal Government has just published its budget for 1942, a budget which the Press describes as the most critical since the beginning of the war. Receipts are estimated at 317 million francs and expenditure at 479 millions, thus leaving an estimated deficit of 162 million francs. This indicates that taxation, though already heavy, will be further raised in order to avoid a too great increase in the public debt. It shows that the financial situation of the Confederation is far from favourable, and it should be further remarked that the budget only includes the ordinary military expenses of 116 million francs, and that expenditure incurred for the upkeep of the army and the continued building of fortifications is carried to a special

mobilisation account. From August, 1934, when Switzerland began rearming, up to the end of August, 1941, about 2,800 million francs were expended on national defence. Of this huge total, some 733 millions will be repaid by the end of the year, but the remaining 2,067 millions, added to the railway debt and to the existing public debt, are likely to bring up the debt of the Confederation to about 6,900 million francs by the end of 1941, and nobody knows how all this is to be repaid, even partly to repay it.

There may, it is true, be a reduction in the railway debt, as circumstances are benefiting the Federal railways. Traffic struck a record in 1940, when goods traffic showed a rise of 45 per cent over 1939, and passenger traffic an increase of about 5 per cent, with the result that the railway surplus was 168 million francs, against 149 millions in 1939. Up to the end of September, 1941, receipts totalled 322 millions—34 millions more than during the corresponding period of 1940—and the surplus reached 149 millions, a rise of 20 million francs over the first nine months of last year. These results are due, on the one hand, to the stoppage of motor traffic, and, on the other, to the increasing transit traffic of goods between Italy and Germany. It is so active that there is now a train every 10 minutes on the St. Gotthard line, and it has been necessary to dispatch many of these transit trains through the Loetschberg and Simplon tunnels. That imposes a heavy strain on Swiss railwaymen, lines and engines, but it may also explain why Switzerland has so far been left in peace by her powerful neighbours, to whom Swiss railroads are essential. While all sorts of raw materials and fuel are thus passing through, Switzerland lacks the products essential for keeping her industry going. There is a dearth of coal, iron, steel, copper, oil, and rubber, and though accumulated stocks are not yet completely exhausted, the situation is growing more serious every day.

Curiously enough, unemployment is very small; the reason is that workers thrown out of work in one industry are at once absorbed by another, as demand is much higher than supply, and in the metal industry sales on the home market show an increase of 100 per cent over last year.

Some factories are working for Germany, a few only for war purposes, but though they are to get the necessary raw materials from Germany, they complain of not receiving them in adequate quantities. Two factories, which are producing spare parts for aircraft, have already had to stop their production three times, after having turned out some 10,000 pieces each time, because the Germans had meanwhile altered the specifications.

Germany's Economic Order in Belgium

[BY A CORRESPONDENT]

October 19th

MORE than a quarter of the 1½ million workers normally employed in Belgium's industry are now working for Germany. Roughly, 210,000 Belgian workers were sent to Germany and 190,000 are working on German orders in Belgian industry. The number of registered unemployed still amounts to some 70,000, and the number of unemployed who refused to go to Germany is even greater—they are no longer registered and receive no unemployment benefit. Industrial activity is therefore on a low level compared with 1939. After a surprisingly quick recovery made by the coal-mining and steel industry during 1940, output seems to have been decreasing during recent months, partly because iron ore supplies from France are insufficient. In addition, strikes and passive resistance in mines and factories have frequently been reported. Recently, miners in the Borinage district went on strike for eight days. In the metal and textile industries 125,000 workers went on strike for some time, and miners even protested against the attack on Soviet Russia by stopping work.

The industries manufacturing railway material, and the shipbuilding yards, have been particularly useful for Germany's war economy. Here, the number of workers has been increasing, but pre-war output has not been maintained. The textile industry, on the other hand, has been reduced to some 30 per cent of pre-war activity. The big Belgian glass industry has been forced into the German cartel, and prices and exports are thus directly controlled

by the German glass industry. A Central Office for the diamond industry has introduced compulsory registration, and restricted the cutting and sales of diamonds for industrial purposes. All other civilian industries have been closed down or severely restricted.

As in other countries, Germany imposed on Belgium an economic organisation after the model of the German compulsory organisation. After the reorganisation of the Ministry of Economic Affairs, so-called commodity offices were established in all leading industries. These offices allocate raw materials, control the industries and decree compulsory concentration. The next step was the foundation of a compulsory central organisation for employers, with groups for each industry, also after the German model. At the same time, agriculture was compulsorily organised after the model of the German *Reichsnährstand* and marketing organisations.

Shortly after the occupation, German industrial and financial concerns began their private penetration of Belgium's economy. The leading *Ougrée Marihay* works were assimilated into the German Steel Cartel, and the *Vereinigte Stahlwerke* acquired the Belgian Phenix Works, the leading manufacturers of galvanised sheets. At present, a considerable number of firms in the heavy industries have been brought into German hands. Subsidiaries of German banks—the *Kontinentale Bank* in Brussels founded by the *Dresdener Bank*, the *Banque de l'Ouest* in Brussels, and the *SA Banque de Travail* in Antwerp, founded by the *Bank der Deutschen Arbeit*, are the chief means of extending German control over Belgium's industry.

Direct economic penetration is supplemented by industrial collaboration in many different forms. The industrial exhibition in Brussels, where 300 German firms exhibit several thousand models, is actually an Order Bourse. In the textile industry, Belgian manufacturers of artificial textile fibres collaborate with German concerns for the expansion of the manufacture of artificial fibres. Another typical example is the recent foundation of the *SA Carburantes Belges*. Its purpose is the purchase and distribution of synthetic oil products, which will be manufactured by Belgian industry in collaboration with the German synthetic oil industry. Industrial collaboration with Germany is a powerful incentive for the centralisation of Belgium's industry, as is shown by the formation of the "Belgian Petroleum Union," comprising 20 firms, the "Union of the Belgian Locomotive Manufacturers," and the *SA Belge de Fibranne*, comprising all manufacturers of artificial textile fibres. The latest step is the organisation of a rationalisation committee, officially called a study committee, for the incorporation of Belgium's industry into Europe's New Economic Order. German experts, who dominate this committee, will thus take actual control of all industries, after the Ministry of Economic Affairs has made rationalisation compulsory in accordance with the committee's recommendation.

Shortage of Food

The greatest obstacle to a successful incorporation of Belgium into Germany's European war economy is the totally insufficient agricultural production. The acreage under cereals has been increased from 270,000 hectares in 1940 to 312,000 hectares in 1941; yet it will never be possible to achieve agricultural self-sufficiency. Germany is obviously not able to supply Belgium with the necessary foodstuffs, and a further expansion of agriculture seems impossible. Last spring, for example, Germany and Holland supplied only 50,000 tons of seed potatoes instead of the promised 70,000 tons. Food rations are, therefore, near starvation level. The weekly bread ration amounts to 3½ pounds; butter and margarine to 3¼ ounces; sugar to 16¼ ounces; meat to 8½ ounces, and potatoes to 8 pounds. The output of beer has been drastically reduced. Normally, the brewery industry consumed 250,000 tons of barley, whereas last year only 80,000 tons were supplied. Before the war, Belgium had the highest per head consumption of beer in the world; now, beer is only supplied when part of the bread card is exchanged. Black markets in foodstuffs are extensive, and exorbitant prices are paid there for cats and dogs. Naturally, the German authorities try to supply first the Belgian workers employed in coal mines, steel plants and factories working on German orders, and municipal authorities constantly complain that milk, in particular, which has been promised for children, is diverted to workers. Lack of foodstuffs, rising prices and fixed wages are thus the source of unrest, sabotage and even strikes in Belgium's industry.

Belgium is thus at present probably one of the weakest links in Germany's wartime organisation of Europe. Its

industry cannot be fully utilised for Germany's war machine because of the lack of raw materials formerly imported from overseas. Only the heavy industries and a small part of the extensive manufacturing industries can be kept working, but the efficiency of the workers is declining because of the shortage of food. There are many instances of direct economic penetration being successfully prevented by Belgian industrialists, but the system of industrial collaboration, which was first tried out in France, seems to be more successful.

Germanisation in Czechoslovakia

[BY A CZECHOSLOVAK CORRESPONDENT]

November 27th

EVERY week brings new reports of the Germanisation of the Protectorate, of the suppression of what still remains of the Czech schools, and of the disbanding of the last municipal authorities in Czech towns. Provocative "German days" are being organised in certain towns such as Louny and Píbram. The newly appointed deputy for the Government Commissar in Pilsen has proclaimed German as the official language of local administration in this Czech town with its 90 per cent Czech majority. German officials have been appointed to all important administrative positions and entrusted with the supervision of the town's cultural organisations, such as libraries, collections, schools and theatres; and a large subsidy has been granted to various

German undertakings from local funds. Already in April, 1940, provincial autonomy had been brought to an end by a decree dissolving the provincial diets and provincial committees. Now a decree has been issued which hands over to the provincial President functions formerly falling to the disbanded bodies. These Presidents will have at their hand subsidiary committees, consisting of eight members and eight deputies. These committees, which are appointed, not elected, will be called Provincial Councils and will serve as purely advisory bodies in technical matters.

These measures are accompanied by attacks upon former members of the Legionaries, Sokols and other national organisations and the Jews. The deportation of the 90,000 Jews to Poland is said to have already begun. Soon all Jews, and, as the German-controlled Press says, "their incorrigible Czech well-wishers," are to be excluded from the Protectorate. New regulations are making it difficult for Jews to travel on railways and trams.

The supply situation is critical. Everything possible is being registered and commandeered. A census of apple trees and the immediate requisitioning of the apple crop have now been ordered. In the black market, which is the public's only protection from starvation, prices have risen to fantastic heights. In certain districts 8 crowns (1s. 6d.) are paid for one egg, 160 crowns (£1 10s.) for two pounds of lard and 250 crowns for an unfattened goose. The Reich balances the import of goods from elsewhere by Czech sugar, or uses its for bribery, when sympathies are to be won over in certain countries. Thus it was announced in October that the total consumption of sugar in Finland was well covered by imports from the Protectorate. Meanwhile there is a shortage of sugar in the Protectorate itself.

Letter to the Editor

Post-War Agriculture

TO THE EDITOR OF THE ECONOMIST

SIR,—Mr Geoffrey Crowther wrote in *Foreign Affairs*, October 1941, "British foreign trade connections are being disrupted; British liquid reserves of gold and investments have been exhausted. It is almost certain that the pound sterling will be weakened, and the dollar strengthened by the war, and that the sterling area will have even greater difficulty . . . in obtaining sufficient supply of dollars." When *The Economist* is at variance with its Editor, who am I to argue the matter further?

But your whole rejoinder to my letter leaves me slightly puzzled. You contradict my arguments, yet in point (3) you admit a large proportion of my conclusions by agreeing (a) to a guaranteed price; (b) that the pre-war low wholesale price level for food so far from helping industry was a major cause of industrial unemployment, and (c) you later on say that you are prepared to pay a limited price to maintain a limited agriculture.

If you are prepared to admit all this—why bother about disagreement on other points? We agree on so much, except that you fear that if anything is done to help agriculture, it will be to the exclusion of all other interests, and at a quite overwhelming expense. But this is not so. We claim only treatment for agriculture equal to that of industry which has already been de-rated, protected, subsidised, cartelised (as with steel), and given legislative power to ensure a fair price and a fair wage (as with coal). This claim is all the stronger in that our wages are imposed on us by Statute. The Sydney Conference in 1938 showed clearly that farmers were no longer thinking in terms of a purely nationalist policy that would harm overseas producers, and therefore our export market. They realised that the depression from which they suffered was equally harmful to producers elsewhere, and that a general problem demanded a general solution. Finally, no one, so far as I know, wants a large subsidised wheat acreage. All we want is sufficient acreage of wheat and other basic crops to maintain mixed farming or, to use the words of the Government party leaders, to give us "a healthy and well-balanced agriculture."

But you ask—what of the cost? Of course, such a question cannot possibly be answered now. Who would be so foolish as to venture a prophecy or a forecast at the present moment? But we do know that your process of taking Sir Daniel Hall's figure of £100 millions and doubling it is fantastic; or perhaps you have added the

Chancellor's figure of £100 millions for food subsidies? If so, these concern the cost-of-living policy and not home agriculture—indeed, most of them go to cheapening imported food. Sir Daniel's figures include de-rating, which is not a subsidy but a transfer of taxation from productive units like land and factories to income and other non-productive units. They include also agricultural education and such other as taxation allowances which have their counterpart in the field of industry. The actual money assistance to agriculture was in 1938-39 about £17 millions, including the subsidy to cheap milk for children.

If therefore we are to base, as you have, our calculations for the future on the past we must take as our basic figure the actual pre-war £17 millions—and then build upon that—rather than your fantasy figure of £200 millions. The result must then be compared with the protection and assistance given to industry, before agriculture is singled out for special attack as having asked for special help—compared also with the cost to the country of the disastrous effects on industry in the past of the policy of *laissez faire* in destroying the purchasing power of food producers, both in this and other countries.

I should say that in such an account I would not reckon the cost of a nutrition policy. On social grounds it is vitally needed, not only in this but in every country in the world. It can provide a market to farmers for commodities that we here are particularly fitted to produce in competition with all other comers. Public expenditure in encouraging the greater consumption of milk, fruit, vegetables and eggs, would be a sound and wise social investment. Whether to charge it against agriculture or the health services would be a matter of bookkeeping. But it certainly could not be considered as part of the cost of maintaining production in face of competition from cheap produce overseas, which is the cost that you are apparently afraid may prove excessive.

December 18, 1941.

DE LA WARR.

[1. There is not the slightest discrepancy between the article in *Foreign Affairs* to which Lord De La Warr refers and the article in *The Economist* on British agriculture. The former argued that the pound sterling will be weaker relatively to the dollar after the war than it was before. The latter argued that this weakening of the pound cannot be expected to go so far as to impede the purchase of primary products—comparatively few of which have to be paid for in dollars. 2. The make-up of the figure of £200 millions a year was explained in the original article. It is a conservative figure.—EDITOR.]

THE BUSINESS WORLD

Personnel Management

AS the progress of registration and calling up leaves fewer and fewer sources of labour untapped—though the draining process leaves room for much improvement—the problem of making the utmost possible use of every unit of labour in the war industries increases in importance. In so far as the maximisation of output per unit of labour depends upon the technical organisation of the other factors of production, upon the equipment provided, the organisation of supplies, and such matters of scientific management as the height of the bench or the speed of the conveyor belt, it is particular to each works and cannot be discussed in general. A great part of the problem, however, is more directly a labour question, and must be solved on similar lines by all industries.

The first requirement for its solution is to produce an atmosphere of confidence and co-operation within a works. This can only be done if the management has a clearly formulated labour policy and has defined the attitude it will take to the human problems, physical and psychological, of the workshops. Having formulated the policy, one trained person—call him or her personnel manager, labour manager, welfare supervisor or what you will—must be responsible for seeing that this policy is carried out. Moreover, the policy and attitude must be understood and interpreted in the daily industrial relations of foremen and supervisors. For it is they, as much as the higher management, who create the tone of a factory. The recent Government statement on production, issued in reply to the recommendations of the Select Committee on National Expenditure, put the seal of official approval on this argument. It is official policy to encourage the creation of personnel departments in all factories of a size to justify their existence.

To enable each worker to do his or her best, in the sense not merely of putting forth the maximum effort but of achieving the maximum result, it is essential to have not only the right physical conditions but also the right psychological appeal. From the fall of France to the resistance in Russia, events have followed hard on each other's heels to maintain the right atmosphere for this in British industry. The importance of output has been illustrated over and over again, and propaganda has been very successful in hammering it home. More difficult, but increasingly necessary of late, has been the work of impressing upon each individual the importance of his or her individual output. Visits by members of the Forces to the factories which actually manufacture their equipment can do more to this end in a few minutes than hours of talk by the most eloquent civilian. The Admiralty showed imagination on these lines when, in reply to a telegram of congratulation upon the sinking of the *Bismarck*, received from a group of coalminers, it sent some of the sailors who had taken part in the sinking to visit the senders of the telegram.

Once the keenness of the individual worker has been roused, it is a matter of almost greater importance to see that nothing happens to blunt it. To rouse the apathetic is that child's play compared with the difficulty of re-inspiring the disillusioned. To avoid disillusionment it is essential that the new recruit to industry be given the feeling that everything is being done to help him to give of his best, and that old and new employees alike should have every confidence in the management. Even if a factory is being thoroughly competently run hitches in the flow of materials or parts may hold up production. It is essential that the reasons for these hold-ups should be explained to the workers, through their elected or trade union representatives, or through the foremen, and that their co-operation should be sought in overcoming or making good consequent losses in output. Mr Bevin and others have urged the extension of works councils and committees. Where they are set up they can be used for something more

constructive than merely handling explanations or instructions from the management to their constituents. They form a method of mobilising the ideas of those actually on the job. There is too much one-way traffic in ideas—all coming down from the management to the workers. Co-operation means joint working and pooling. If workers are habitually taken into the confidence of the management in this way, they will be prepared to give it their confidence in return on those rare occasions when considerations of national safety genuinely preclude an explanation.

Lastly, there remains the question of providing an adequate material incentive for those who are incapable of responding to any other sort of appeal. The importance of this in present conditions is easy to overrate, for the plight of democracy is such as to call for a more intense effort on the part of everyone than he would ever be induced to make for purely selfish reasons. Those who only care for the money reward retire from the field for the rest of the week when their financial requirements are satisfied, and the millions who are now working all out for longer hours than is good for them are certainly not doing so only from motives of material gain.

In this connection arises also the question of discipline, of which much the same may be said. No human being, be he never so powerful, can really force another, however weak, to do anything, as anybody can testify who has tried to set on its feet a small child determined to be carried. All that can be done is to induce people by bribes or penalties to select the required courses of action. This, however, is not discipline. Discipline is only achieved when those under orders are conscious of a purpose in common with those in authority and have confidence in that authority's ability and will to carry it out. Given a labour force whose overriding purpose is to "beat Hitler" and a management that knows its job, little will be heard of questions of discipline.

Many of the labour questions that have attracted public attention, and have been regarded as disciplinary matters, have arisen from insufficient attention to the needs of the workers or from ignorance of their physical limitations. Absenteeism and bad time-keeping have been shown over and over again to be often the result of exhaustion or of domestic responsibilities for which no provision is made. One of the most serious mistakes of this kind which still persists is that of excessive hours of work. After the fall of France the need for replacing lost equipment and arming Britain for immediate defence against the threatened invasion was so urgent that the working week was allowed to assume extravagant lengths. Even for women and young persons the statutory formalities were largely ignored for several weeks, and though these were brought under control again after July, the tendency towards excessive hours for men still continued. A case is cited by the Chief Inspector of Factories of a factory in which weekly hours sometimes reached 84, with no day off. Naturally the workers could not stand the pace, and days were not infrequent on which as many as a quarter of the employees failed to appear. When hours were reduced to 56, with Saturday afternoon and Sunday off, absenteeism became almost negligible, production increased, and the men were able to earn as much as before.

It is a pity that more managements do not avail themselves of the results of the considerable body of research that has been done on the question of hours of labour. While the optimum length of the working week must vary considerably according to the nature of the work, there is little excuse nowadays for such gross blunders as the maintenance of hours which not merely lead to a decreased output in the long run, owing to their cumulative effect in exhausting the workers, but which fail to increase output even over a short period. The 1940 report of the Inspector of Factories quotes several instances of reductions in hours which were

followed by no permanent reduction in output and in some cases even led to an increase. About 52-56 hours seems to be the maximum that it is profitable to work in most industries.

With this question of weekly hours is bound up that of arrangement of shifts. Even where the process of production does not itself require the continuous working of the factory, this is highly desirable in order to make the utmost use of all available productive capacity. Experience has proved overwhelmingly against the abandonment of a periodic free day. If it is not provided, the workers usually are driven by weariness to take it, so that production is dislocated, and Sunday double pay taken, all to no purpose. True, there are some remarkable exceptions to this generalisation, but it applies to the bulk of industry. Various devices are adopted to surmount this difficulty. Where sufficient labour is available, the most effective seems to be some form of arrangement by which an individual worker does an eight-hour shift for seven (or it may be five or six) days, has 32 hours off, and goes onto another shift for seven days. Such rota systems need careful organisation, and sometimes meet with opposition at first owing to their unfamiliarity. Moreover, during intensive air raids, the arrangement of shifts has often to be modified to enable workers to get to or from work before the night raids begin, but this seems to present no insuperable difficulties if it is the subject of amicable agreement.

Next to the matter of hours, the question of transport is perhaps the most crucial. While performances so spectacular as to attract the gift of a bicycle from retired Dominion Prime Ministers are fortunately rare, very many workers do have to perform such feats of physical endurance in getting to and from their employment as should not be asked of anybody. Attention to this, both by improving the means of transport and by providing living quarters nearer the

factories would reduce absenteeism and conserve a great deal of energy now wasted. The extension of canteen facilities, now fortunately proceeding at a greatly improved rate, should have a beneficial effect on production both by maintaining the stamina of the workers and by its psychological effect. In particular, the knowledge that their husbands are well fed at their place of work makes it very much easier for those of their wives who are also in factories to be punctual and regular in their own attendance.

Where women workers are concerned, consideration for their domestic responsibilities is essential if they are not to disorganise their colleagues by irregular attendance. A woman who can be relied upon for six hours a day is far more use than one who officially works eight but who can never be counted upon. But a woman with a family can be reliable only if she is given time off for catering and for such attention to her children or aged and infirm relatives as must be given by her in person. The difficulties of shopping are increasingly recognised and many suggestions have been made and are being tried. The problem of the children is more difficult. For the younger ones an extended provision of residential and day nurseries and increased mobilisation of suitable persons for "minding" all offer partial solutions. So far little has been done to care for the schoolchild during the hours when the mother is not at home and school is not normally open; the extension of school meals will be most valuable in this respect, but needs to be coupled with provision for evening occupation for the children.

Many of these questions cannot be completely resolved without assistance from Government or local authorities. A large part of the solution, however, lies with the individual managements. Upon their initiative and knowledge of human nature depends, to a great extent, what proportion of the potential output of British workers is actually realised.

Finance and Banking

Concentration in Banking

When moving the second reading of the National Service Bill, Mr Bevin pointed out that the principle of concentration must be carried further into the realms of banking and insurance. Negotiations are understood to have taken place between representatives of the clearing banks, the Bank of England and the Treasury to see how much further the movement can be carried. It should be realised that much has already been done, both involuntarily through the action of the enemy and through voluntary agreement among the banks themselves. A number of branches have been destroyed or put out of action by air-raid damage, and in all cases the clients concerned have been accommodated either at another branch of the same bank or, by arrangement, with the neighbouring branch of another bank. Apart from concentration of this kind, the banks have voluntarily closed down between 12 and 15 per cent of their branches and offices. The movement may have to be carried appreciably further if the abandonment of reservation and the compulsory enlistment of women clerks make appreciable encroachments on the staffs now engaged by the banks. Any considerable calling up of women employees between the ages of 20 and 30 would apparently have serious effects on the capacity of the banks to continue functioning with anything like their present structure of branches. It is probable that considerable scope still exists for merging in one office the work now done by the competing branches of different banks in comparatively small localities. But there can be no doubt that with the increase in the money income of the population the work of the banks, taken as a whole, is increasing. One altogether new sphere of activity upon which the banks are soon to enter is the opening of traders' coupon accounts—that is, accounts of which the substance will be coupons, not sums of money. The scheme is being worked out between the banks, the Retail Distributors Association and the Board of Trade. Whatever its ultimate form, it must add appreciably to the amount of work handled by bank staffs.

Discount Market Position

It seems unlikely that the principle of concentration will be applied with anything like compulsory force to the

discount market. The depletion of staffs will make further progress and it may prove difficult for the discount houses to plead for the special exemption of personnel. But beyond this, no official steps are likely to be taken to further the integration movement in the market. Some months ago members of the market were reminded of the long-standing opinion of the Bank of England in favour of fewer and bigger discount houses. Nothing has happened since then to alter that view. Indeed, if that were possible, the bill business of the discount market has become still more stereotyped and automatic than it was at the time the opinion was last repeated, and the structure of the market, therefore, more inviting to concentration. The authorities, however, are likely to pin their faith to more natural forces than those of compulsion. For personal reasons some of the smaller discount firms must now be nearing the point at which they will be merged into the larger units in the market.

Exotic Dollar Markets

The military and political events of the past month have had their most striking financial reactions in the few remaining free foreign exchange markets. Among the most sensitive of these is the Lisbon market in foreign bank notes—a virtual European clearing centre to which refugee traffic and the Clipper service have brought considerable turnover and more than commensurate profits. The main event in Lisbon has been the slump in US dollar notes which followed the Japanese attack. From a rate of about 22 escudos, the US dollar, in this guise, has fallen to about 17 escudos. This compares with a TT rate of about 25 escudos to the dollar. What was perhaps the most important free exchange market in the world, Shanghai, has now reopened under completely new management. According to reports percolating from enemy sources, all foreign banks in Shanghai have reopened after the immediate paralysis caused by the Japanese assumption of control in the International Settlement. The immediate tendency in the market after reopening was to offer foreign currency in exchange for Shanghai dollars, which, though issued under the authority of Chungking, are still the most widely accepted currency in the Settlement. Conditions in the market have apparently been considerably disorganised and

the US dollar has slumped to about half its previous exchange value. These wild fluctuations are, of course, of no greater significance than as an illustration of the chaotic conditions under which these two widely separated markets are being called upon to function.

Currency Chaos in Tangier

A Tangier correspondent writes:—The exchange position in Tangier has recently become chaotic and is playing havoc with local trade. Though the territory is now under Spanish control, the traditional local currency is the Moroccan franc. The Spanish authorities, however, insist that any goods imported from Spain be paid for in pesetas. A dual currency system is therefore in operation. The

authorities endeavour to keep the peseta-franc rate at about 4.50 francs to the peseta. On the basis of the official peseta-sterling rate of 40 to the £ quoted in Madrid, this would give a sterling-franc parity of 180. The machinery for maintaining the parity of the two local currencies is highly defective. The strict control of the exchange market in Spain makes it almost impossible to obtain pesetas, and early in November the shortage caused the black market rate to leap to 18 francs to the peseta. The result of the shortage of pesetas is that goods for which payment must be made in that currency are left unsold. For example, fish imported from Spain is left to rot in the market, though, with two meatless days a week, the demand for it is of record proportions. In the free or black market, the pound has recently been quoted at about 120 pesetas, or three times as much as the official rate in Madrid. On this basis the free sterling-franc rate would be 540 francs to the £.

Investment

Sensitive Markets

Of the general course of stock exchange prices during the past few days, there is little fresh to relate. Falls in securities directly affected by the Far Eastern hostilities have continued, if at a somewhat reduced rate, and price margins are wide. Elsewhere, general, slight weakness has been the rule, helped by the usual year-end realisations for balance-sheet and other purposes. Business has fallen off further, but it is still very much better than it was a year ago, and quite a fair proportion of it represents successful attempts to acquire what is considered cheap stock. The

	Dec. 5	Dec. 9	Dec. 22	1941	
				High	Low
Consol 2½%	82½	82	81½	82½	76½
Conversion 5% 1948-53	102½	102½	102½	103½	101½
L.M.S. Ord.	16½	16½	17½	17½	11
Midland Bank 2½	84	84	82½	84½	77½
General Electric	79	78½	78½	84½	76½
Courtaulds	35½	34½	33½	36½	26½
Union Castle	20½	20	19½	21½	8½
John Brown	29½	29½	28½	34	25½
Vickers	18	17½	16½	18½	14
Bristol Aero	11½	11½	10½	11½	9
Harrods	36	34½	34	38½	22½
Imperial Chemical	33½	32½	32	33½	28
Imperial Tobacco	133½	127½	126½	135½	89½
Ranks	16½	16½	16½	16½	13½
United Molasses	31½	29½	29½	33½	21½
Rass	141½	138½	140½	142½	104½
Distillers	74½	73½	71½	76	59½

* Ex dividend.

table above, shows, for a number of representative securities, not directly concerned, the changes on the receipt of the news, and in the fortnight to Monday afternoon last. It will be seen that the progress of the Japanese attack has been responsible for a fall similar in extent to that caused by the outbreak of hostilities. It will also be noted that, as compared with the rise from the worst of the year, the decline since December 5 is strictly moderate. The considerable rise in LMS ordinary is testimony to the fact that the powers of recovery are substantial, and that any really favourable news is capable of outweighing the ill effects of the entry of a new belligerent upon these sections of the market.

Successes Discounted

Since there is a distinct possibility that rubber plantations and tin mines, situated in the Pacific area, may be seized or damaged, it is still futile to attempt to assess their short-term value. But it requires little more than a glance at the second table to show that, even when the threat of losing the physical assets upon which earning power depends is less immediately, the depreciation of holdings with direct interests in the area has been severe. The first six securities in this table are directly involved. The price of Dalgety had evidently not been tested on December 9. The others are, in the main, not directly threatened in most of their activities. That Dunlop Rubber is, none the less, down to the almost the lowest of the year is, of course, due to the guarantee of preference dividends of the Plantations company.

It is probably too much to hope for any early recovery in the securities in the second table. But there are already signs that the market is almost as sensitive to good news as to bad. There can be little doubt that it is as much dissatisfaction with the fact that both ourselves and America were caught unprepared—or, at least, insufficiently equipped—as the actual losses, which this inferiority in men and material has produced, that is responsible for the apathy which has been the characteristic of market circles recently. It is a confirmation of this view that whenever there is any sign of a British initiative, even outside the Pacific, the market rallies forthwith. The continued success of our Russian allies, however, appears to have been discounted in advance, so that their achievements have little effect on quotations, although it is certain that their achievements are the principal justification for the present general level of prices.

Tax Reserve Certificates

The new security, to which reference was made in *The Economist* of last week, designed to expedite and even out the flow of tax revenue into the Exchequer, has been on sale since Tuesday. As was anticipated, it will not be transferable, except in due course of law; but the interest on it, when it is used for the payment of the taxes indicated in the prospectus, will be 1 per cent per annum free of income and surtax, and, of course, exempt from EPT and NDC. The fixing of a rate, which is already 2 per cent gross and may be higher after April next, suggests strongly that the Chancellor is particularly anxious to place limits upon the growth of Treasury Deposit Receipts, on which the net interest payable is scarcely more than half that on the new Tax Reserve Certificates. The high rate suggests too that, in so far as issues of War Bonds owed anything to the temporary investment of tax monies, subscriptions are likely to fall off, since the additional interest on these must be fully absorbed by commissions and the price fluctuations of a very imperfect market. It is obvious that the Treasury does not wish unduly to anticipate the receipt of taxes, for the maximum interest payable is for two years on any certificate, ending at the date when the tax is due—in every case this is the relevant date, not the time of payment or assessment. Further, the weekly revenue return will not be disturbed by anticipation of receipts, for proceeds of the sales of the certificates will rank as extra-budgetary receipts until they are tendered in payment of taxes. The new instrument

seems well designed for its purpose, and the provision for "splitting" certificates, when these are tendered in settlement of taxes, should assist those who have to pay comparatively modest sums. The certificates also form a convenient means of making interest free loans to the Exchequer, especially as the capital can be reclaimed at any time, more than two months after issue, on ten days' notice.

* * *

Pacific War and Sterling Accumulation

One of the factors, which the holder of Dominion and South American bonds has tried to assess in valuing his securities, is the effect of war on the accumulation of sterling balances by the countries in question. It has not always been easy to forecast the extent of changes in these balances and the extension of hostilities seems to call for a fresh set of valuations. To make these, it is necessary to have a fairly accurate idea of the financial relations which will rule between America and this country, on the one hand, and the Dominions and Republics of South America on the other. To restrict the enquiry to the Empire, it seems evident that Australasia and India will have to incur substantial increases in expenditure, and will need some of their produce previously sent here for use in the Pacific rather than for supplementing the efforts of this country in Europe and Africa. Does this mean that India will, in future, play a larger part in paying for the war, with a consequent slowing down, or reversal, of the flow of sterling into the hands of the India Government; and is the rate of Australia's overspending of sterling to be accelerated? In the case of the latter, there is already announced a cut in non-essential imports, while food and raw material purchases by this country will be paid for whether the goods are shipped or not. It appears certain that exhaustion of sterling will not be allowed to reach a point where it creates a real problem. In the case of Canada, Lease-Lend has gone into reverse, or may do so, a development which should both ease the problem of finding U.S. dollars and slow down, or stop, for the time being, the piling up of balances in London. South Africa is, at present less immediately affected. It is probable that there will be an effort in this country to curtail still further all imports in order to release more shipping for other purposes, an example which all areas within, or allied to, the Empire and the United States, must in some measure follow. Who is to pay now for this added effort is a matter of high policy. But it seems reasonable to suggest, now all the world is at war, that each should contribute the goods and services he can, which would mean that, in large measure, the problem of accumulated balances would disappear. In any event, a reduction in the accumulations of India and Canada seems probable.

Company Notes

Lancashire Cotton Expansion

Preliminary figures of the results of Lancashire Cotton Corporation for the year to 31st October last, show an expansion of almost 10 per cent in profit. This is reached after charging, not only tax at the higher rate, but war damage contributions. In consequence, after providing much increased depreciation, and meeting debenture interest and preference dividend, the percentage earned for ordinary is up from 28.4 to 32.4. The payment is unchanged at 7½ per cent, and transfer to general reserve is raised from £150,000

	Years to October 31,		
	1939	1940	1941
Profit after tax and fees	582,807	627,820	†694,977
Depreciation reserve	155,000	155,000	216,989
Debenture interest	75,000	75,000	75,000
Preference dividend	68,875	68,430	68,417
Ordinary stock:—			
Earned	283,932	329,390	334,571
Paid	124,980	125,647	†125,667
Earned %	22.2	28.4	† 32.4
Paid %	7½	7½	7½
General reserve	150,000	*250,000	200,000
Carry forward	249,280	203,023	†211,927

† After war damage contribution. † Approximate.

* Includes £100,000 to stock reserve.

to £200,000. Nothing is placed to stock reserve against £100,000, but there is a modest addition to the carry forward compared with a substantial draft a year ago. The table gives the principal appropriations for three years. It seems inevitable that the year just ended must have reduced the normal demands for the company's products, both at home and overseas. The rise in profits almost certainly reflects some increase in turnover, due solely to Service demands, but it is probable that it owes not a little to the fact that less time was lost in converting to new types of product and that experience in the manufacture of these led to economies. The immediate outlook is obscure. Exports have been further curtailed, and it is more than possible that manufacture for the gratification of individual wants at home will be further reduced. The ordinary shares have, however, stood up well to the general weakness of the past two weeks, falling only from 24s. 6d. to 23s. 3d., at which they yield some £6 13s. 4d. per cent.

* * *

Apex (Trinidad) Oilfields

The preliminary statement of Apex (Trinidad) for the year to September 30th last shows profits of £583,754, which presumably compare with a total of £605,201 for the previous year. The provision for amortisation of wells is raised from £197,593 to £235,112, but there is a substantial saving in the reduction in the transfer to taxation reserve from £190,000 to £131,000. The ordinary shares receive the 30 per cent distributed in the two previous years, less British income-tax at 6s. on the final payment of 17½ per cent. Equity earnings are up from £195,367 to £196,217, which grossed up, as usual, at the full rate of British income-tax, represents a rate of 41.4 against 39.6 per cent. General reserve receives £30,000, as in the previous year, and the carry forward is raised from £131,073 to £132,290. It is probable that the company had to face higher operating and transport costs last year, but that sales of oil were also substantially increased. The outbreak of war in the Pacific lends a new importance to the Trinidad sources of oil supply, and there is good reason to expect that output will be increased in the current year. The 5s. shares, at 28s. 6d., yield £5 7s. 2d. per cent.

* * *

Tate and Lyle Accounts

The rise in disclosed total profits of Tate and Lyle, for the year to September 27th last, from £1,133,312 to £1,193,024, conveys little information as to the level of gross profits last year, since the latest figure is struck after a provision towards tax liability in 1942-43, in addition to current tax, other than that on dividends. The necessity of providing £80,769 against nil for war damage insurance leaves equity earnings reduced from £960,918 to £946,018, representing a rate of 13.5 against 13.9 per cent. Thus, the cover for the ordinary dividend, maintained at 13½ per cent, is sufficient only to raise the carry forward from £71,496 to £72,514.

	Years ending Sept. 30 (approx.).		
	1939*	1940	1941
Trading profits	1,148,179	973,122	1,056,348
Total income	1,411,199	1,133,312	1,193,024
Fees, etc.	8,051	8,577	8,222
Deb. interest	83,360	92,317	86,515
Prof. divs.	71,500	71,500	71,500
War Damage	...	...	80,769
Ordinary shares:—			
Earned	1,248,288	960,918	946,018
Paid	945,000	945,000	945,000
Earned %	20.2	13.9	13.5
Paid %	13½	13½	13½
Reserve	300,000	...	...
Carry forward	55,578	71,496	72,514

* 49 weeks ended September 9, 1939.

The balance-sheet reveals a striking jump in stocks of nearly £5,000,000 to £8,467,980. This increase, together with the rise in debtors from £1,746,806 to £2,692,501, is financed by an enlargement of the company's bank loan from £304,194 to £6,020,000. Other balance-sheet changes are insignificant, total reserves being unchanged at £950,000. Sir Leonard Lyle, the president, states that the Ministry of Food has asked the company to hold increased stocks of sugar, and that, in consequence, powers are required to

ISSUE OF TAX RESERVE CERTIFICATES.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised by The Lords Commissioners of His Majesty's Treasury to receive applications for Tax Reserve Certificates. Applications for Certificates will be received on the 23rd December, 1941, and thereafter until further public notice and may be lodged at any of the offices of the under-mentioned Banks.

Certificates will be issued for £25 or multiples of that sum and payment in full at the rate of £25 for each £25 of Certificates must accompany applications.

The principal of and interest on the Certificates are a charge on the Consolidated Fund of the United Kingdom and the Certificates are Government Securities for the purpose of The Trustee Act, 1925, and The Trusts (Scotland) Act, 1921.

A Certificate will be issued to the applicant, or such other person as may be duly nominated at the time of application, and will entitle the person named therein (the "Certificate Holder") in accordance with the following conditions to tender it together with accrued interest in payment of certain taxes or contributions or, if the Certificate is not so tendered, to obtain repayment of the principal without interest:—

- Certificates may be tendered to the appropriate tax collecting authority in or towards payment of Income Tax (except Schedule E tax), Sur-Tax, National Defence Contribution, Excess Profits Tax, Land Tax or Contribution under Part I of the War Damage Act, 1941, being a tax or contribution which is due from the Certificate Holder at any time not less than two months and not more than two years from the date of the Certificate. For the purposes of these Certificates tax or contribution will be deemed to be due on the dates set out in sub-paragraph (e).
 - If a Certificate is so tendered the principal together with interest will be accepted and applied in or towards payment of the tax or contribution in respect of which the tender is made; interest will be allowed for each complete period of one month from the date of the Certificate to the date on which the tax or contribution is deemed to be due and will be calculated at the rate of 1 per cent. per annum.
 - Subject to the necessary statutory authority, for which application will be made to Parliament, interest allowed on these Certificates will be exempt from Income Tax, Sur-Tax, National Defence Contribution and Excess Profits Tax.
 - If a Certificate is so tendered and the principal together with interest exceeds the amount of the tax or contribution in respect of which it is tendered, there will be applied in payment of the tax or contribution such part of the principal as with interest on that part is equal to the amount of the tax or contribution. At the option of the Certificate Holder the balance of the principal will be repaid without interest or a Balance Certificate will be issued with the same date as the original Certificate for the multiple of £25 next below the balance of the principal, together with a cheque for the remainder of the balance.
 - Taxes or contributions will for the purposes of these Certificates be deemed to be due on the following dates:—

TAX OR CONTRIBUTION.	DUE DATES.
Income Tax (other than Sur-tax)	1st January in the year of assessment for which the tax is payable.
If payable in one sum	1st Instalment—1st January in the year of assessment for which the tax is payable.
If payable in two instalments	2nd Instalment—1st July next following the end of the year of assessment for which the tax is payable.
Sur-tax	1st January next following the end of the year of assessment for which the tax is payable.
National Defence Contribution and Excess Profits Tax	At the expiration of a period of six months from the end of the chargeable accounting period in respect of which the contribution or tax is payable.
Land Tax	1st January in the year of assessment for which the tax is payable.
War Damage Contribution	The appropriate date as laid down by the War Damage Act, 1941.

- For the purposes of Excess Profits Tax the principal of a Certificate to the extent to which it is accepted in satisfaction of any Income Tax, National Defence Contribution, Excess Profits Tax, Land Tax or War Damage Contribution payable in respect of the profits or property of a trade or business, will be treated as capital employed in the trade or business up to the same date as would be the case if the tax or contribution had been satisfied by a cash payment.

2. Certificates not applied in payment of taxes or contributions may be lodged at the Loans Office of the Bank of England for repayment in whole or part (in sums of £25 or a multiple thereof). In such cases repayment will be made within ten days after lodgment. No interest will be paid in respect of any such repayments and no repayment will be made under this paragraph before the expiration of two months from the date of the Certificate. If a part only of the principal is required to be repaid a Balance Certificate (bearing the same date as the original Certificate) will be issued to the Certificate Holder for any balance of principal not repaid.

3. Certificate Holders will be required to indicate by completing the appropriate Instruction endorsed on the Certificates how they desire the moneys represented by the Certificates to be dealt with. When Certificates are to be applied to payment of taxes or contributions the appropriate documents of demand must be attached.

4. Neither the Certificates nor the obligations created by them are transferable and neither the Treasury nor the Bank of England will, except as ordered by a Court of competent jurisdiction, be bound to recognise any transfer, charge, deposit, trust or equity affecting the ownership of a Certificate or the moneys represented thereby.

5. Certificate Holders or their legal personal representatives will be regarded as exclusively entitled to the benefit of the Certificates and the obligations created by them. In the case of joint Certificate Holders the moneys represented by the Certificate will be deemed to be owing to them on a joint account.

Applications for Certificates, which must be accompanied by payment at the rate of £25 for each £25 of Certificates required, may be lodged at the Bank of England Loans Office, E.C.2, or at any office of the following banks:—

IN GREAT BRITAIN:		IN NORTHERN IRELAND:	
Bank of England.	Coutts & Co.	Hibernian Bank, Ltd.	National Bank, Ltd.
Bank of Scotland.	District Bank, Ltd.	Munster & Leinster Bank, Ltd.	Northern Bank, Ltd.
Barclays Bank, Ltd.	Glyn, Mills & Co.		
British Linen Bank.	Grindlay & Co., Ltd.		
Clydesdale Bank, Ltd.	C. Hoare & Co.		
Commercial Bank of Scotland, Ltd.	Isle of Man Bank, Ltd.		
Co-operative Wholesale Society, Ltd.	Lloyds Bank, Ltd.		

Applications must be made on the printed forms which may be obtained, together with copies of this Prospectus, at the Bank of England Loans Office, London, E.C.2, or at any of the Branches of the Bank; at the Bank of Ireland, Belfast, or at any Bank in the United Kingdom.

BANK OF ENGLAND, LONDON.

22nd December, 1941.

Dividends of the three groups, "*Johnnies*," *Anglo-American* and *Anglo-Transvaal*, whose payments are compared in the following table, make a mixed display. In the "*Johnnies*" group, the impression created by earlier announcements, that results have progressively deteriorated over the past eighteen months, appears to be confirmed.

Industry and Trade

Strain on Shipping

On the occasion of the launching of a vessel for the Norwegian merchant fleet from a British shipyard on December 19th, Lord Leathers, Minister of War Transport, drew attention to the increased strain on Allied sea communications caused by Japanese aggression.

The enemy (he said) has not yet made his final effort in the Battle of the Atlantic. Our ability to meet this danger is lessened by the great demands on shipping for other theatres of war. . . . In later years we shall perhaps look back on the next few months as the most difficult of the war.

Lord Leathers concluded that now more than ever we must be certain that every ship was employed where she could render the greatest service to our common cause. The speedy formation of the projected anti-Axis shipping pool should render possible a more intensive use of Allied tonnage. But it will also be necessary to make yet further efforts to cut out all unnecessary movements, by shortening supply lines and by eliminating unessential trade. Moreover, the merchant shipbuilding programmes of the Allies, and especially that of the United States, must be pushed ahead vigorously to increase the supply of ships. But in the last resort, the task of securing the vital communications of the Allies must rest largely with their fighting ships and aircraft. The combined navies and air forces of the Allies, as well as their productive capacity, exceed those of the Axis; but only by close collaboration can they be used with maximum effect.

Thus, of seven companies, only two, Langlaagte and Randfontein Estates, are distributing the same total payment for the year as in 1940. The other five payments are all reduced. The *Anglo-American* group contains three mines which only recently started to distribute dividends, including one, Western Reefs, which has just declared a maiden dividend of 3d. East Daggas is paying 2s. 6d. for the year against 2s. 3d., while New Era is maintaining the previous

DIVIDENDS PER SHARE

	Dec., 1940	Total, 1940	June, 1941	Dec., 1941	Total, 1941
<i>"Johnnies" Group:</i>					
East Champ (2/6)	1/-	3/9	1/10½	1/10½	1/9
Govt. G.M. Areas (5/-)	1/10½	5/-	1/9	1/9	3/6
Langkate Estates (£1)	1/-	1/-	7/6	7/6	1/-
New State Areas (£1)	2/9	5/6	2/4½	2/4½	4/9
Randfontein Est. G.M. (£1)	2/3	4/6	2/3	2/3	4/6
Van Ryn Deep (£1)	1/6	3/3	1/4½	1/-	2/4½
Witwatersrand G.M. (£1)	3/-	6/-	2/4½	2/4½	4/9
<i>Anglo-Transvaal:—</i>					
Anglo-Transvaal Collieries (5/-) ..	3/-	7/3	3/-	3/-	7/6
Assoc. Manganese Mines (5/-) ..	7/4½	7/3	7/6	7/6	1/-
Rand Leases (Vogels)* (10/-) ..	1/7½	3/1½	1/6	1/6	3/-
S. and Central African G.M. (5/-) ..	7/1	3/2	7/8	7/8	7/14½
Village Main Reef Gold (1/3)	...	2/1½	7/8	7/8	7/10½
<i>Anglo-American:—</i>					
Brakpan (5/-)	1/6	3/-	1/3	1/3	2/6
Daggafontein (5/-)	1/6	3/-	1/4½	1/4	2/10
F. Daggafontein (10/-)	1/6	2/3	1/3	1/3	2/6
New Iara Consol (5/-)	7/4	1/-	7/4	7/4	7/9
S. African Reef (3/6)	3/6	1/9	3/3	3/6	6/9
Springs (5/-)	1/3	2/6½	1/-	1/-	2/-
West Springs (£1)	1/4½	2/9	1/-	1/-	2/-
Western Reefs (5/-)	...	...	1/-	1/3	7/3

* Year ends June 30. † Paid February, 1940.

year's total of 9d. The remaining five companies are paying lower totals than a year ago, but two of them, Daggafontein and "Sallies," have restored the latest payments to the levels of December last after June reductions. In the newly formed *Anglo-Transvaal* group, only Rand Leases (Vogels) has made a reduction in dividend during the past year, when lowering the final payment for the year to June 30 last from 1s. 7½d. to 1s. 6d., the amount distributed for the six months ended June, 1940. Village Main Reef paid a first dividend of ½d. last June, while Associated Manganese Mines paid 1s. for the calendar year, against 7½d. for 1940. The latest announcements confirm the impression that old-established mines may be unable to maintain recent dividend levels, but the *Anglo-American* results suggest that adjustments may in some cases be made to higher costs and taxation.

Clothing Coupon Spending

The rationing of clothes is teaching simple economic theory to veritably every member of the community. The definition of economics as the "science of the use of scarce means to alternative ends" will no longer puzzle even the layman. After tackling his own problem of clothing his person with the limited number of coupons at his disposal, he will sympathise with those who decide larger issues of national economics. It is a pity that Pareto's indifference curves have lost some popularity. Such problems as whether a dress and short jacket at 16 coupons are to be preferred to a coat and skirt at 18 coupons could have been graphically and scientifically solved. The "hill of pleasure" could have been climbed by the shortest path. However, it seems that even without the economist's aids, the average person is able to apportion his scarce coupons among the multifarious articles of clothing he desires. The Board of Trade's survey into consumer coupon spending shows that differences between the various groups are not great, but there are some surprises. Bachelors spent 30 coupons in 19 weeks—more than any other group—but spinsters were a close second with 29. Men in offices and housewives, with 20 and 21 respectively, are the smallest spenders. Only 6 per cent of women and 11 per cent of men had used no coupons. Half the men interviewed in the period had bought boots and shoes and rather more had bought socks; 41 per cent acquired shirts and 17 per cent suits (including waistcoats

—an old habit that dies hard, even at 5 coupons). Stockings by had been bought by 82 per cent of women, shoes by 66 per cent and dresses and blouses by 31 per cent. In spite of the lifting of the ban on women's wearing of slacks in many occupations, only three per cent bought them. Shoes, socks and underwear are estimated to take 60 per cent of men's coupons during the year, but women have budgeted 20 per cent for stockings alone. Men and women will use 16 per cent on footwear, but women allocate fewer coupons to underwear than men, possibly because of lower coupon rating. Among children, boots, shoes, socks and stockings are heavily bought. Because of lack of information on individual pre-rationing purchases of clothing, it is difficult to trace changes of habits. It may, however, be assumed that utility rates higher than mere vanity in to-day's purchases.

Rubber and Tin

Since the effects of the Pacific war on Far Eastern commodities, and in particular on tin and rubber, were discussed in *The Economist* of December 13th, on page 732, the Japanese have not only strengthened their hold on the Thailand, but have also made considerable headway in Northern Malaya. Some of the world's most important tin and rubber producing areas have thus been occupied or are immediately threatened by the enemy. In addition, Penang, the only Malayan tin refining centre besides Singapore, has been evacuated and the refineries of the Eastern Smelting Company, covering roughly one half of Malaya's smelting capacity, have been destroyed. These developments have necessitated additional safeguarding measures both in the chief Eastern producing countries and in the world's leading consuming areas. In British Malaya, including the Straits Settlements, the Government is now granting financial assistance to the rubber and tin producing and exporting interests to counteract the effects of the closing of the local markets. In the Dutch East Indies tin sales had already been virtually centralised, and for rubber the Netherlands Indies Export Organisation has been formed by the Government to acquire the country's entire output of plantation and native rubber for shipment overseas. As the governments of the United States and Great Britain are the sole importers of rubber into their respective countries and have been the only important rubber customers of the Dutch East Indies for some time past, all dealings will now be arranged between Government agencies. In the United States the consumption of rubber has been curtailed since the middle of 1941, and further economies will be introduced in the new year. Moreover, the United States Office of Production Management issued an Order last week by which all stocks, new arrivals under old contracts, future imports and all dealings within the United States of tin are brought under Government control. These new measures will almost certainly be used to secure a major restriction of tin consumption, for which, preparatory plans, involving the substitution of other metals for tin, were designed some months ago. In this country the control of rubber supplies has been rendered watertight by making rubber purchases and sales within Great Britain subject to licensing, which is to be extended to new motor tyres within the next two months. Pending the introduction of the necessary Orders, sales of tyres have been prohibited. Moreover, the Government is considering plans to produce synthetic rubber on a larger scale and, in particular, to make fuller use of reclaimed rubber. In tin, the decision to keep the London Metal Exchange closed has been extended for the duration of the war, and all open contracts are to be settled. The Non-Ferrous Metal Control is expected to take charge of imports, though so far no official statement to this effect has been made; the introduction of a maximum price of about £260 per ton is expected any moment. Moreover, steps are expected to be taken to expand the Cornish tin output to its maximum, with the Government's financial assistance; only recently lack of Government support forced one of the largest Cornish mines (East Pool and Agar) to suspend mining operations.

Greater and Lesser Vermin

Greater and Lesser Vermin

The domestic blackbeetle has now been officially placed upon the same footing as the black marketeer. Under the

perhaps rather ambiguous title of "Infestation: New Powers of Ministry of Food," the Ministry announces the issue of the Infestation Order, 1941, coming into force on January 1, 1942, to deal with the infestation of foodstuffs by insects, rats, mice and all other forms of vermin. Infested premises may be closed by the Ministry until steps have been taken to deal with the infestation. Directions may be issued requiring the owners of the stocks to treat them, and the warehouse keepers to treat the premises and containers. If the directions are not complied with, the Ministry may have them carried out at the owner's expense. It is the duty of all whose business is concerned with warehousing of human and animal foodstuffs to report to the Ministry when their premises become infested. Owing to the greatly increased length of time that foodstuffs are stored, the danger of insect infestation is very much enhanced. If this Order is carried out efficiently the insect and rodent pests will pay for their depredations with their lives. Meanwhile, there has just come into force another Order, which increases the maximum penalties payable by those larger pests who divert the nation's food supply from its lawful destination to the black markets. It is to be hoped that these measures will relieve the nation's relatively meagre larder from ravages which can be avoided by vigorous action. The housewife will be all the more encouraged not to waste food, when she knows that every step taken to ensure that she gets as much as is consistent with wartime economy, and that nothing is available for vermin of any description.

U.S. Fertiliser Situation

It is still true that an army marches on its stomach. In all some thirty different fertiliser minerals are used to increase crop production, but the "big three"—phosphorus, potash and nitrogen—comprise the bulk of the total. Although the United States had only one-sixteenth of the world's population in 1937, it consumed nearly one-fifth of the world's production of 44 million short tons of manufactured fertilisers. And America to-day is particularly fortunate with regard to supplies of the basic materials for the three elements. It has nearly half of the known world resources of phosphate rock, ample potash, and it is possible to produce synthetic nitrogen at low cost if the supply of natural and by-product nitrogen is not sufficient. In a normal year fertiliser-consumption contains 278,000 tons of nitrogen, 665,000 tons of phosphoric oxide (P_2O_5), and 276,000 tons of potash (K.O). Whereas in 1914 the United States obtained almost all its potash and a good deal of nitrogenous material from Europe, to-day, it is virtually independent of the Continent for fertiliser materials. Two years after the outbreak of the last war, the prices of fertilisers were half again as high as in 1914, but in September 1941, they were actually lower than they were when Germany set upon Poland. When the last war broke out the price of potash soared from \$35 to \$350 and even to \$500 a ton for 50 per cent muriate. When the war started, the price was \$25 a ton or \$10 a ton less than in 1914, and the price is still the same. Although domestic consumption of potash increased from 250,000 to 400,000 tons, the American potash industry, virtually non-existent in 1914, is now able to supply the country's needs and leave some surplus for manufacturers of fertilisers and chemicals in Canada and Cuba. Early in 1940, only 70 per cent of the normal nitrogen needs were covered by domestic synthetic and by-product nitrate. Last January, America contracted to purchase 300,000 tons of nitrate from Chile. Nitrogen supplies are tight at the moment, but three synthetic plants are under construction, and prospects of additional supplies from Canada and continued imports of nitrate from Chile are good. An uncertain factor is, of course, military requirements. Even before 1914 America was an exporter of phosphates—the other member of the trio of plant foods. The country's phosphate rock reserves are enormous, and mining operations are flexible enough to take care of increased home needs. The super-phosphate industry is not seriously over-built with a rated capacity of 8 million short tons of 16 per cent product or double the 1940 production. Longer hauls and possible shortage of coastwise shipping are the chief hazards in this branch of the fertiliser industry.

COMPANY MEETINGS

THE COMMERCIAL BANK OF SCOTLAND,
LIMITED

The annual meeting of the shareholders of The Commercial Bank of Scotland, Limited, was held at Edinburgh on the 18th instant. The Earl of Mar and Kellie (governor of the bank) presided.

Before commencing the business of the meeting the governor made suitable reference to the loss which the bank had sustained during the year by the deaths of Mr William Thomson and Mr A. W. Robertson Durham, two of its ordinary directors, and of Mr George Balfour, M.P., one of its extraordinary directors.

In submitting the report the governor said:—I am glad to meet the shareholders again and to submit a report by the directors, which, despite the difficulties of the times, I feel satisfied shows that the bank continues to progress, and gives evidence that its affairs are being conducted with the accustomed care and prudence. Higher taxation and many new expenses associated with war-time conditions have left their mark on the profit and loss account, and in all the circumstances it is not surprising that the net profit for the year is less than that of the previous year by rather over £34,000. I am sure it will be a satisfaction to the shareholders to know that substantial allowances have been continued to men on service, and that special war-time allowances have been granted to assist the staff who are still with us.

ALLOCATION OF PROFIT

Out of the profit the directors have allocated £75,000 to contingency account; £20,000 to heritable property accounts; £40,000 to increase the funds of the officers' pension scheme, and £10,000 to increase the widows' and orphans' fund. The allocation to the pension trust exceeds that of previous years by £10,000 as the board feel it is desirable to accelerate the building up of this trust fund, which carries a large and increasing liability for the non-contributory pensions granted to the staff.

Interim dividends on the "A" shares at the rate of 7½ per cent. and on the "B" shares of 5 per cent., less income-tax, were paid in July last, and it is now proposed that a further distribution of 7½ per cent. on the "A" shares (making 15 per cent. for the year) and of 5 per cent. on the "B" shares (making 10 per cent. for the year), both subject to income-tax, be approved. After payment of these dividends and allocations the carry-forward to next year's account amounts to £65,088, compared with £68,097 brought forward from the previous year.

BALANCE-SHEET ITEMS

Turning to the balance-sheet, our notes in circulation have increased very nearly £1,500,000 to the record figure of £6,057,000, and although the substantially increased wage requirements no doubt provide one of the chief factors in the increased note circulation of this and other banks, I think it ought to be emphasised that unnecessary supplies of notes ought not to be retained in private possession. There is a real danger of loss in retaining notes surplus to requirements, which may be destroyed by enemy action or in some other way, and indeed there is a duty to ensure that all surplus funds under present conditions are made active in the war effort.

Our deposits have increased by more than £10,600,000 and touch the record figure of £63,997,000. This increase is a general one spread over almost all the offices of the bank.

Acceptances and engagements on account of customers at £2,102,000 show no material change. This item will no doubt continue at a relatively low figure so long as foreign trading continues on a restricted basis.

LIQUID ASSETS

Turning to the assets side and looking to the cash and other items of the most liquid character, you will observe that the figure has increased from £20,000,000 to rather over £26,000,000, the principal item accounting for the increase being our holding of British Government Treasury deposit receipts, which has increased

by five and a-half million pounds to £10,000,000. As you are aware, these receipts represent six-monthly loans to the British Treasury, arranged weekly in connection with the war finance, and we have been happy to collaborate to the fullest extent made possible by our increasing resources.

Our British Government securities you will see have increased by almost £7,500,000, to the record figure of £37,662,000, and I may tell you that in addition to the £10,000,000 already referred to in the form of Treasury deposit receipts, we have, during the war period to date lent to the Government the not inconsiderable sum of £16,200,000. While on the subject of Government loans it may interest you to know that in addition to making large investments on behalf of customers since the commencement of the small savings campaign we have issued at our offices National Savings Certificates and bonds of small denomination aggregating almost £8,000,000.

BILLS, LOANS AND ADVANCES

Bills discounted and loans and advances together amount to £10,108,000, a reduction of nearly one and three-quarter million pounds in our most remunerative asset. Our experience in this direction has been that of other banks. The reduction has continued primarily as a result of war-time commodity controls which have superseded for the time being private holding of stocks financed by the banks. The reduction has manifested itself notwithstanding the generous attitude adopted by the board towards any facilities acquired by customers in connection with contracts for Government Departments.

Our property accounts show only small change in the year, and I think we have cause for satisfaction that almost the whole of our properties had been put into first-class condition before the outbreak of hostilities.

TRIBUTE TO MANAGEMENT AND STAFF

Throughout the year the general manager and officials have had an ever-increasing burden of responsibility in arranging for the efficient carrying on of the business with the number of trained employees steadily being reduced through the requirements of the Services. At the commencement of the war our total full-time managerial and clerical staff numbered just over 1,400. Of these 627 have gone on Service and we expect to lose within the next month or two a further 100 men. Of the men on Service, 13 have lost their lives; 3 are missing; and 10 are prisoners of war, and I am sure you will desire me to express our most sincere sympathy with the relatives of those who have given their lives for their country, as well as to those who are still suffering the grief and anxiety of uncertainty.

We have recruited some 600 ladies temporarily to the staff, and to them and to the remnant of the permanent staff who are carrying on, sometimes under conditions of considerable difficulty, I am sure we would desire to offer our most sincere thanks. The efficient working of the banking system in this country proceeds so unobtrusively and, if I may say so, is so well organised that only one in approximately 500 of the population of Scotland is employed in the operation of the joint stock banks, a figure which I think will bear favourable comparison with any other comparable public service.

THE DIRECTORATE

It is proposed that I be re-elected governor of the bank and that Lord Milne be re-elected deputy governor, and that the extraordinary directors whose names appear on the list be re-elected. During the year the directors nominated Mr Howard Usher Cunningham to fill the vacancy created by the death of Mr Thomson, and the appointment falls to be confirmed by the shareholders. It is also proposed that Mr Johnstone Smith, who, as senior director, retires at this time, be re-elected. Mr Macfarlan and Mr Annan, the auditors, being eligible, offer themselves for re-election for the current year.

THE ECONOMIST
TRADE SUPPLEMENT

SEPTEMBER 27th, 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 expansion in the total volume of production during the past three months was comparatively small, for the net addition to the country's labour force was probably slight. But the output of the goods of war has risen at an increased rate, not only because of the intake of additional labour, but also because of the lull in air raids and the improvement in transport and, presumably, the reduction in shipping losses.

Civilian production has been further reduced, but the process of industrial concentration has been slow and is by no means complete. The curtailment of exports, made possible by the Lease-and-Lend Act, which reduces the need for foreign exchange, should set free additional men and machines for the war effort. But, if allowance is made for the requirements of the armed forces, the reserve of labour available for transfer to the defence industries must now be dwindling.

Increasingly, the Government will have to rely on the more efficient utilisation of the resources already at its disposal for further increases in production. There can be no doubt that efficiency in production has in fact been increased. But the scope for further improvement is considerable, in the placing of orders to ensure continuity and balance in output, in the simplification and standardisation of specifications, in the technique of production, in the regional pooling of technical knowledge, equipment and labour, in the steady application of skill and effort. Given an adequate supply of raw materials, there is no doubt that war production could be expanded appreciably, especially in present conditions, when

industry is not subject to the disturbance caused last autumn and winter by heavy air raids.

The supply of raw materials has been fairly satisfactory during the summer, so far as imported commodities are concerned. This is due, in no small measure, to the reduction in shipping losses in July and August. Imports of all kinds have arrived in substantial quantities, and the intake of oil products has been well maintained. In fact, it has been possible to accumulate appreciable stocks of many essential commodities, which should ensure the maintenance of manufacturing activity during periods of strain. In domestic raw materials, the record of the past three months has been less satisfactory. The coal production drive has failed to yield the stocks the Government intended to accumulate by the end of October, though there was no serious shortage during the summer. Again, the salvage campaign has not been entirely satisfactory in its results, while the steel furnaces continued to depend on heavy imports of American scrap. These imports are now to be drastically reduced, and, although stocks are ample at present, the maintenance of the output of crude steel is contingent on a substantial increase in the collection of domestic scrap.

In sum, the record of the past three months on the industrial front is one of steady progress with a few bad patches. Considered in relation to needs on all the war fronts, however, output still needs considerable stepping-up, especially in the case of army equipment, and fresh effort is needed to speed up production to the limit of capacity and ingenuity.

British Industrial Development

COAL

During the past three months, persistent efforts have been made by the Government to increase coal production. Owing to the unsatisfactory response to the appeal of the Minister of Labour and National Service on June 23rd for the voluntary return of 50,000 ex-miners employed in munition works and other occupations, a compulsory registration took place on July 17th and 18th of all workers between 20 and 60 who had been employed in coal-mining for six months or more since the beginning of 1935. The total number registered was 105,376, but of these only 25,468 expressed a willingness to go back to the pits, and by September 8th 16,000 had been actually placed. Meanwhile, the inland industrial demand was expanding and transport facilities had considerably improved; at one period there were 40,000 more colliery wagons available than the industry could employ. Production, however, remained disappointing, and during the five months up to August, the average weekly output fell short of the national target by approximately 9½ per cent. In these circumstances, the Government resorted to exceptional measures in order to increase stocks. Deliveries of domestic coals were restricted to one ton per month in importing areas; a call for strict economy in the use of gas and electricity as well as coal was made by the Government; and a Committee of the Conjoint Conference of Public Utility Undertakings was appointed to assist the Government in dealing with the problems of the concentration of a large proportion of the available supplies on those undertakings with the lowest stocks, and the building up of stocks to a safe level for all undertakings before the winter. In the House of Commons on August 5th, the President of the Board of Trade stated that the then existing stocks of public utilities, railways, industry, merchants and Government dumps were at least one million tons more than at the corresponding period in 1940. Under pressure from the Mineworkers' Federation, the colliery owners, at the request of the Government, agreed to the withdrawal of the conditions governing the payment of the 1s. per shift attendance bonus, and since September 1st, when the amended agreement came into force, a rise in the absenteeism percentage has been reported from some of the coal-fields. By the Government's new price policy, each district is now required to prove its case for an increase in price, and, apart from the general rise of 10d. per ton to meet the cost of the attendance

bonus, local advances have been made only in South Wales, Bristol, and Somerset for all classes of coal; in Lancashire and Cheshire for domestic and industrial qualities; and in Durham for coals shipped coastwise. These advances have ranged from 10d. to 2s. 3d. per ton.

IRON AND STEEL

The output of crude steel and finished products has been maintained at a high level during the past three months, and, on the whole, domestic and imported supplies appear to have been adequate to meet urgent requirements for the defence programme. The flow of raw materials to the blast and steel furnaces has been satisfactory, and present stocks are substantial. But, in view of the drastic prospective curtailment in American scrap exports to this country, the collection of domestic scrap will have to be intensified if the output of crude steel is to be maintained; the replacement of the American scrap by domestic supplies should not present any insuperable problems. Exports of steel are now at a comparatively low level; such limited quantities as are still being sent abroad are designed mainly to assist the war effort. The adaption of the iron and steel industry to wartime needs is still proceeding. The application to the tinplate industry of the policy of concentration has been investigated by the Essendon Committee, and it is expected that its report will recommend drastic reorganisation. The exports of tinplates is now permissible only under special licences, and a further restriction of production is likely owing to the raising of the age of reservation from 18 to 30.

CHEMICALS

Trade in most sections of the chemical market has been on a satisfactory scale during the past three months, with conditions showing little change. The industrial chemicals market has been firm with a fair amount of both home and export business, and the price position has been steady. There have been a number of inquiries in the pharmaceutical and fine chemicals section, although activity has been restricted by the supply position in a number of items. A good demand has been shown for most coal tar products, and the market has been active with prices remaining firm. Demand for all wood distillation products has continued on a high scale, although stocks are still very limited.

LINEN

Flax growers are actively engaged in harvesting the new crop, which looks promising in quality and quantity. The erection and equipment of new decorticating factories is proceeding satisfactorily. It is believed that these plants will be able to ensure capacity output of processed fibre throughout the season. This fibre will represent only a small percentage of the total crop, the bulk of which will be dam retted as before. Assured of a mounting reserve of raw material, the trade hopes that facilities for increasing export trade, which has been seriously handicapped for months past, may be granted. Overseas buyers are anxious to secure at least a proportion of their usual requirements in linen fabrics. Apparently there is but little chance of any increase in the allocation of linens for home consumption in existing circumstances.

WOOL

Though the dominant interest in the wool textile trade during the quarter has been the concentration of production scheme, negotiations for the grouping of firms are far from complete. The announcement of plans would considerably ease the tension which is an inevitable result of uncertainty about the extent to which the industry is to be concentrated and individual firms affected. Interest has now shifted to the Board of Trade's proposals for the provision of essential civilian clothing, through which the trade believes it will gain advantages in increased running time. The proposals were discussed on page 304 of *The Economist* of September 6th, and page 364 of the issue of September 20th. How far the scheme will affect or modify concentration of production is not yet known, but it is bound to introduce new factors into the negotiations. Previously, Government orders were first in the list of priorities, export orders second, and home civilian trade a lame third. The provision of essential civilian clothing in larger quantities will bring about a re-orientation of the major classes of trade, and home trade in the specified qualities will rank with

export trade. Inside the home trade itself, a greater emphasis will be placed on the production of cheaper cloth relatively to the better qualities. Exports have been well supported by the initiative and enterprise of the industry, which has been prepared to take considerable risks in opening new markets. The Wool Control's announcement on future raw material prices is discussed in a Note on page 393.

RAYON

During the quarter the rayon industry has undergone considerable changes. After the outbreak of war, rayon exports were warmly encouraged, and while markets were reduced, the elimination of European competition compensated for this, and progress was made. During the past year, relatively very little fabric was made for the home trade. Output was in no way equal to the probable coupon demand, and stocks were rapidly dwindling. It was recognised that if the allocation of the present reduced production still favoured exports, a serious position would arise at home. It has therefore now been decided to allot approximately 70 per cent of weaving yarn output to the production of home trade cloths, with the balance for export. The Limitation Orders have been materially altered and sales are now mainly confined to "utility" cloths which, in the case of the dress goods trade, mean those selling at less than 3s. 6d. per yard. In practice, this price covers almost the whole usual output, but there is a small "general" quota allowed, under which manufacturers can supply better quality goods to help maintain technical developments. In the lower grade, some degree of standardisation is unavoidable, but every effort is being made to avoid adding to any necessary "drabness." In the hosiery trade, fairly liberal quotas have been allowed, but as these have to replace the very large pre-war imports and are also limited by the availability of raw material, the position is certain to remain very tight. Filament yarn and spun rayon prices were slightly raised, but the increase is still proportionately smaller than in other cloths.

Business Developments Overseas

UNITED STATES

Industrial activity has increased at so fast a rate this year that unemployment was virtually eliminated by the summer. According to the statistics of the National Industrial Conference Board, the number of unemployed at the end of June was only 2,536,000, against 3,848,000 in May, 5,357,000 in April, and 8,132,000 in June, 1940. However, of the 2,536,000 persons classified as unemployed at the end of June, 1,997,000 were engaged on Government emergency projects; the number of persons without occupation was thus only about half a million. The expansion in activity was not confined to the defence industries; it proceeded on a wide front, embracing all the modern accessories of the consumer, such as motor cars, refrigerators, and the rest. By the summer, when a state of full employment had been reached, the needs in labour and materials of the growing defence and civilian sections of industry could no longer be met in full. Steps were therefore taken, by means of a limitation of raw material supplies, to reduce the output of unessential civilian production. Hitherto, the extent of the reduction in the goods of peace has been small. But if the momentum of the expansion in the output of the goods of war is to be maintained, unessential production must now be progressively and drastically restricted.

BRITISH EMPIRE

CANADA.—Total business activity continued to expand in recent months. As in the United States, the output of many civilian goods increased side by side with the expansion in the production of war goods until the summer, but the country is now faced with the need for a reduction in the former. There are indications that the growth of retail sales has been arrested. War contracts, inclusive of new plant, placed up to the end of June were \$1,096 millions on Canadian and \$815 millions on British account. In agriculture, the heavy increase in British purchases, due to the loss of European supplies, and the need for drawing requirements from the nearest sources, has brought about a complete change. Except in the case of wheat, surpluses have given way to a condition of scarcity.

AUSTRALIA.—Most industrial plants are working at top speed, and a vigorous effort is being made to expand the output, and increase the range of munitions still further. For example, it is reported that, apart from naval vessels, Australia now has some 60 merchant ships of 7,600 tons each under construction, and the Dominion is now producing many of the modern tools of war. The high level of employment in consumption goods industries suggests that there is scope for further expansion in their production.

SOUTH AFRICA.—In industry, production and employment have remained steady. The output of gold continues at a high level; 1,212,708 fine ounces were produced in August, against 1,199,699 fine ounces in July. According to a cable from the Standard Bank of South Africa, agricultural conditions have undergone little change in recent weeks. Import and export control has been tightened.

LATIN AMERICA

Argentina is facing a shortage of certain imported goods, and some foreign articles have entirely disappeared. As a result, demand for and prices of both home and foreign products are rising. The index of wholesale prices (1929=100) was 144 in June, compared with 129 in January of this year and June, 1940, but the cost of living index has been relatively stable. Fuel stocks continue to fall. Some 2,500,000 metric tons of maize (of which there was an exportable surplus of 8,631,409 tons on August 16th) have been

sold at low prices for use as fuel. The six months ended June, 1941, show a trade balance in Argentina's favour of 226,263,000 pesos, against 94,423,000 pesos a year before. Compared with the first six months of 1940, the volume of imports for the same period this year dropped by 28.7 per cent and exports by 50.2 per cent. The decline in market values was 39 per cent and 20.8 per cent respectively. Imports of textiles from Brazil have been increasing at the expense of Britain in cottons, though the latter's position as far as woollen textiles is concerned has been maintained. The National Coffee Department of Brazil fixed basic minimum prices for sales of free coffee for export on July 9th, Santos soft 4 being listed at Rs.40\$000 per 10 kilos. On July 30th the minimum prices were raised by Rs.6\$000. Uruguay is experiencing a considerable shortage of materials, particularly of fuel, and iron and steel products, owing to difficulties in arranging imports. Petrol consumption has been curtailed by rationing and other fuel products may also be rationed.

GERMANY AND GERMAN EUROPE

A new phase of restricting civilian industries began some time before the attack on the Soviet Union, and the original plan of concentrating war production in the most efficient plants and factories has made steady progress. Control of the use of machinery, raw materials, and substitutes has been strengthened. Shortage of labour is more pronounced than ever, because of the extraordinary demand on manpower for the army and particularly for the different labour corps engaged in Soviet Russia. The reserves of labour, i.e., old age pensioners, married women, the retail trade and inefficient shops and factories, have been combed again for additional workers. The number of prisoners of war and foreign workers employed in agriculture and industry has increased and can be estimated at 3.5-4 millions. The system of pooling machinery and of sub-contracting war orders in various forms is slowly being replaced by grouping firms into large units. The profit and dividend stops, combined with special facilities for capital reconstruction of companies, resulted in a wave of capital increases with the objects of arresting the continued boom in share prices and of overcoming the stop on dividends. The index of the cost of living continued to advance more markedly than the wholesale price index. Industrial collaboration with occupied countries, especially with France, Belgium, and Holland has been increased; and the orders placed in these countries are reported to be running into several thousand million Reichsmarks. In these countries unemployment has virtually disappeared. Industrial activity is strictly limited to war production. There is, however, a steadily growing demand for capital expenditure, which cannot be supplied. Even in Germany replacement of machinery has become very difficult. German principles of war economy are now evident in all occupied countries. Rises in the indices of wholesale prices and of the cost of living were considerable, varying from 30 per cent to 100 per cent over the period from the beginning of the war to July, 1941. Denmark, Norway, Roumania, and Jugoslavia show the greatest advances. The European harvest is reported to be above the poor yields of 1940. In the Danubian countries and in Italy, however, the harvest seems to be as poor as in 1940. Bread rationing has been introduced in Hungary, Roumania, and Italy. Germany's imports are appreciably smaller since the attack on Soviet Russia, and the raw material situation in some of the occupied countries deteriorated when imports from Soviet Russia ceased.

OVERSEAS COUNTRIES

Unit of Measurement	Monthly Average						1940				1941					
	1929	1932	1937	1938	1939	1940	Apr.	May	June	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
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	12.21	10.90	10.10	8.63	9.50	6.20	7.86	8.90	10.29
2. Domestic exports.....	Million £ A.	7.91	7.84	12.31	11.09	10.06	12.34	13.93	14.70	11.50	11.47	12.38	9.35	12.95	11.31	11.48
3. Unemployed Trade Unionists (a).....	Thousands	47	120	42	41	47	39	...	50	...	31	...	103	...	101	...
4. Wholesale prices (Melbourne).....	1929=100	100.0	80.7	84.9	87.2	89	93	...	101	102	96	...	100	...	101	...
5. Cost of living (a).....	"	100.0	80.7	84.9	87.2	89	93	...	101	102	96	...	100	...	101	...
CANADA (Population 1939: 11,301,000; Area: 9,542,000 sq. kms.)																
6. Business activity (b).....	1935-39=100	100.0	77.7	67.4	56.5	62.6	134	134	129	132	141	145	138	134	140	143
7. Retained imports (c).....	Million Can. \$	102.1	46.7	93.7	79.7	77.0	99.4	84.7	110.8	111.6	98.7	89.0	89.6	108.0	106.3	128.1
8. Domestic exports (c).....	"	102.1	46.7	93.7	79.7	77.0	99.4	84.7	110.8	111.6	98.7	89.0	89.6	108.0	106.3	128.1
9. Applicants for work (d).....	Thousands	15	75	88	105	104	100	128	117	104	66	78	76	73	...	...
10. Wholesale prices.....	1929=100	100.0	69.8	88.4	82.2	79	87	87	86	85	88	88	89	89	91	93
11. Cost of living.....	"	100.0	81.5	83.2	84.1	83	87	86	86	86	89	89	89	89	90	91
12. Price of industrial securities.....	"	100.0	23.7	77.4	64.4	62	51	58	47	42	45	46	42	43	42	41
13. Commercial bank deposits (d).....	Million Can. \$	2,163	1,844	2,282	2,394	2,594	...	2,504	2,460	2,430	2,672	2,677	2,798	2,752	2,836	2,800
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	5.068	4.445	4.758	3.570	2.893	2.371	...	...	...
15. Domestic exports.....	"	3.852	2.098	1.853	2.020	2.241	2.752	2.522	2.786	2.653	2.882	2.241	1.691	...	...	...
16. Applicants for work.....	Thousands	20.70	62.82	62.42	88.71	93	84	87	83	59	96	107	106	69	...	...
17. Cost of living (a).....	1929=100	100.0	89.2	96.8	98.5	101	117	...	116	122	...	...	124	...	...	...
18. Notes in circulation.....	Million £	14.2	13.4	15.7	16.9	18.0	...	17.6	17.6	18.1	21.2	20.0	...	...	...	...
INDIA (Population 1938: 862,828,000; Area: 4,684,000 sq. kms.)																
19. Retained imports.....	Sea-borne } Million rupees	208.6	110.7	132.9	125.2	129.1	127.5	165.1	158.2	105.0	98.7	129.8	...	...	...	...
20. Domestic exports.....	trade (e) }	268.8	112.6	168.8	135.2	151.0	174.3	187.7	191.8	169.8	158.5	197.0	...	...	...	...
21. Wholesale prices, Calcutta.....	1929=100	100.0	64.5	72.3	67.6	76	85	86	83	81	85	86	84	87	90	92
22. Cost of living, Bombay.....	1923-34=100	...	...	106	106	106	...	110	111	111	115	117	119	119	121	...
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	4.297	5.502	4.836	3.333	3.053	1.911	3.875	3.828	...
24. Domestic exports.....	"	4.515	2.915	5.517	4.817	4.784	6.082	8.355	4.969	9.432	7.112	6.741	5.930	6.349	5.530	...
25. Wholesale prices.....	1929=100	100.0	89	103	108	121	129	129	120	128	128	129	130	130	131	...
26. Cost of living.....	"	100.0	83.5	91.9	94.6	98	103	101	102	102	105	105	105	105	106	...
SOUTH AFRICA (Population 1939: 10,160,000; Area: 1,222,000 sq. kms.)																
27. Retained imports.....	Million S.A.	6.59	2.61	3.08	3.75	7.35	8.30	10.04	8.07	8.49	6.25	7.42	6.11	8.47	8.26	...
28. Domestic exports (f).....	"	3.91	1.58	3.05	2.46	2.58	2.95	4.08	3.23	2.92	3.26	2.18	2.05	2.13	2.96	...
29. Wholesale prices.....	1929=100	100.0	79.0	87.0	90.0	88	98	96	97	97	101	102	102	103	104	105
30. Cost of living.....	"	100.0	89.9	90.5	93.8	94	97	96	97	97	98	98	99	100	101	102
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	115	88	108	122	111	115	121	138	140	141	143	140	150
2. Minerals, F.R.B. (j) (k).....	"	107	68	115	97	106	117	119	117	118	119	118	118	125	101	126
3. Manufacturers, F.R.B. (j) (k).....	"	110	57	113	87	108	123	110	114	122	142	143	145	146	147	154
4. Coal production, F.R.B. (j) (k).....	Million m. tons	46.0	27.2	37.4	29.3	33.3	38.0	33.1	35.2	33.3	41.8	44.5	41.8	47.7	8.3	45.5
5. Electricity generated.....	Thousand m. hrs.	8,113	6,842	10,083	9,400	10,856	12,080	11,193	11,614	11,489	13,456	13,641	12,593	13,065	12,885	13,527
6. Steel production.....	Thous. m. tons	4,599	1,128	4,192	2,257	3,991	5,065	3,720	4,506	5,134	5,891	6,286	5,659	6,470	6,131	6,400
7. Index of new orders, N.I.C.B. (l).....	1935-39=100	140	45	108	85	116	...	...	...	144	...	...	231	237	...	243
Building contracts awarded:																
8. Residential.....	Million \$	159.6	23.3	75.5	82.2	111.2	133.1	135.4	145.9	135.3	159.3	111.3	116.5	147.9	166.5	201.3
9. Other.....	"	319.6	89.3	184.4	184.7	185.5	200.6	165.1	183.0	189.4	296.9	193.9	153.9	332.0	240.2	347.4
10. Output of Private cars.....	Thousands	382	88	326	167	308	362	362	286	397	411	395	410	375	418	419
11. " Commercial vehicles.....	"	64	20	72	41	59	65	71	66	59	87	90	91	98	87	101
12. Cotton consumption.....	Thous. bales	587	418	619	492	614	672	623	642	565	775	843	794	854	920	919
13. Index of Rly. car loadings (j).....	1929=100	100	51.3	73.0	58.6	66.4	71.7	67.8	69.7	73.0	78.3	73.7	81.6	82.9	73.7	88.8
14. Index of Dept. Stores sales (j).....	"	100	62.2	83.6	76.7	89.1	84.2	80.2	80.2	81.9	91.0	91.0	92.8	92.8	93.7	94.7
15. Retained imports.....	Million \$	362	110	251	163	190	211.7	203.0	203.7	205.4	238.3	223.6	215.6	254.6	274.6	266

THE ECONOMIST

TRADE SUPPLEMENT

DECEMBER 27, 1941

The Trend of Business

THE general trend of industrial activity has remained upwards during the past quarter. The output of goods for civilian consumption has been further curtailed, but the decline has been more than offset by the expansion in war production. The improvement in the total volume of production has been facilitated by the continued absence of serious air raids, by the comparatively low level of shipping losses, and by a further increase in industrial personnel.

Great Britain's industrial mobilisation has reached the stage when the output of finished war equipment is increasing fairly rapidly as a result of the completion of a large proportion of the preparatory work, consisting of the construction of new munition factories and of the tooling of both new and existing industrial plants. But the increase in munition-making capacity has been accompanied by a growing scarcity of labour. In order to solve the problem of strengthening the fighting services, as well as the industrial army providing them with equipment, the Government has passed the National Service Act this month; broadly, the Act is designed to bring within the scope of the war effort all able-bodied men and women.

Substantial though the improvement has been in the output of war equipment during the past three months, Great Britain has not yet developed its production to the full. In part this is due to the very great technical and administrative difficulties of changing over to a war economy which, as Mr Churchill pointed out in the House of Commons on December 2nd, can only be solved gradually. Nevertheless, it is still widely held that the speed of the transfer could have been faster and is still not fast enough. Apart from recurrent com-

plaints about faulty ordering, insufficient standardisation of tools and equipment, there is widespread criticism of the slowness with which production facilities are harnessed to the war effort. The system of decentralisation through the Regional Boards of the Production Executive is still far from satisfactory. Sir John Anderson, Lord President of the Council, admitted in the House of Commons on December 3rd that the Government had not yet gone so far as in the last war in vesting executive powers in the Regional Boards. There is a good deal of variation in the efficiency of existing Boards; some have shown initiative in organising local production facilities and in the pooling and exchange of equipment and knowledge, but others have done comparatively little.

The supply of raw materials for the production of war equipment has been fairly satisfactory. Imported materials have been coming in fairly regularly as a result of the reduction in shipping losses; indeed, it has been possible to replenish stocks. Home production of raw materials has also been increased. Although coal production has not come fully up to official expectations, stocks have shown some increase. Iron ore production, too, has been speeded up, thus partly offsetting the reduction in imports of the ingredients of iron and steel.

In view of the present strategic position of the Allies, it is essential that the tempo of industrial mobilisation should be speeded up still further, so that they can at last seize the initiative and exploit to the full the setbacks suffered by Germany in Russia and North Africa.

British Industrial Development

COAL

During the December quarter the number of ex-miners brought into employment was increased to over 27,000; there was little interruption of work by enemy action, and industrial relations improved after the removal of the friction over the conditions of the attendance bonus. The average weekly output was a little higher than in the September quarter, but it fell short of the target. Some local stoppages were reported through lack of empty wagons, but the position rapidly mended with the help of a Government scheme for the unloading on newly acquired and equipped Government dumps at or near the collieries, of wagons needed to prevent interruption of work. Some prices were raised in South Wales, Lancashire and Northumberland, and over the year the increase in the average pithead proceeds per ton was 12-13 per cent. Wage costs during 1941 rose by about 14 per cent, and the improvement in earnings per shift since September, 1939, was approximately 36-37 per cent, without allowance for the additional number of shifts worked per week.

IRON AND STEEL

The iron and steel industry has achieved an expansion in output during the last quarter of this year, in spite of the reduction in the import of raw materials from the United States. The improvement has been secured by a yet greater increase in the home production of iron ore and by an intensification of the scrap collection campaign. In view of the scarcity of scrap in the United States, imports from that country are expected to remain at a comparatively low rate during the next few months. Although stocks are substantial the output of steel cannot be maintained at the current rate without a still more vigorous effort to increase the flow of domestic scrap to the steelworks. The report of the Essendon Committee on the reorganisation and concentration of the tinplate industry has been submitted to the Ministry of Supply; but its proposals have not been published.

CHEMICALS

During the past three months there has been a steady tone throughout the industrial chemicals market, with business moving

along rather restricted channels. Supplies of all the leading products have been allocated for essential purposes, enabling the flow of deliveries against contracts to be maintained. The restricted supply position has limited bookings in the fine chemicals section. With the increased home demand, export business in the coal tar products market has taken second place. Prices generally have been steady and most of the difficulties resulting from the coal tar control are gradually being overcome. All wood distillation products have been in great demand, although practically no stocks are available.

COTTON

Considerable business was offered, but many contracts had to be refused owing to shortages of supply. During the quarter the concentration of production was completed, and the output of spindles and looms is now about 55 per cent of capacity. The Essential Work Order was applied to the spinning branch, and application has been made for the weaving section to be included. Labour shortage was acute and a drive to get married women to return to the mills has so far achieved little success. Export cloth was chiefly for Java, South America and the Dominions. Quotas will be reduced by half in the New Year. There is a greater tendency for the industry as a whole to centre its efforts on war needs, and a reduction in the output of civilian goods is expected. Raw cotton imports showed decided improvement, and local stocks are larger than for some time. The fact that spinners cannot sell their output beyond twelve weeks has forced manufacturers to limit their sales. The appointment of Mr Frank Platt as Controller, in place of Sir Percy Ashley, who resigned, was well received in trade circles.

WOOL

The rationing period for the four months commencing November 1st was the first which included raw material for the utility clothing scheme. Some twenty types of cloth were included in the Board of Trade's list issued under the Clothing and Apparel (No. 2) Order. Since the inception of the scheme a considerable amount of machinery has been employed, and it appears that some balance between coupons and available goods is being achieved. The last

	Unit of Measurement	Monthly Average						1940				1941					
		1929	1932	1937	1938	1939	1940	Apr.	May	June	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
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	148	134	134	134	133	133	131	131	130	130
17. Retained imports	Million Krone	148.6	96.2	177.0	173.5	208.2	166.6	237.6	197.5	136.4	149.2	126.4	77.8	106.7	176.7	177.0	127.2
18. Domestic exports	1935=100	151.0	79.0	166.7	153.6	157.4	111.5	104.4	80.4	86.2	120.9	84.9	46.9	87.4	111.7	133.2	135.5
19. Wholesale prices	"	100.0	...	114	111	115	146	141	142	143	160	162	165	169	170	171	173
20. Cost of living (49 towns)	"	100.0	92.4	95.3	97.8	101	115	73	...	114	120	...	...	129	...	...	...
21. Price of industrial securities	1937=100	...	...	100	...	...	76	73	74	78	65	85	80	80	84	86	87
SWITZERLAND (Population 1939: 4,216,000; Area: 41,000 sq. kms.)																	
22. Retained imports	Million francs	227.6	146.9	150.6	133.9	157.4	154.5	248.6	200.8	130.3	151.0	134.1	134.1	179.2	153.0	160.4	157.9
23. Domestic exports	1929=100	174.8	66.8	107.2	109.7	108.1	109.6	130.5	89.5	86.3	134.3	100.3	113.0	113.2	107.4	120.5	107.6
24. Wholesale prices	"	100.0	68.0	78.8	75.8	79	101	95	96	98	116	118	119	121	124	128	131
25. Cost of living (34 towns)	"	100.0	85.7	84.9	85.1	86	94	91	92	93	99	101	101	102	105	106	109
26. Price of industrial securities	"	100.0	52.6	105.6	130.4	127	118	125	...	...	118	118	117	120	123	123	133
TURKEY (Population 1935: 16,158,000; Area: 768,000 sq. kms.)																	
27. Retained imports	Million livres	21.36	87.17	9.53	12.49	9.85	5.74	6.74	9.10	6.80	5.33	4.52	7.19	7.07	8.31	5.75	...
28. Domestic exports	"	12.94	8.44	11.50	12.08	10.62	9.29	10.04	12.14	5.80	11.87	13.94	17.41	15.26	17.94	9.37	...
29. Wholesale prices	1929=100	100	56.0	64.5	61.1	63	75	73	74	72	85	85	85	85	85	85	...
30. Notes in circulation	Million livres	...	149	169	194	281	...	299	319	342	403	404	418	453	482	505	500

RAW MATERIALS AND CRUDE FOODSTUFFS

Commodity	Unit of Measurement	Monthly Average						1940			1941						
		1929	1932	1937	1938	1939	1940 (a)	May	June	July	Jan.	Feb.	Mar.	Apr.	May	June	July
OIL																	
1. Production: Dutch East Indies	Th. metric tons	437	424	605	616	662	662	625	675	700	686	585	692	636	666	...	...
2. " Mexico	"	556	408	578	471	525	539	460	560	583	581	499	477	422	437	...	...
3. " Iran (Ang.-Ir. Oil)	"	452	943	871	911	811	755	775	627	332	870	796	870	849	875	...	...
4. " Rumania	"	403	612	596	550	520	480	520	499	517	374	411	472	449	471	...	...
5. " U.S.A.	"	11,509	8,970	14,597	13,679	15,262	15,242	16,004	15,112	15,322	14,971	13,637	15,264	15,029	15,833	...	...
6. " U.S.S.R.	"	1,206	1,791	2,307	2,405	2,461	2,475	2,520	2,503	2,497	2,593	2,606	2,606	2,510	2,510	...	...
7. " All Principal Countries	"	17,145	15,048	23,486	22,686	24,755	24,755	24,755	24,755	24,755	24,755	24,755	24,755	24,755	24,755	...	...
8. Stocks: U.S.A. end year	million barrels	422	340	306	273	238	262	259	262	262	260	263	266	266	262	259	253
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	101.0	111.0	111.0	111.0
COPPER																	
10. Production (Smelter) U.S.A.	Th. metric tons	83.2	23.2	74.2	48.6	63.2	75.0	75.0	72.4	72.0	75.6	71.9	77.7	79.9	82.0	74.9	75.2
11. Stocks: U.S.A. (b)	"	75.48	31.71	54.53	44.8	42.75	62.00	62.00	62.00	62.00	106.0	88.6	81.5	89.6	84.4	89.1	67.5
12. Price: Std. cash, London (c)	£ per ton	18.11	5.56	13.17	9.17	10.97	11.48	11.50	11.50	11.50	12.00	12.00	12.00	12.00	12.00	12.00	12.00
13. " Electrolytic, N. York	cents per lb.	18.11	5.56	13.17	9.17	10.97	11.48	11.50	11.50	11.50	12.00	12.00	12.00	12.00	12.00	12.00	12.00
LEAD																	
14. Production: (Smelter) U.S.A.	Th. metric tons	54.1	21.1	36.0	31.4	34.9	36.4	34.4	30.9	32.1	49.6	43.3	42.4	39.4	41.8	35.1	...
15. Stocks: U.S.A. (b)	"	49.7	159.4	117.0	121.1	53.3	37.1	63.0	55.3	47.4	42.9	46.6	46.0	42.9	34.0	...	...
16. Price: Soft Foreign, London (c)	£ per ton	23.25	11.00	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	5.02	5.00	5.00	5.50	5.75	5.75	5.75	5.85	5.85	5.85
SPELTER																	
18. Production: (Smelter) U.S.A.	Th. metric tons	47.3	15.7	42.1	34.5	40.7	48.6	46.7	43.7	47.3	54.8	51.1	57.5	57.3	58.6	56.5	60.3
19. Stocks: U.S.A. (b)	"	70.1	113.2	58.8	116.3	59.9	11.7	65.9	60.7	55.7	9.1	6.5	6.4	6.6	7.5	6.7	8.8
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	5.80	6.25	6.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25
TIN																	
22. Production: Bolivia	Long tons	3,862	1,715	2,085	2,114	2,268	3,162	3,098	3,261	3,068	3,150	2,926	3,089	3,838	3,531	4,356	...
23. (exports) Dutch E. Indies	"	2,931	1,307	3,315	1,752	2,619	3,704	2,753	3,184	4,347	3,275	3,532	4,619	4,576	4,935	5,074	3,948
24. " British Malaya	"	5,781	2,479	6,462	3,604	4,667	7,105	6,809	7,928	6,126	5,764	5,081	9,398	4,508	8,243	10,243	4,091
25. " Thailand (Siam)	"	828	772	1,365	1,125	1,414	1,454	1,320	1,784	1,118	1,107	1,263	1,455	1,467	1,075	1,748	1,103
26. " World	"	15,582	8,267	17,242	12,475	15,358	19,758	18,400	19,800	19,900	17,300	17,600	22,200	18,000	22,900	31,800	18,100
27. " Quota of Restr. Countries	% of std. quantity	...	42.8	107.5	53.8	73.8	115.0	80.0	80.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0
28. Consumption: U.K.	tons	2,518	1,542	2,164	1,524	2,273	2,435	3,261	2,784	2,756	2,672	2,155	2,691	1,991	2,501	2,426	...
29. " U.S.A.	"	7,298	2,938	7,222	4,224	5,939	9,625	7,905	9,225	7,325	12,760	12,195	16,092	13,955	10,490	14,880	12,575
30. " World	"	14,834	8,758	16,592	12,625	13,808	21,363	18,400	19,800	19,900	17,300	17,600	22,200	18,000	22,900	31,800	18,100
31. Stocks: U.S.A. (b)	"	2,820	4,496	6,385	5,157	3,302	9,179	3,677	5,300	6,567	9,442	7,489	5,195	5,016	7,205	2,846	5,864
32. World: Total stocks (b)	"	27,229	58,427	36,330	49,414	50,607	60,982	40,783	41,211	48,830	58,806	57,703	54,526	53,447	57,140	55,975	56,302
33. Price: Std. cash, London (c)	£ per ton	203.9	136.0	242.3	189.6	226.3	256.6	264.3	273.6	265.8	256.8	265.2	270.3	270.0	267.7	262.9	258.4
34. " Straits, New York	cents per lb.	45.19	22.01	54.24	42.26	49.56	49.82	51.48	54.54	51.59	50.16	51.40	52.13	51.96	52.18	52.69	53.66
TEA																	
35. Exports: Ceylon	Million lb.	21.0	21.1	17.9	19.6	19.0	19.90	23.4	31.8	18.5	17.4	11.8	13.0	19.4	29.8	29.4	21.5
36. " Dutch Indies	"	13.3	14.5	12.2	13.2	13.3	14.02	9.3	10.0	10.4	12.6	14.5	18.5	13.9	19.1	11.1	15.5
37. " British India	"	32.0	30.8	27.6	28.3	27.2	...	11.7	20.8	...	...	18.4	...	...	...	...	...
38. " World	"	80.6	77.7	73.5	77.0	76.9	...	...	...	...	...	...	...	...	...	...	...
39. " Quota of Restr. Countries (d)	% of std. quantity	...	...	87.5	92.5	90.5	92.5	92.5	92.5	92.5	92.5	92.5	92.5	92.5	100.0	100.0	100.0
RUBBER																	
40. Exports: D. E. Indies	Thous. tons	21.22	17.58	35.97	24.84	31.00	44.74	40.32	44.81	60.67	58.59	42.09	53.23	48.92	48.10	48.50	53.33
41. " British Malaya	"	38.05	33.80	39.16	31.00	31.00	45.03	57.87	45.47	62.82	60.87	42.09	53.23	48.92	48.10	48.50	53.33
42. " World	"	72.20	59.05	94.59	74.88	83.70	116.00	122.95	115.32	127.50	127.50	127.50	127.50	111.28	125.63	127.36	152.50
43. " Quota of Restr. Countries	% of std. capacity	...	...	83.75	55.00	58.75	83.75	80.0	80.0	85.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
44. Consumption: U.K.	Thous. tons	6.02	6.50	9.55	8.91	10.23	12.75	12.30	12.50	12.50	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	54.04	54.51	47.83	48.35	65.99	62.69	69.02	71.37	71.19	84.81	68.65
46. " All-imp. count.	"	67.12	57.48	91.26	77.80	91.78	90.41	96.84	78.72	75.71	100.49	89.69	103.52	101.87	98.69	114.91	93.15
47. " Reclmd. in U.S.A.	"	18.08	6.46	13.25	10.07	14.17	15.85	15.98	15.16	14.54	19.09	18.22	19.61	20.21	21.35	22.56	21.70
48. Stocks: U.S.A. end year and month	"	118.6	379.0	262.2	20.3	125.8	288.9	148.9	154.3	175.5	309.4	320.4	338.1	329.8	364.1	339.9	359.2
49. Price: London, st. sm. sheet	pence per lb.	10.25	2.36	9.50	7.22	9.00	12.06	11.56	13.06	12.41	12.44	14.78	13.94	14.28	14.00	15.53	15.43
50. " N. York, st. sm. sheet	cents per lb.	20.5	3.4	19.3	14.6	17.5	19.9	21.0	23.9	21.0	19.7	20.3	22.0	23.2	23.8	21.7	22.1

	Unit of Measurement	Monthly Average					1940											
		1929	1932	1937	1938	1939	1940	July	Aug.	Sept.	Mar.	Apr.	May	June	July	Aug.	Sept.	
II. OTHER COUNTRIES—contd.																		
SWEDEN (Population 1939: 6,341,000; Area: 449,000 sq. kms.)																		
19. Industrial production (i)	Million krona	100	88	149	146	155	141	133	133	131	131	131	130	129	125	125	128	
20. Retained imports	"	148.6	95.2	177.0	173.5	208.2	166.6	139.9	123.1	147.5	106.7	176.7	177.0	127.2	117.9	136.2	159.7	
21. Domestic exports	"	151.0	79.0	166.7	153.6	157.4	111.5	91.9	97.4	106.1	87.4	111.7	133.2	135.5	115.0	129.8	137.9	
22. Wholesale prices	1935=100	...	...	114	111	115	146	146	146	149	169	170	171	173	173	174	175	
23. Cost of living (49 towns)	"	100.0	92.4	95.3	97.8	101	115	...	...	116	129	...	...	129	...	...	130	
24. Price of industrial securities	1937=100	...	...	100	...	...	76	76	72	75	80	84	86	87	91	93	97	
SWITZERLAND (Population 1939: 4,216,000; Area: 41,000 sq. kms.)																		
25. Retained imports	Million francs	227.6	146.9	150.6	133.9	157.4	154.5	79.2	80.1	91.5	179.2	153.0	160.4	157.9	167.1	191.4	200.0	
26. Domestic exports	"	174.8	66.8	107.2	109.7	108.1	109.6	81.0	113.1	97.5	113.2	107.4	120.5	107.6	125.9	116.5	130.0	
27. Wholesale prices	1929=100	100.0	68.0	78.8	75.8	79	101	100	103	108	121	124	128	131	133	134	135	
28. Cost of living (34 towns)	"	100.0	85.7	84.9	85.1	86	94	94	94	95	102	105	106	109	110	110	111	
29. Price of industrial securities	"	100.0	52.6	105.6	130.4	127	118	108	109	110	120	123	123	133	131	132	141	
TURKEY (Population 1940: 17,870,000; Area: 768,000 sq. kms.)																		
30. Retained imports	Million livres	21.36	87.17	9.53	12.49	9.85	5.74	3.96	4.53	5.08	7.07	8.31	5.75	...	...	...	...	
31. Domestic exports	"	12.94	8.44	11.50	12.08	10.62	9.29	5.03	3.16	7.37	15.26	17.94	9.37	...	...	...	...	
32. Wholesale prices	1929=100	100	56.0	64.5	61.1	63	75	72	74	78	...	...	...	...	...	...	...	
33. Notes in circulation	Million livres	...	149	169	194	281	403	344	351	357	453	482	505	500	490	479	492	

RAW MATERIALS AND CRUDE FOODSTUFFS

Commodity	Unit of Measurement	Monthly Average					1940			1941							
		1929	1932	1937	1938	1939	1940 (a)	Aug.	Sept.	Oct.	Apr.	May	June	July	Aug.	Sept.	Oct.
OIL																	
1. Production: Dutch East Indies	Th. metric tons	437	424	605	616	662	662	687	650	673	636	666	575	592	691	649	...
2. " Mexico	"	556	408	578	471	525	539	572	563	616	506	595	425	437	414	401	...
3. " Iran (Ang.-Ir. Oil)	"	462	543	871	911	811	755	713	875	875	849	875	862	848	861	839	...
4. " Roumania	"	403	612	596	550	520	480	524	441	468	449	471	426	...	...	...	...
5. " U.S.A.	"	11,509	8,970	14,597	13,679	14,262	15,242	14,954	14,793	15,345	15,029	15,827	15,563	15,999	16,615	16,219	...
6. " U.S.S.R.	"	1,206	1,791	2,307	2,405	2,461	2,850	...	...	...	2,510	2,510	3,000	3,000	2,329	2,253	...
7. " All Principal Countries	"	17,145	15,048	23,486	22,686	...	...	...	...	...	...	...	...	...	...	...	...
8. Stocks: U.S.A. end year	million barrels	422	340	306	273	238	262	266	268	262	266	262	259	253	249	247	243
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	101.0	111.0	111.0	111.0	111.0	111.0	111.0
COPPER																	
10. Production (Smelter) U.S.A.	Th. metric tons	83.2	23.2	74.2	48.6	63.2	75.0	72.5	71.0	78.8	79.9	82.0	74.9	75.2	77.1	74.5	...
11. Stocks: U.S.A. (b)	"	...	...	134	289	145	130	180.5	168.1	149.3	89.6	84.4	89.1	67.5	65.3	57.8	61.0
12. Price: Std. cash, London (c)	£ 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
13. " Electrolytic, N. York	cents per lb.	18.11	5.56	13.17	9.17	10.97	11.48	10.71	11.30	11.83	12.00	12.00	12.00	12.00	12.00	12.00	12.00
LEAD																	
14. Production: (Smelter) U.S.A.	Th. metric tons	54.1	21.1	36.0	31.4	34.9	36.4	33.4	37.7	35.6	39.4	41.8	35.1	38.1	35.5	40.7	...
15. Stocks: U.S.A. (b)	"	49.7	159.4	117.0	121.1	53.3	37.1	43.3	41.3	35.4	42.9	34.0	34.0	24.3	19.2	...	...
16. Price: Std. Foreign, London (c)	£ per ton	23.25	11.00	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	4.85	4.93	5.31	5.75	5.85	5.85	5.85	5.85	5.85	5.85
SPELTER																	
18. Production: (Smelter) U.S.A. (j)	Th. metric tons	47.3	15.7	42.1	34.5	40.7	53.4	51.9	54.3	57.5	62.2	66.6	64.3	67.7	68.5	66.4	68.9
19. Stocks: U.S.A. (b) (j)	"	70.1	113.2	58.8	116.3	59.9	16.0	47.4	33.4	24.5	10.4	10.7	10.1	12.6	16.3	17.6	19.6
20. Price: G.O.B., London (c)	£ per ton	24.88	13.58	22.87	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	6.39	6.92	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25
TIN																	
22. Production: Bolivia	Long tons	3,862	1,715	2,085	2,114	2,268	3,162	2,815	3,149	3,615	3,838	3,531	4,536	3,240	2,384	3,902	5,320
23. (Exports) Dutch E. Indies	"	2,993	1,307	3,315	1,752	2,619	3,704	3,571	4,058	4,486	4,576	4,935	5,074	3,948	4,666	3,902	5,320
24. " British Malaya	"	5,781	2,479	6,462	3,604	4,667	7,115	7,222	9,056	5,604	4,508	8,243	10,243	4,091	6,874	8,214	5,242
25. " Thailand (Siam)	"	828	772	1,365	1,125	1,414	1,454	1,460	1,288	1,579	1,467	1,075	1,748	1,103	1,452	1,518	1,342
26. " World	"	15,582	8,267	17,242	12,475	15,358	19,758	18,400	23,000	21,000	18,000	24,900	31,800	18,100	21,300	19,400	19,300
27. " Quota of Restr. Countries	% of std. quantity	...	42.8	107.5	53.8	73.8	115.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0
28. Consumption: U.K.	tons	2,518	1,542	2,164	1,524	2,273	2,435	2,322	2,783	2,303	1,991	2,501	2,426	2,418	2,079	1,940	1,900
29. " U.S.A.	"	7,298	2,938	7,222	4,224	5,939	9,625	12,470	11,410	11,820	13,955	10,490	14,880	12,575	13,525	12,715	8,000
30. " World	"	14,834	8,758	16,592	12,625	13,808	...	...	...	...	...	...	...	...	...	...	...
31. Stocks: U.S.A. (b)	"	2,820	4,496	6,385	5,157	3,302	9,179	6,583	9,438	6,623	5,016	7,205	2,846	5,864	2,393	1,767	1,127
32. World: Total stocks (b)	"	27,229	58,427	36,330	49,414	50,407	60,982	51,232	52,824	53,890	53,447	57,140	55,975	56,302	50,864	46,729	51,465
33. Price: Std. cash, London	£ per ton	203.9	136.0	242.3	189.6	222.3	256.6	262.6	251.3	258.1	270.0	267.7	262.9	258.4	257.2	256.5	256.0
34. " Straits, New York	cents per lb.	45.19	22.01	54.24	42.26	43.36	49.82	51.18	50.32	51.50	51.96	52.18	52.69	53.66	52.40	52.00	52.00
TEA																	
35. Exports: Ceylon	Million lb.	21.0	21.1	17.9	19.6	19.0	19.90	19.2	21.6	19.2	19.4	29.8	29.4	21.5	20.2	15.3	20.9
36. " Dutch East Indies (h)	"	13.3	14.5	12.2	13.2	13.3	14.02	17.0	14.1	14.2	13.9	19.1	11.1	15.5	13.9	12.0	10.3
37. " British India	"	31.7	31.8	27.3	29.0	30.2	29.7	45.2	46.9	42.2	5.2	11.4	14.6	29.6	43.0	38.2	...
38. " World	"	80.6	77.7	73.5	77.0	76.9	...	...	...	...	...	...	...	...	...	...	...
39. " Quota of Restr. Countries (d)	% of std. quantity	...	...	87.5	92.5	95.0	92.5	92.5	92.5	92.5	110.0	110.0	110.0	110.0	110.0	110.0	110.0
RUBBER																	
40. Exports: D. E. Indies	Thous. tons	21.22	17.58	35.97	24.84	31.00	44.73	46.63	44.03	50.14	48.92	48.10	48.50	53.43	51.89	65.50	54.04
41. " British Malaya	"	38.05	33.80	59.19	31.00	31.40	45.03	45.87	58.89	52.72	40.59	53.06	51.25	53.37	46.40	70.60	31.30
42. " World	"	72.20	59.05	94.59	74.58	83.70	116.00	120.85	133.80	127.08	112.02	100.0	100.0	100.0	100.0	110.50	110.50
43. " Quota of Restr. Countries	% of est. capacity	...	...	83.73	55.00	58.75	83.75	85.0	85.0	90.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
44. Consumption: U.S.A.	Thous. tons	6.02	6.50	4.53	6.81	10.23	12.23	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50
45. " U.S.A.	"	38.95	28.08	45.75	36.82	49.33	54.04	53.31	52.47	59.64	71.37	71.19	74.19	84.91	68.55	55.37	63.67
46. " All-imp. count.	"	67.12	57.48	91.26	77.87	97.78	90.41	81.54	78.97	89.14	102.87	98.19	113.91	112.15	95.87	108.16	112.92
47. " Reclmd. in U.S.A.	"	18.08	6.46	13.25	10.07	14.17	15.85	14.46	14.84	16.81	20.43	21.35	22.56	21.73	20.86	24.00	26.57
48. Stocks: U.S.A. end year and month	"	118.6	379.0	262.2	231.5	125.8	268.9	196.8	220.6	235.4	329.8	364.1	339.1	395.2	433.7	461.4	454.7
49. Price: London, st. sm. sheet	pence per lb.	10.25	2.34	9.50	7.22	9.00	12.06	12.88	12.00	11.81	14.28	14.00	13.53	13.44	13.72	13.75	13.75
50. " N. York, st. sm. sheet	cents per lb.	20.5	3.4	19.3	14.6	17.5	19.9	19.2	19.2	20.2	23.2	23.8	21.7	22.1	22.6	22.5	23.00

relationship. Other merchant banks took special initiative in the financing of comparatively small firms starting operations in one or other of the depressed areas. But it should be noted that this intrusion of the merchant banks into the field of industrial banking has never amounted to much in absolute terms. The resources at the disposal of these institutions are in any case small in relation to the capital needs of any one of Britain's large industries. The published balance sheets of these banks give no indication of any appreciable extension of their activity in this direction. But the fact that, here and there, such participation has in fact been acquired is worth noting, for it is something completely new in British banking practice and policy; and it provides a development along which some merchant banks may well seek salvation and escape from the impasse into which the throttling of international trade and the rigours of a controlled economy have driven them. The nature of their resources, and, in particular, the more permanent character of the deposits entrusted to them, would allow them to undertake such business with a prospect of impunity which the joint stock banks could never achieve if they made a similar investment.

This somewhat negative record of British banking in supplying the long term capital needs of industry is far from reprehensible. The history of British banking would have been far more stormy, and its present structure far less solid, had serious attempts been made in the past to compromise between the principles of deposit and industrial banking. The present-day position in this respect is, however, losing some of the clear cut simplicity of which it could boast in pre-war days, when a free open capital market stood ready to satisfy most of the reasonable long-term capital requirements of industry. That market is now closed, and its watch dog, the Capital Issues Advisory Committee, has only opened its door to a small number of comparatively unimportant capital issues—most of them being increases of capital and issues of additional shares to existing shareholders. The object of this control is to canalise the flow of national savings into Government issues and to ensure that all the demands for additional industrial capital, which are in fact satisfied, are directly concerned with the war effort. If a firm engaged on non-essential work needs additional capital, it can be quite certain of not getting it. Where such capital is required by a firm working for one of the supply ministries, it can usually obtain its requirements in kind from the department for which it is working. The Ministry of Supply, the Admiralty and the Ministry of Aircraft Production will in such circumstances erect or extend factories and provide and instal machinery and other permanent equipment in the form of what has generally become known as an "embodiment loan." This plant is lent to the operating firm, the agreement occasionally incorporating an option to the firm in question to purchase the plant at the end of the war.

These facilities do not provide for working capital, the acquisition of stocks of materials or other types of self-liquidating credit transactions which should readily be

handled by the firm's own bankers. Even the banks, however, are occasionally brought into the machinery set up to provide the longer term credit which in normal circumstances they would not grant. The finance for plant extensions, installation of machinery and other permanent investment of this kind is occasionally provided by banks under Government guarantee. This procedure is, however, comparatively rare. The banks' accepted rôle remains the traditional one of satisfying the demand for working capital. That rôle is not, however, played in the traditional way. The main criterion in the banks' loan policy is no longer the credit worthiness of the borrower, but the nature of his activities. If his business can be classed as an essential war industry, the banks, in satisfying his ordinary credit requirements, will go a long way in disregarding the customary standards of banking prudence. The checks against "overtrading," for example, can no longer be applied when the national interest demands that every firm engaged on armament work should overtrade. But the essence of these standards must remain, and in particular bank advances, however disproportionate they may become to the capital invested in the firm, must still lay some claim to self-liquidity. This does not mean that some bank credit is not in fact being used for financing work of a permanent nature, even without Government guarantee. Where the liquidity of a firm will allow the repayment of such advances without requiring the liquidation of the assets for which the advance was granted, such accommodation may be given, and the standards of prudent banking will have been fully adhered to.

The machinery which has been built up to meet the credit and capital requirements of industry in the abnormal conditions of war is far from perfect. It is a haphazard structure. An organisation such as that which should now supply the long term needs of industry is not built up in the course of a few months without friction and without leaving considerable gaps uncovered. There has been considerable criticism from industry in the recent past that essential work and development is being held back for lack of the necessary credit facilities. As far as working capital is concerned, there seems to be very little ground for these complaints. An effective liaison system has been established between the banks and the various supply departments; and any complaint of inadequacy of working capital by a firm working on Government account, if lodged in the proper quarters, should meet with rapid satisfaction. The banks, for their part, find no relish in the serious decline of their loans and advances. They are therefore unlikely to turn a deaf ear to the legitimate demands of industrial customers engaged on work of national importance. If they did, their deafness would soon receive the appropriately audible remonstrances from the supply departments concerned. There is, however, room for both expanding and co-ordinating the machinery at present available to receive and decide upon requests for additional long-term capital. This organisation is at present wholly decentralised, each supply department working in virtual isolation. If the strands of the many requests for capital meet at any one point, it is where Treasury sanction has to be obtained for the expenditure involved. But the control exercised at this point is anything but constructive, and it initiates no policy. Nor is the machinery available for implementing the decisions taken by each supply department and approved by the Treasury as effective or uniform in its working as might be desired. Expansion in long-term industrial equipment demands a measure of planning, which probably exists in somewhat nebulous form but which could be improved. The grant of such capital should, for example, have reference, not merely to the immediate problem of war production, but to such questions as the post-war location of industry and the transferability of the plant and equipment in question to peacetime needs. The greater co-ordination of these capital-issuing activities of the various supply departments would provide the germ of a National Investment Board which, at least for the period of the post-war reconstruction, will have to direct the flow of capital investment in this country.

American Banking Trends

(From Our New York Correspondent)

THE banking figures of the past twelve months are primarily the reflection of the following factors—the gold movement; the usual Federal deficit; the deficits specifically attributable to America's armament programme; and the influences arising from the civil boom.

As usual, the account must begin with the gold inflow, now in its eighth year as a major phenomenon. Up to the end of 1940, this gold inflow was regularly far in excess of current output, and, in the last six months of 1940, still averaged about \$200 millions a month. In the first half of 1941, it dropped to about \$100 millions. Up to mid-1940 this gold was reflected in a continuous expansion of member bank cash, a large fraction becoming excess reserves. Over the past year this conventional phenomenon has not been repeated. Two factors turned the long expansion of reserves into a contraction—the growth of non-member balances, whether Treasury, non-member clearing accounts, or foreign; and the continued and accelerating expansion of the currency. At the same time, the great expansion of member bank credit increased the sum of required reserves. As a result, total reserves were stabilised in the last half of 1940, and fell by about \$800 millions in the past six months. Excess reserves, which had been about \$6,800 millions at the end of June, 1940, had fallen by about \$400 millions by the year end and by more than \$1,000 millions more by the end of June, 1941—by more than \$1,500 millions in twelve months, during which time the gold stock had actually risen by \$2,700 millions. This change is one of the most con-

spicuous changes of trend in banking and monetary statistics, but so enormous is the "cushion" of excess reserves that, as yet, it has had no perceptible influence. The greatest single factor is the currency demand; "money in circulation" is now about double the amount in the late twenties.

RESERVE BANK AND TREASURY ITEMS

(\$000,000)

	June 25, 1940	Dec. 25, 1940	June 25, 1941
U.S. Securities	2,473	2,184	2,184
Gold Stock	19,871	21,930	22,620
Gold Certificates	17,653	19,681	20,314
Member-Bank Balances	13,723	13,837	12,985
Of Which Excess Reserves	6,801	6,438	5,150
Non-Member Bank Balances	1,405	2,000	2,186
Treasury Balances	301	481	1,081
Money in Circulation	7,780	8,817	9,490
Of Which Federal Reserve Notes	5,144	5,965	6,633

Although it was stated above that banking phenomena were mostly reflections of the Federal deficit, it will be noted that this does not hold for the Reserve Banks. In late 1940, they reduced their holding of Government securities by a small amount; and in the first half of 1941, when deficit financing assumed large magnitudes, they did not add to their own holdings.

It is increasingly uncertain if an accurate picture of what is called commercial banking can be obtained from statements of the Reporting Member Banks. To a growing extent, various Government agencies have entered



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CAPE TOWN	HARTEBEESTFONTEIN	POTCHEFSTROOM
CONGELLA	JOHANNESBURG	PREMIER MINE
DULLSTROOM		PRETORIA
DURBAN		RAWSONVILLE
EAST LONDON		SPRINGS
	Kruis Street	WORCESTER

spheres of commercial banking; and new institutions, or old, but expanding, non-banking institutions have extended their activities in the area of personal credit, consumer financing and factoring. To a degree these institutions and agencies are competitors of the reporting banks; to a degree they are jobbers or retailers of funds derived directly or indirectly from the banking system.

REPORTING MEMBER BANKS (\$000,000)

	June 26, 1940	Dec. 25, 1940	June 25, 1941
Total Loans and Investments	23,581	25,604	28,279
Total Loans	8,435	9,354	10,324
Of Which Commercial Loans	7,573	8,343	9,385
U.S. and Guaranteed Securities	11,610	12,568	14,304
Other Investments	3,536	3,682	3,651
Demand Deposits	20,681	22,382	24,046

The table of the Reporting Member Banks over the past year shows an increase of approximately 20 per cent in loans and investments as well as in deposits. The distinguishing feature introduced this year is the marked increase in commercial loans. To the extent that these commercial loans have related to the armament programme, they are in their origin similar to the Federal financing itself. But there is reason to relate much of it to the financing of the civil boom which has accompanied the military effort.

The distribution of bank credit for the Reporting Member Banks as a group is illustrative of neither New York nor the 100 Reporting Banks' outside New York.

NEW YORK BANKS (\$000,000)

	June 26, 1940	Dec. 25, 1940	June 25, 1941
Total Loans and Investments	9,277	10,323	11,812
Total Loans	2,753	3,093	3,433
Of Which Commercial Loans	2,318	2,534	2,920
U.S. and Guaranteed Securities	5,238	5,850	6,977
Other Investments	1,286	1,380	1,402
Demand Deposits	9,621	10,479	10,986

While the commercial loans of the New York banks have risen over the past year, the increase has been relatively small; on the other hand, the New York banks have been heavy buyers of Government securities. As late as early 1931 loans were double the investments; by the end of 1932, loans were equal to investments; now loans are half of investments. The reason for this great change in banking function lies in the relation of the banks to the stock market. Formerly, financing the corporate capital market by lending for the purpose of carrying securities, on the market or elsewhere, constituted a large and commonly the largest lending activity of the New York banks. Their security loans were deflated in the depression, and have not been rebuilt in the recovery; and with their apparent extinction disappeared one of the great historic functions of the New York Banks.

One of the most puzzling features of American banking is to be found in the relation of the New York banks to the banking system as a whole. In total loans and investments, the ratio of New York to the interior in 1929 was 1:2; the relation is now 3:4. In 1929, about 40 per cent of the demand deposits of these banks were in New York; now it is about 45 per cent. In 1929 the investments of the interior banks were double those of New

Banking in the Dominions

BANKING in the Empire in the last year has tended very much to follow the same lines as in the United Kingdom, and for the same reasons—a rise in deposits owing to Government war expenditure, a fall in advances owing to the increasing inroads made by the Government into industry, and a consequent rise in investments as the only outlet, under these circumstances, for surplus funds.

Only in Canada is there a slight variation on this theme, but it is an interesting variation because the Canadian chartered banks have been forced to watch their advances fall away and consequently to pile up their holdings of Government securities even earlier than

TOTAL LOANS AND INVESTMENTS	June, 1929	June, 1941
New York	7,281	11,812
Interior	14,950	16,467
TOTAL LOANS		
New York	5,468	3,433
Interior	11,012	6,891
TOTAL INVESTMENTS		
New York	1,812	8,379
Interior	3,938	9,576
DEMAND DEPOSITS		
New York	5,200	10,986
Interior	7,802	13,060
RESERVES		
New York	720	5,617
Interior	952	5,171

York; now they are approaching equality. Loans in both groups are about half of what they were in 1929, mostly by reason of the almost complete absence of share speculations with bank credit. In both groups, the sum of the reserves and the holdings of Government securities exceeds the demand deposits.

At the end of June, 1941, about 60 per cent of the total loans and investments of the New York banks and about 45 per cent of the total loans and investments of reporting banks outside New York consisted of U.S. and guaranteed securities. For the two groups combined the proportion is about 50 per cent. In this situation, it is clear that any internal strain falls not upon a market, but upon the pools of excess reserves; and that these can meet (as they are meeting) substantial fluctuations without provoking even a ripple in the structure of money rates.

It is extremely difficult to appraise economically the changes in banking practice over the past twelve years. In 1929 what were called loans predominated over what were called investments. That is, in the '20's the banks supplied credit for capital purposes, in the form of loans against capital securities. In recent years, the banks have been supplying credit for capital purposes in the form of investment in capital issues. So stated, there seems to be a good deal of similarity of substance combined with a dissimilarity of nomenclature. In both instances, bank credit was a substitute for, or a supplement to, savings. In both instances, the demand for capital appears either to have exceeded the amount of savings, or the amount of savings available for the specific demand. In the '20's, this demand came from corporate enterprise; in recent years, in so far as it has been reflected in banking data, it has come mostly, or almost exclusively, from the Government. In the present instance, the maintenance of the value against which the credit has been created is not dependent on a market, but is rather presumably protected by the reserve banks and the Treasury. In the '20's, it was a use of bank credit by enterprise, subject to the accountability of profit and loss, while in recent years it is an extension of bank credit to the State, which is subject to no such accountability. In the '20's, it was an extension of credit against a value subject to the fluctuations of a market; in recent years, specific provision has been made for isolating this value from the influence of a market. The record of this transition in banking theory and practice is statistically clear, and the mechanics of the present system are simple and well understood. But its significance to the economy and to the banking system is not at all clear as yet.

the British joint-stock banks. As the table on page 42 shows, already by 1939 their holdings of Dominion and Provincial Government securities had crept up to the level of their total loans, and, compared with 1929—admittedly an exceptional year—the switchover is striking. In the last twelve months, however, the welcome increase in current loans to the public, which had begun in 1939, persisted; and by October, 1940, the total had passed the thousand million dollar mark for the first time for some years. Thereafter, with some slight setbacks, the upward movement has continued and by May this year the figure had reached

\$1,032 millions. This, however, is only equivalent to 30 per cent of deposits, and holdings of Government securities, though they remained fairly stationary throughout last year, had by the spring of 1941 easily beaten advances and risen to 45 per cent of deposits. But the fact that, throughout the past two years, loans have shown a small absolute rise is some comfort for the banks.

This small divergence from the general trend of other Dominion and British banking may be explained by the civil boom which is accompanying production for war purposes. In this respect Canada is like the United States, where, as our New York correspondent points out on page 8, the reporting member banks have also experienced this year an increase in commercial loans. In the years of depression and recovery in the thirties, the Canadian banks followed the same trends as their neighbours, and this parallel movement is persisting in the years of war—which, of course, is producing much the same economic conditions in both countries. In both countries, too, it is probable that the banks are directly financing the armament programmes, by loans to industries working for the war effort, to a greater extent than banks in the United Kingdom and other parts of the Empire. The annual analysis of Canadian chartered bank loans showed that, on October 31 last year, loans to "other manufacturing" industries were \$62 millions higher than at the same date of 1939. But part of the rise in advances must be attributed to loans to grain growers and merchants in view of the huge carry-over of wheat.

A strong contrast is provided by the banking figures for the Union of South Africa, which are also found on page 42. Here there was not the same big fall in advances in the thirties, but there has been a fairly steady decline since the war began; and this year advances alone—the figure for discounts only amounts to some £5½ millions—have, as in the United Kingdom and Canada, been beaten by investments, whereas before the war they were well ahead.

The problem of the South African banks, ever since the country left the gold standard nearly nine years ago, has been to find a profitable outlet for the huge increase in their deposits which was caused by the high price of gold—directly through the very favourable balance of payments, and indirectly through the general stimulus to economic conditions given by the activity in the gold-mining districts. Their problem was intensified by the fact that the taxation of the gold mines gave the Union Government persistent budget surpluses, so that its recourse to borrowing was rare and mostly represented the replacing of external debt as it fell due by internal loans. It was this repayment of London loans which ex-

plains the rise in the banks' investments after 1935, and it was continued in 1940, when £7,900,000 5 per cent London stock was redeemed. But the increase in the Union's war expenditure has given a further outlet to the banks in Government securities, for a large part of it is being charged to loan account. Thus, in 1941-42, defence expenditure has been raised from about £60 millions to £72 millions, of which 60 per cent—£43,200,000—is to be met by borrowing. Some of this will be provided by the Public Debt Commissioners; but the Minister of Finance forecast issues to the public in his Budget speech, and the banks will no doubt be avid subscribers since, in spite of the borrowing of the previous year and the repayment of the London loan, their cash had risen by the end of 1940 to 39 per cent of deposits. Even allowing for the comparatively high cash ratio to which the South African banks have always been accustomed, this is an extraordinarily high figure.

It is a little strange that the banks have not participated in the general economic activity generated by the Government's war expenditure, as has apparently happened in Canada. It is possible, however, that the rise, if any, in advances to industry—secondary industries have certainly made further headway since the war—have been more than offset by a decline in advances to farmers. The British Government's bulk purchases of wool and maize must have eliminated to a very considerable extent the growers' need for bank advances.

In Australia, the past year, so far as the banks are concerned, has been a logical sequel to its forerunner. Deposits rose to £A360 millions in June, 1941, compared with an average of £A350 millions in 1940 and £321 millions in 1939. The increase has occurred almost entirely in current deposits, thus illustrating the public's desire for liquidity and for investments in war loans instead of interest-bearing deposits.

As in the United Kingdom, the trading banks have been actively co-operating with the authorities in the control of investment by limiting advances to ventures of value for war purposes. Investment in new undertakings has been strictly supervised, and the banks have followed the broad lines of policy laid down by the authorities. Bank advances in Australia have always shown a far higher ratio to deposits than in the other Dominions or the United Kingdom; but, as a result of the Government's policy, in June, 1941, the ratio was only 79 per cent, compared with an average of 90 per cent for the year 1939.

The reverse of this policy is shown in the increase in the banks' holdings of Government securities and Treasury Bills. In June this year, Government and municipal securities stood at £A62 millions, compared with

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£A44 millions in June 1940. Holdings of Treasury bills rose from an average of £A23 millions in 1939 to £A40 millions in 1940; since then there has been a slight decline, the figure for June, 1941, being £A36 millions. The big jump between 1939 and 1940 was caused by the centralisation of London and other external funds in the Commonwealth Bank, and the recession in the past twelve months indicates the determination of the authorities to finance war expenditure as far as possible out of taxation and savings. It is now apparent, as the Commonwealth Bank pointed out in its half-yearly report issued in March, that further war production in Australia will be achieved only by diverting resources from civilian production.

In New Zealand, already before the war, the social and economic policy of the Government had started an upward movement in banking figures, so that, unlike Australia, the effects of war finance were simply superimposed upon a trend that was already well in evidence. The deposits of the trading banks rose from £NZ64 millions in December, 1938, to £NZ79 millions in December, 1940, and £NZ82 millions in March, 1941, and, as in the case of Australia, the entire increase was in demand deposits. Time deposits, in fact, showed a slight decline. Advances fell from £NZ58 millions to £NZ48 millions in December, but rose to £NZ53½ millions in March. This rise, however, which was partly seasonal, was not in proportion to the increase in deposits, and the switch-over from the balance of private enterprise to public loan investments is illustrated by the rise in Government securities from £NZ9 millions in December, 1938, to £NZ 18 millions at the end of last year.

So far as central banking is concerned, in all the Dominions, there has been a rise in the note circulation, owing to the increased spending power in the hands of the public. There are some divergences, however, as regards the overseas assets of the central banks. Between July, 1940 and 1941, the London money of the Commonwealth Bank fell by approximately £A8 millions. This decline was due to the gap between exports, on the one hand, and imports, external interest payments and

overseas war expenditure on the other. Actually, the deficit on these items in the financial year 1940-41 amounted to £A11 millions; the gap was therefore partly offset by capital imports.

In New Zealand, net overseas assets rose considerably from £NZ6.7 millions at the end of 1938 and £NZ15.7 millions at the end of 1939 to £NZ23.5 millions in December, 1940. On March 31 this year they were about £NZ30 millions. This improvement in New Zealand's balance of payments is partly due to the stringent import and exchange control, which had already been put into force before the war to correct the very unfavourable exchange position into which the Dominion had fallen, and partly to the higher prices paid by Great Britain for most of New Zealand's exports.

The South African figures of overseas assets are interesting. The British Government's purchases of the Union's gold production means, at the current price and output, a credit item of about £110 millions a year for the country's balance of payments. According to the Minister of Finance, in his Budget speech this year, the favourable balance of payments was, in fact, £20,530,000 last year, even after allowing for the redemption of the London 5 per cent loan. Yet this favourable balance is reflected, not, as might have been expected, in the South African Reserve Bank's holdings of foreign exchange, but in its gold reserve, which, calculated at current rates, increased by £26,880,000 during the year. The Bank apparently sells the Union's currently produced gold to the Bank of England and then uses the surplus in its favour, after allowing for the import surplus, interest payments abroad, the repatriation of gold shares, and so on, for buying back some of the gold instead of buying British Treasury Bills.

The whole of the Bank of Canada's gold and most of its foreign exchange was acquired by the Foreign Exchange Control Board in May, 1940. Since then its holdings of foreign exchange have consisted only of sterling held for account of the Board, or the Dominion Government, in connection with the latter's programme of repatriating Canadian securities held in the United Kingdom, and have varied accordingly.

Banking in German Europe

(By a Correspondent)

THE central banks in German occupied countries are mostly operating without any appreciable gold stocks. A considerable part of these were held abroad long before the German occupation took place, and some refugee Governments were able to remove their remaining gold to safety. A considerable part of Belgium's gold, estimated at £60 millions, was, however, shipped back to Brussels through the mediation of the Vichy Government. Some indication of the gold stocks held abroad by occupied countries is given by the size of the assets of European states frozen in the United States of America. The total assets of seven occupied countries frozen in the United States amount to \$4,340 millions.

The German controlled central banks continue, however, to include in their returns the gold stocks which are no longer available to them. German *Reichskreditkassenscheine* and German Reichsmark holdings are usually shown under the item foreign exchange, and the German commissars are allowing these holdings to be used as note cover. In some countries, especially in Holland, the compulsory delivery of gold and foreign currencies by the people actually increased the gold holdings. But the greater part was speedily requisitioned by Germany. The Danish central bank reported during 1940 a continued loss of gold. Gold stocks and holdings of foreign exchange in the Balkan countries moved unevenly. Hungary's losses were exceptional because of an adverse trade balance with overseas countries. Roumania's gold stocks increased nominally by revaluation in Germany's favour. Bulgaria's holdings rose slightly, and holdings in Greece reached record figures because of

the loan granted by Great Britain. The combined holdings of gold and foreign exchange and the note circulation in occupied and neutral countries developed as follows (December, 1939=100):—

	Gold and Foreign Exchange		Note Circulation	
	Dec., 1940	Mar. 31, 1941	Dec., 1940	Mar. 31, 1941
France	86.9	—	144.7	—
Belgium	102.7	101.6	124.2	135.7
Holland	108.7	108.3	134.7	183.3
Denmark	98.2	89.7	123.6	117.9
Hungary	78.6	75.1	142.3	140.4
Roumania	155.0	156.0	131.8	141.2
Bulgaria	115.2	115.2	153.5	183.7
Jugoslavia	137.8	140.6	142.7	169.7
Greece	323.0	518.0	162.7	186.5
Switzerland	121.0	132.3	117.0	130.0
Sweden	112.5	115.7	104.3	100.0
Finland	61.5	58.1	137.5	141.8
Germany	101.1	100.4	119.0	120.3
Bohemia & Moravia	92.7	93.1	101.6	111.4

No figures have been published for the Norwegian central bank established by the Germans in Oslo—the legal Bank of Norway is carrying on in London. The French central bank has not yet resumed the publication of weekly returns.

The disproportionate and persistent increase in the note circulation of almost every country is caused by extraordinary state expenditure and inadequate taxation. In western and northern Europe, the costs of occupation are advanced by the central banks. In the Balkan countries, central bank credits have been used for rearmament

works. In Switzerland there has been extensive hoarding of banknotes, and in all countries wholesale and retail prices have increased by varying amounts—from 30 to 80 per cent—during the period from August, 1939, to March 31st, 1941. The inflationary tendency of these developments is obvious in view of the decline in business activity in the occupied and neutral countries during 1940. But Germany has effected everywhere a system of exchange by the rationing of civilian goods and rigid exchange, price and wages control after the German model.

Direct German control has made the use of *Kreditkassen* and *Kreditkassenscheine* no longer necessary in western and northern Europe. But branches of the *Kreditkassen* have been opened in Zagreb, Belgrade, Bucharest, Salonika and Sofia, as well as in Kovno, Riga, Pskov, Bialystok, Minsk and Lwov, towns captured from the Russians. In Yugoslavia, the political partition has been accompanied by a banking one, and two central banks are now operating, one in Zagreb for Croatia and the other in Belgrade, for Serbia. In Belgium, the Germans founded a special *Emissions Bank* (bank of issue) for the purpose of advancing credits to the State. The name is thus misleading. The old central bank is still the real bank of issue, but the *Emissions Bank* acted as central bank for the *Reichskreditkassen* when they were established in Belgium.

Helped by the exceptional financial liquidity and pressed by the need for large borrowing, the central banks have pursued a policy of cheap money by successive reductions of bank and interest rates. The following table shows the current bank rates with the previous rates in parentheses:—

	Rate in effect June, 1941	In Effect since
France (2)	1½	Mar. 17, 1941
Belgium (2½)	2	Jan. 5, 1940
Holland (3)	2½	June 26, 1941
Denmark (4½)	4	Oct. 16, 1940
Norway (4½)	3	May 13, 1940
Hungary (4)	3	Oct. 22, 1940
Roumania (3½)	3	Sept. 12, 1940
Bulgaria (6)	5	Dec. 1, 1940

Germany's indirect control of the finances of the occupied countries, achieved by a central clearing system and the large exports to the Reich, which force the central banks concerned to accumulate Reichsmarks that serve as note cover, has been strengthened by the expansion of German commercial banks, especially into south eastern Europe. Commercial banking in the occupied countries has developed on lines similar to banking in Germany. The most outstanding feature is the increase in deposits in the leading banks, as is shown in the following table:—

	December, 1939=100	December, 1940	March 31, 1941
France	146.0	155.6	142.5
Belgium	126.8	133.5	133.5
Holland	113.2	118.7	118.7
Hungary	106.8	110.4	110.4
Roumania	102.6	106.7	106.7
Switzerland	98.1	100.0	100.0
Sweden	125.2	125.0	125.0
Finland	132.0	—	—
Germany	130.0	137.0	137.0
Bohemia and Moravia	—	—	—

The deposits of three leading Norwegian banks increased during 1940 by 57 per cent, and those of the leading Danish banks by 8 per cent. It is true that during the actual fighting in France, Holland and Belgium, deposits fell rapidly, but as soon as the fighting was over there began a hasty liquidation of stocks of commodities. Factories came to a standstill, and later civilian industries were restricted. Idle capital was returned to the banks, and the banks themselves found no opportunities for advancing money to private industry. Loans and advances decreased accordingly, and the exceptional liquidity of the banks was everywhere used for investments in Treasury bonds and bills.

Deposits in savings banks, however, showed a different trend. In western and northern European countries, including Sweden and Switzerland, total savings deposits fell during 1940 and were still falling during the first

quarter of 1941. This was probably due to the widespread unemployment in the occupied countries and to the reduced industrial activity in the two neutrals, coupled with rising prices. In Hungary, Roumania and Bulgaria, on the other hand, savings deposits have increased on an average by 10 per cent, owing to the good employment resulting from the extensive rearmament programmes. But the spectacular increase in savings in Germany, variously estimated at from 20 to 30 per cent during 1940, was not achieved by any other country.

The Italian central bank has suspended all detailed information, but the few figures available make it clear that the trend is the same. Considerably greater returns from the note circulation tax, for instance, indicates a rising note circulation. The commercial banks, which give more detailed information, show the familiar rise in deposits, which has amounted to as much as 52 per cent for the deposits of the *Banca Nazionale del Lavoro*, which is owned by the state. Closer collaboration with Germany, and, in particular, the export of workers to the Reich, has resulted in the establishment of branch banks there.

The underlying trends of banking in German Europe are thus obvious. The German system of control effected by commissars and economic reforms after the German model have made the German Reichsmark into a kind of note cover in most of the occupied countries. There was, indeed, no alternative, in view of the loss of the gold stocks and the fact that Germany is the predominant trading partner. Advantageous and stable rates of exchange are the most important means by which Germany hopes to stabilise financial relations for its European war economy. At the same time Germany has deliberately fostered certain inflationary tendencies by fixing exorbitant costs of occupation and by forced exports from occupied countries to the Reich. New taxes, particularly a turnover tax, as well as the control of prices and wages, have, however, combined with a comprehensive system of rationing to keep inflationary tendencies within such bounds as Germany thinks necessary for its own purposes.

Wills and Trusts in Peace and War

Desirable as it is in normal times to consider appointing the Midland Bank Executor and Trustee Company as your executor or as trustee of an estate or fund in which you are interested, prevailing conditions render such a step even more advisable now.

A complete and efficient service is afforded by the Company which with the aid of a specially trained and expert staff, acting in close collaboration with the organization of the Midland Bank, has gained an invaluable experience. This experience and the many important advantages attaching to the appointment of the Company to act for you are at your disposal for a moderate fee.

The benefits thus to be derived are too numerous to be mentioned here in detail. They will, however, gladly be explained by any Midland Bank branch manager in his capacity as a representative of the Executor and Trustee Company. Whatever you tell him will be treated in the strictest confidence.

If at first you are unable to call upon the manager of the branch most convenient for you, ask him to send you a copy of "The Service of the Midland Bank Executor and Trustee Company" and other informative literature. These may also be obtained from the Head Office in Poultry, London, E.C. 2.

MIDLAND BANK
Executor & Trustee Co. Ltd.

PROFITS OF BRITISH BANKS FOR LAST COMPLETED FINANCIAL YEAR

BANK	Year Ended	Profits	Dividend	Rate	Reserve	Premises	Staff	To Carry Forward		Profits & Div. Year Ago
								Increase	Decrease	
ENGLISH										
Barclays	Dec. 31	£ 1,525,665	£ 1,197,688	{ A 10 B 24 } & C 24	£ 150,000	£ 200,000	£ ...	£ ...	£ 22,025	£ 1,781,841
British Mutual	Dec. 31	19,054	9,000	5	10,000	100	...	...	46	21,501*
District	Dec. 31	446,018	298,623	{ AKC184 } B 10	...	60,000	80,000	7,395	...	490,090
Lloyds	Dec. 31	1,383,807	1,033,056	{ A 12 B 5 } B 5	250,000	100,000	...	751	...	1,589,640
Martins	Dec. 31	891,029	624,006	15	150,000	...	100,000	17,022	...	876,025
Midland	Dec. 31	1,935,093	1,455,228	16	250,000	250,000	...	22,135	...	2,181,350
National Provincial	Dec. 31	1,697,539	1,421,912	15	...	100,000	150,000	25,627	...	1,718,944
Westminster	Dec. 31	1,310,630	893,506	{ A 18 B 12 } 12 1/2	...	100,000	300,000	17,124	...	1,475,740
Williams Deacon's	Dec. 31	292,673	234,375	...	...	30,000	...	28,298	...	298,866
Totals		9,499,508	7,167,394	...	810,000	840,100	630,000	96,217	44,204	10,437,189
SCOTTISH										
Bank of Scotland	Feb. 28	253,905	151,800	11	70,000	...	30,000	2,105	...	274,513
British Linen	Jan. 14	231,684	115,000	16	75,000	10,000	30,000	1,684	...	260,327
Clydesdale	Dec. 31	310,064	208,000	{ A 16 B 10 } B 10	50,000	20,000	35,000	...	2,936	313,843
Commercial of Scotland	Oct. 31	332,700	187,500	{ A 16 B 10 } A 5	75,000	30,000	40,000	200	...	355,043
National of Scotland	Nov. 1	279,434	112,700	{ A 16 B 10 } A 5	100,000	30,000	35,000	1,735	...	282,697
North of Scotland	Dec. 31	215,345	182,560	16	15,000	5,000	15,000	...	2,215	236,543
Royal of Scotland	Oct. 8	557,359	433,500	17	43,859	50,000	30,000	...	...	605,719
Union of Scotland	April 1	303,162	216,000	18	50,000	10,000	25,000	2,162	...	303,162
Totals		2,483,653	1,607,060	...	478,859	155,000	240,000	7,886	5,151	2,629,944
IRISH										
Bank of Ireland	Dec. 31	338,666	237,981	12 1/2	100,000	...	...	685	...	332,555
Belfast Banking	Dec. 31	91,028	52,800	11	...	...	...	38,228	...	101,017
Hibernian	Dec. 31	65,376	55,000	11	...	10,000	...	376	...	66,944
Monster and Leinster	Dec. 31	118,175	75,000	10	25,000	10,000	10,000	...	1,825	126,049
National	Dec. 31	176,122	150,000	10	25,000	...	...	1,122	...	187,193
Northern	Dec. 31	65,819	34,141	{ A 9 1/2 B 4 1/4 } B 4 1/4	30,000	1,500	...	178	...	70,021
Provincial	Dec. 31	59,558	35,640	11	24,000	...	...	...	82	61,873
Royal	Dec. 31	30,589	14,437	7	15,000	...	...	1,152	...	35,262
Ulster	Dec. 31	134,616	108,000	14	...	...	...	26,616	...	159,298
Totals		1,079,949	762,999	...	219,000	21,500	10,000	68,357	1,907	1,140,213*

* Directors' fees have been deducted from the figure shown in the report.

BANK OF ENGLAND

END OF YEAR POSITION

Last Return of Year	Number of Branches	LIABILITIES										ASSETS									
		Capital	Per Cent.	Rest	Per Cent.	Note Circulation	Per Cent.	Post Bills	Per Cent.	Deposits	Per Cent.	Total Liabilities or Assets	Coin and Bullion	Per Cent.	Govt. Securities	Per Cent.	Other Securities	Per Cent.	Other	Per Cent.	Per Cent.
1920	10	14,553,000	4.3	3,338,587	1.0	132,851,150	39.0	7,639	...	189,859,334	55.7	340,610,710	128,267,670	37.6	126,314,798	37.2	86,028,242	25.2	...	...	...
1925	10	14,553,000	4.4	3,344,666	1.1	144,730,510	43.6	2,021	...	169,044,292	51.0	331,674,489	144,556,367	43.6	83,837,526	25.3	103,280,596	31.1	...	...	...
1930	9	14,553,000	2.7	3,400,255	0.6	368,801,566	65.5	1,264	...	175,189,157	31.2	561,945,242	152,640,787	27.2	325,174,789	57.8	84,129,666	14.7	...	...	...
1931	9	14,553,000	2.6	3,417,512	0.6	364,150,042	65.4	1,071	...	174,471,468	31.2	556,593,093	125,401,728	22.6	349,085,659	62.7	82,125,706	14.7	...	...	...
1932	9	14,553,000	2.7	3,430,563	0.6	371,193,057	69.4	1,510	...	145,035,194	27.2	534,213,324	124,308,107	23.3	368,598,410	69.0	41,306,807	7.7	...	...	...
1933	9	14,553,000	2.5	3,421,526	0.6	391,981,846	68.7	1,429	...	159,916,147	28.2	569,873,948	195,228,035	34.3	342,245,007	60.0	32,406,906	5.7	...	...	...
1934	9	14,553,000	2.6	3,436,737	0.6	405,163,800	72.5	...	...	135,422,521	24.3	558,576,058	195,234,129	35.0	344,114,924	61.6	19,227,005	3.4	...	...	...
1935	9	14,553,000	2.6	3,428,981	0.6	424,506,785	75.3	...	...	121,333,662	21.5	563,822,428	201,914,149	35.8	339,211,232	60.2	22,697,047	4.0	...	...	...
1936	9	14,553,000	2.1	3,451,737	0.5	467,406,210	67.5	...	...	202,185,316	29.9	687,317,263	314,223,879	45.7	334,332,960	48.6	38,760,424	5.7	...	...	...
1937	9	14,553,000	2.2	3,441,563	0.5	505,317,131	73.0	...	...	168,591,894	24.4	691,903,588	327,243,763	47.2	334,300,927	48.4	30,358,898	4.4	...	...	...
1938	9	14,553,000	2.2	3,413,438	0.5	504,726,803	74.6	...	...	153,719,303	22.7	676,412,538	327,486,956	48.4	298,881,653	44.2	50,043,929	7.4	...	...	...
1939	9	14,553,000	1.9	3,362,072	0.5	554,615,983	72.6	...	...	189,080,914	24.8	761,611,969	1,919,484	0.2	727,806,514	95.6	31,885,971	4.2	...	...	...
1940	9	14,553,000	1.7	3,313,330	0.4	616,904,239	74.0	...	...	199,465,436	23.9	834,236,005	1,156,056	0.1	804,903,266	96.5	28,176,683	3.4	...	...	...

BANK RATE SINCE 1857

Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average
1857	9	10	6	8	1878	10	10	6	8	1899	6	6	3	5	1920	1	7	6	6
1858	5	5	4	4	1879	5	5	4	4	1900	5	5	3	4	1921	1	4	3	3
1859	5	5	4	4	1880	5	5	4	4	1901	5	5	3	4	1922	1	4	3	3
1860	11	11	8	9	1881	5	5	4	4	1902	5	5	3	4	1923	1	4	3	3
1861	5	5	4	4	1882	5	5	4	4	1903	5	5	3	4	1924	1	4	3	3
1862	5	5	4	4	1883	5	5	4	4	1904	5	5	3	4	1925	1	4	3	3
1863	12	12	8	9	1884	5	5	4	4	1905	5	5	3	4	1926	1	4	3	3
1864	15	15	9	10	1885	5	5	4	4	1906	5	5	3	4	1927	1	4	3	3
1865	16	16	9	10	1886	5	5	4	4	1907	5	5	3	4	1928	1	4	3	3
1866	14	14	9	10	1887	5	5	4	4	1908	5	5	3	4	1929	1	4	3	3
1867	3	3	3	3	1888	5	5	4	4	1909	5	5	3	4	1930	1	4	3	3
1868	2	2	2	2	1889	5	5	4	4	1910	5	5	3	4	1931	1	4	3	3
1869	7	7	4	4	1890	11	11	6	6	1911	4	4	3	4	1932	1	4	3	3
1870	10	10	6	6	1891	12	12	6	6	1912	4	4	3	4	1933	1	4	3	3
1871	10	10	6	6	1892	4	4	3	3	1913	2	2	2	2	1934	1	4	3	3
1872	14	14	7	7	1893	12	12	6	6	1914	8	8	5	5	1935	1	4	3	3
1873	23	23	11	11	1894	2	2	2	2	1915	None	5	5	5	1936	1	4	3	3
1874	12	12	7	7	1895	None	4	4	4	1916	1	6	5	5	1937	1	4	3	3
1875	12	12	7	7	1896	3	3	2	2	1917	2	6	5	5	1938	1	4	3	3
1876	5	5	2	2	1897	2	2	2	2	1918	None	5	5	5	1939	3	4	3	3
1877	7	7	2	2	1898	6	6	4	4	1919	1	6	5	5	1940	None	2	2	2

POSITION OF THE BANK OF ENGLAND MAY 1, 1940, TO SEPTEMBER 10, 1941

(000's omitted)

	Issue Department		Banking Department			Bank Rate	Debt Department		Both Depts.	Banking Department				
Date	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits		Govt. Debt and Securities	Other Securities		Gold Coin and Bullion	Govt. Securities	Discounts and Advances	Other Securities	Reserve and the "Proportion"
1940														
May 1	580,237	541,042	19,754	125,447	44,886	2	576,137	3,354	1,347	138,997	5,931	22,578	40,305	21-2
8	580,237	543,953	33,144	108,125	44,969	2	576,396	3,090	1,436	139,077	4,520	22,877	37,483	20-1
15	580,237	546,415	33,856	106,381	42,563	2	576,382	3,108	1,496	139,093	3,876	22,493	35,081	19-3
22	580,237	546,497	32,783	103,051	46,079	2	576,163	3,324	1,612	137,877	2,990	23,697	35,115	19-1
29	580,237	556,863	36,115	94,908	50,492	2	576,201	3,285	1,644	148,903	2,882	22,728	24,781	13-6
June 5	580,237	569,262	13,612	118,791	49,615	2	575,918	3,569	1,659	161,733	2,890	22,809	12,397	6-8
12	580,237	578,365	34,891	103,158	48,360	2	626,224	3,262	1,750	123,978	3,888	22,993	53,385	28-6
19	630,237	589,051	35,277	103,727	48,781	2	626,296	3,194	1,712	130,553	5,336	26,974	42,661	22-9
26	630,237	602,154	57,965	82,748	50,332	2	626,194	3,296	1,729	151,103	4,707	23,545	29,576	15-4
July 3	630,237	608,184	16,598	140,121	48,827	2	626,732	2,758	1,769	171,228	5,400	23,192	23,585	11-4
10	630,237	610,378	22,192	107,000	47,784	2	626,649	2,841	1,606	146,653	3,875	23,143	21,228	11-9
17	630,237	608,917	56,038	79,166	51,234	2	625,862	3,628	1,365	155,868	3,026	23,039	22,448	12-0
24	630,237	608,592	30,267	103,957	50,968	2	625,827	3,662	1,257	154,103	3,144	22,240	23,665	12-7
31	630,237	607,540	22,681	106,263	52,271	2	625,906	3,582	1,109	152,858	3,273	21,438	21,569	11-9
Aug 7	630,237	613,671	19,243	114,091	48,574	2	626,162	3,527	1,104	157,328	3,128	22,025	17,432	9-5
14	630,237	613,907	30,692	107,616	48,781	2	626,646	3,238	1,173	161,708	5,385	20,757	17,271	9-2
21	630,237	609,585	14,545	123,372	48,681	2	626,729	2,762	1,163	151,812	8,834	22,466	21,578	11-1
28	630,237	610,042	8,827	118,656	48,448	2	626,736	2,751	926	147,973	3,875	24,621	20,884	11-8
Sept. 4	630,237	608,939	10,852	116,279	50,035	2	626,826	2,663	885	146,003	2,906	22,906	20,888	11-6
11	630,237	609,697	13,178	128,793	52,164	2	627,060	2,676	1,072	139,498	4,074	23,006	22,433	13-1
18	630,237	606,010	10,878	128,793	52,164	2	627,204	2,781	1,136	157,823	3,727	23,261	25,125	13-0
25	630,237	604,764	13,526	101,283	51,896	2	626,141	2,833	1,039	147,813	3,536	21,894	26,275	14-4
Oct. 2	630,242	605,225	21,268	101,970	53,355	2	627,063	2,928	899	142,563	2,796	23,019	25,644	15-6
9	630,242	601,336	19,086	115,299	51,974	2	626,962	3,028	808	146,228	6,608	21,696	22,448	16-1
16	630,242	597,721	19,852	109,147	52,239	2	626,205	3,083	676	139,989	5,392	23,492	22,956	18-1
23	630,242	593,229	23,685	105,141	52,340	2	626,833	3,157	705	137,352	2,780	21,329	37,476	20-6
30	630,242	591,571	18,250	108,004	51,511	2	626,803	3,180	723	130,038	2,997	23,279	39,152	22-0
Nov. 6	630,242	593,499	12,937	118,233	49,425	2	626,762	3,140	801	136,408	3,101	24,474	37,311	20-6
13	630,242	594,049	19,584	114,672	49,991	2	626,707	3,286	926	139,808	4,229	21,066	36,878	20-5
20	630,242	592,652	22,387	112,407	51,400	2	626,588	3,402	990	140,848	3,940	20,820	38,337	20-5
27	630,242	593,346	27,111	110,829	50,311	2	626,272	3,718	1,195	137,348	3,842	20,892	37,849	20-1
Dec. 4	630,242	598,251	21,953	105,789	51,607	2	626,205	3,784	1,275	139,828	6,959	24,446	33,024	18-4
11	630,242	604,540	11,430	115,903	51,294	2	626,265	3,726	1,416	149,833	3,918	20,824	26,876	14-6
18	630,242	613,175	12,021	129,272	52,664	2	626,326	3,668	1,213	169,128	3,809	20,830	18,038	9-3
25	630,242	616,904	12,518	135,735	51,212	2	626,375	3,615	1,147	178,528	4,014	20,547	14,242	7-1
1941														
Jan. 1	630,242	615,855	17,568	181,025	52,870	2	626,274	3,715	1,142	224,853	5,596	23,612	15,287	6-0
8	630,242	610,453	15,883	130,315	56,246	2	626,411	3,635	1,043	173,002	5,523	21,234	20,591	10-9
15	630,242	602,843	14,789	119,204	54,306	2	626,456	3,535	1,003	152,313	3,719	22,038	28,160	14-9
22	630,242	598,426	35,309	95,127	52,538	2	626,351	3,638	1,111	142,983	3,844	21,411	32,685	17-5
29	630,242	599,203	32,374	107,884	53,005	2	626,250	3,734	1,217	149,948	3,818	25,458	32,014	16-8
Feb. 5	630,242	601,053	13,836	110,801	51,665	2	626,775	3,217	1,295	151,203	3,333	19,515	30,243	17-1
12	630,242	602,032	23,941	110,629	51,665	2	626,848	3,154	1,383	154,883	3,714	19,815	29,351	15-4
19	630,242	601,477	31,751	103,471	53,017	2	626,768	3,226	1,520	152,138	3,791	19,667	30,044	16-0
26	630,242	603,249	14,635	121,727	53,729	2	626,736	2,966	1,621	156,375	3,723	19,879	28,372	14-9
Mar. 5	630,242	607,279	13,441	110,117	53,992	2	626,998	3,037	1,503	157,843	5,985	20,831	27,121	12-1
12	630,242	608,430	14,742	110,117	53,992	2	626,998	3,037	1,505	146,283	5,989	20,272	23,084	13-0
19	630,242	608,420	14,742	110,117	53,992	2	626,998	3,037	1,505	146,283	5,989	20,272	23,084	13-0
26	630,242	611,484	21,976	118,597	52,288	2	626,975	3,018	1,344	129,883	6,145	21,045	23,056	14-2
Apr. 2	630,242	613,640	22,236	101,453	55,244	2	626,934	3,057	1,476	129,883	6,145	21,045	23,056	14-2
9	630,242	618,718	18,720	110,082	53,305	2	626,975	3,018	1,344	129,883	6,145	21,045	23,056	14-2
16	630,242	622,203	14,871	115,146	53,411	2	626,934	3,057	1,476	129,883	6,145	21,045	23,056	14-2
23	630,242	622,450	16,125	112,522	52,207	2	627,052	2,941	1,283	132,688	39,913	18,396	9,230	5-0
30	680,242	623,350	13,648	131,755	53,963	2	627,080	2,913	1,508	132,173	38,238	19,072	9,057	5-0
May 7	680,242	625,973	12,237	113,520	52,110	2	627,181	2,811	1,691	109,368	28,314	24,380	58,342	28-7
14	680,242	629,422	14,408	113,520	51,692	2	627,181	2,811	1,691	109,368	28,314	24,380	58,342	28-7
21	680,242	629,713	39,858	96,583	50,984	2	627,286	2,707	1,886	121,557	12,569	19,583	52,137	27-7
28	680,242	629,515	10,930	121,866	52,053	2	627,502	2,489	1,846	125,203	11,438	24,155	52,137	26-7
June 4	680,242	635,432	7,040	122,668	51,301	2	627,502	2,489	1,846	125,203	11,438	24,155	52,137	26-7
11	680,242	637,168	9,811	122,415	51,671	2	627,596	2,392	2,061	130,313	10,938	24,155	52,137	26-7
18	680,242	637,531	9,811	122,415	51,671	2	627,596	2,392	2,061	130,313	10,938	24,155	52,137	26-7
25	680,242	638,984	25,321	112,537	50,354	2	627,740	2,494	1,967	129,086	5,098	19,818	44,799	24-2
July 2	680,242	643,365	12,251	164,443	53,161	2	627,500	2,494	1,967	129,086	5,098	19,818	44,799	24-2
9	680,242	648,030	10,528	131,794	52,395	2	627,740	2,494	1,967	129,086	5,098	19,818	44,799	24-2
16	680,242	650,920	28,881	108,108	50,155	2	627,740	2,494	1,967	129,086	5,098	19,818	44,799	24-2
23	680,242	652,655	14,127	124,345	49,275	2	627,740	2,494	1,967	129,086	5,098	19,818	44,799	24-2
30	680,242	658,430	11,286	132,088	50,519	2	627,740	2,494	1,967	129,086	5,098	19,818	44,799	24-2
Aug. 6	680,242	668,127	37,673	96,127	49,322	2	627,740	2,494	1,967	129,086	5,098	19,818	44,799	24-2
13	680,242	665,375	35,617	102,610	48,642	2	627,740	2,494	1,967	129,086	5,098	19,818	44,799	24-2
20	680,242	664,703	14,863	125,666	49,108	2	627,740	2,494	1,967	129,086	5,098	19,818	44,799	24-2
27	730,242	667,258	14,498	122,677	53,013	2	727,469	2,019	1,818	160,343	3,588	23,606	17,299	9-1
Sept. 3	730,242	669,404	9,275	133,776	53,008	2	727,373	2,120	1,750	125,353	5,312	21,070	62,347	31-7

ENGLISH JOINT STOCK BANKS

1 Name of Bank	2 Date	3 No. of Branches & Sub-branches	4 Capital Subscribed	5 Uncalled Capital		6 Capital Paid up	7 Reserve Funds	8 Dividend payable and undivided Profits	9 Notes in Circulation (*)	10 Drafts, etc.	11 Acceptances and Endorsements
				Callible	Reserved						
1 Barclays Bank	Dec. 31, '40	1,931	£ 15,858,217	Nil	Nil	£ 15,858,217	£ 11,250,000	£ ...	£ ...	£ ...	£ 14,978,292
2 Baring Bros. & Co.	Dec. 31, '40	1	2,050,000	Nil	Nil	2,050,000	1,000,000	23,153	...	...	819,643
3 British Mut. Bankg. Co.	Dec. 31, '40	None	300,000	120,000	Nil	180,000	161,000	14,071	...	...	5,210
4 Coutts & Co.	Dec. 31, '40	4	1,000,000	Un-limited	...	1,000,000	1,000,000	...	...	...	796,799
5 District Bank	Dec. 31, '40	592	10,560,428	1,264,000	6,320,000	1,976,428	2,976,428	447,641	...	...	3,559,737
6 Glyn Mills & Co.	Dec. 31, '40	3	1,060,000	Un-limited	...	1,060,000	850,000	...	...	...	4,108,445
7 Isle of Man Bank	Dec. 31, '40	10	300,000	Un-limited	200,000	100,000	288,000	22,448	101,766	17,210	...
8 Lloyds Bank	Dec. 31, '40	1,902	73,302,076	3,593,239	53,898,585	15,810,252	10,000,000	10,361,05	10,803	...	20,267,480
9 Martins Bank	Dec. 31, '40	600	20,602,272	5,167,558	11,274,672	4,160,042	3,600,000	659,775	20,477	...	8,802,569
10 Midland Bank	Dec. 31, '40	2,106	42,414,871	7,172,697	20,083,553	15,158,621	12,410,609	1,317,379	...	...	14,148,791
11 National Provincial ...	Dec. 31, '40	1,325	43,617,080	5,839,611	28,298,053	9,479,416	8,500,000	546,286	...	...	12,430,364
12 Westminster Bank.	Dec. 31, '40	1,031	30,533,127	7,070,990	14,141,980	9,320,157	9,320,157	997,882	18,118	...	26,795,852
13 Williams Deacon's Bank	Dec. 31, '40	197	8,125,000	1,562,500	4,687,500	1,875,000	900,000	265,611	...	...	2,212,753
Totals		9,702	249,723,071	31,790,595	138,904,343	79,028,133	62,256,194	533,035	151,164	17,210	108,925,935

(*) In Isle of Man.

SCOTTISH BANKS

1 Bank of Scotland	Feb. 28, '41	262	2,400,000	750,000	Nil	2,400,000	2,100,000	238,372	4,834,527	706,983	4,858,946
2 British Linen Bank	Jan. 14, '41	209	1,250,000	Nil	Nil	1,250,000	2,500,000	157,672	3,184,650	114,632	890,043
3 Clydesdale Bank	Dec. 31, '40	200	5,350,000	Nil	4,000,000	1,300,000	1,900,000	207,668	3,546,373	...	1,400,125
4 Com. Bank of Scotland	Oct. 31, '40	342	7,500,000	2,450,000	2,800,000	2,250,000	3,150,000	157,941	4,579,535	...	2,181,588
5 Nat. Bank of Scotland	Nov. 1, '40	193	6,000,000	1,500,000	3,000,000	1,500,000	2,000,000	200,797	4,190,679	...	2,851,172
6 N. of Scotland Bank.	Dec. 31, '40	158	3,260,000	163,000	1,956,000	1,141,000	1,350,000	191,892	2,873,605	...	1,902,170
7 Royal Bank of Scotland	Oct. 8, '40	235	4,250,000	Nil	Nil	4,250,000	4,125,965	207,719	3,795,495	676,892	1,175,172
8 Union Bank of Scotland	Apr. 1, '41	212	5,200,000	Nil	4,000,000	1,200,000	1,850,000	383,655	3,172,479	...	1,175,172
Totals		1,811	25,210,000	4,863,000	15,756,000	15,291,000	18,975,965	1,745,716	30,177,343	25,302,01	15,259,216

IRISH BANKS

1 Bank of Ireland	Dec. 31, '40	100	2,769,231	Nil	Nil	2,769,231	3,180,000	278,300	3,356,925	...	25,000
2 Belfast Banking Co.	Dec. 31, '40	51	2,500,000	200,000	1,500,000	800,000	1,000,000	99,881	1,498,966	...	...
3 Hibernian Bank	Dec. 31, '40	56	2,000,000	500,000	1,000,000	500,000	740,000	60,108	503,549	43,643	...
4 Munster and Leinster Bk.	Dec. 31, '40	209	1,875,000	1,125,000	Nil	750,000	1,000,000	77,570	829,483	...	...
5 National Bank	Dec. 31, '40	267	7,500,000	1,000,000	5,000,000	1,500,000	1,160,000	42,890	1,352,410	...	125,443
6 Northern Bank	Dec. 31, '40	90	3,500,000	700,000	2,100,000	700,000	500,000	70,086	2,029,292	...	158,468
7 Prov. Bank of Ireland ...	Dec. 31, '40	120	4,000,000	1,500,000	2,500,000	540,000	540,000	57,215	1,295,145	...	...
8 Royal Bank of Ireland ..	Dec. 31, '40	40	1,500,000	300,000	900,000	300,000	315,000	17,955	247,513	...	...
9 Ulster Bank	Dec. 31, '40	111	3,000,000	Nil	2,000,000	1,000,000	1,000,000	114,212	2,542,927	31,844	...
Totals		1,044	28,724,231	5,325,000	15,040,000	8,859,231	9,435,000	818,217	13,656,210	75,487	308,911

PRIVATE BANKS

	Date	Partners' Capital and Reserve	Deposit and Current Accounts	Miscellaneous	Total Liabilities	Cash on Hand, etc., at Call and Short Notice	Investments	Advances, Bills, Loans, and Other Securities	Miscellaneous (Premises, etc.)	Total Assets
		1	2	3	4	5	6	7	8	10
1 Blydenstein (B. W.) & Co.	1940 Sept. 30	£ 100,000	5,144,501	7,758	5,252,259	664,733	422,742	4,139,045	25,739	5,252,259
2 Hoare (Chas.) & Co.	July 5	500,000	3,504,300	...	4,004,300	1,106,363	1,699,546	1,098,391	100,000	4,004,300
3 S. Japhet & Co.	Dec. 31	1,300,000	611,881	475,537	2,387,418	418,071	181,379	1,481,586	306,382	2,387,418
Totals		1,900,000	9,260,682	483,295	11,643,977	2,189,167	2,303,667	6,719,022	432,121	11,643,977

ENGLISH JOINT STOCK BANKS

11 Deposit and Current Accounts	12 TOTAL LIABILITIES AND ASSETS	13 Cash		14 Investments		15 Discounts and Advances		16 Premises and Sundries, including Cover for Acceptances	17 Name of Bank
		In Hand and at Bank of England	At Call and Short Notice	British Govt. Secs. Where Stated Separately	Bonds, Stocks and Other Investments	Discounts Where Stated Separately	Advances, Loans, etc.		
546,914,675	589,001,184	85,300,989	25,908,700	113,491,466	14,262,957	129,822,742	197,283,705	22,930,625	Barclays Bank.
14,972,923	18,865,719	3,382,785	...	7,547,953	1,771,565	3,292,121	...	2,871,295	Baring Bros. & Co.
1,040,444	1,400,725	154,953	...	30,687	710,505	...	477,835	26,745	Brit. Mut. Banking Co.
26,569,605	29,366,404	3,984,800	3,517,900	8,033,967	1,591,378	2,660,828	8,368,732	1,208,799	Coutts & Co.
105,378,932	115,339,166	15,544,387	7,578,692	30,268,938	3,014,048	21,361,946	32,478,714	5,092,441	District Bank.
45,992,702	52,011,147	8,648,060	8,778,200	14,262,533	1,134,943	4,427,467	9,911,499	4,848,445	Glyn Mills & Co.
3,416,921	3,946,345	838,110	...	1,666,886	954,431	...	456,918	30,000	Isle of Man Bank.
490,826,084	537,950,724	84,480,092	22,288,549	115,537,940	23,268,618	106,500,691	158,430,498	27,444,336	Lloyds Bank.
123,313,176	140,556,039	19,099,372	6,140,000	37,713,281	7,914,242	16,027,732	42,014,144	11,647,268	Martins Bank.
577,346,237	620,381,637	91,501,631	26,069,553	154,656,326	11,167,411	125,141,734	188,083,067	23,761,915	Midland Bank.
380,781,256	411,737,322	57,766,016	19,390,000	107,761,023	9,443,173	78,641,731	119,077,200	19,658,179	National Provincial.
410,176,803	456,628,969	63,978,165	28,654,014	107,217,194	5,556,360	84,647,367	134,523,128	32,052,741	Westminster Bank.
50,864,914	56,118,278	10,606,895	7,556,268	13,942,260	985,995	7,458,233	12,199,316	3,369,311	Williams Deacon's Bank.
277,759,467	303,330,365	445,286,255	155,881,876	712,130,454	81,775,626	579,982,592	903,304,756	154,942,100	Totals.

SCOTTISH BANKS

47,596,107	62,734,935	7,780,838	4,960,000	28,554,285	735,438	5,750,280	9,617,248	5,336,846	Bank of Scotland.
35,737,716	44,866,407	10,492,819	...	21,534,450	403,245	11,082,260	...	1,353,633	British Linen Bank.
43,552,521	51,906,687	12,343,365	2,236,500	16,085,279	4,078,142	3,794,475	11,383,675	1,985,251	Clydesdale Bank.
53,357,936	65,677,000	10,104,813	5,454,500	30,198,942	286,922	4,915,383	11,434,852	3,281,588	Com. Bank of Scotland.
41,959,529	52,702,177	7,783,887	5,953,720	20,010,757	795,807	3,502,528	11,209,422	3,446,056	Nat. Bank of Scotland.
30,444,088	36,000,585	10,033,127	545,003	16,074,375	682,361	1,081,954	7,403,166	180,599	N. of Scotland Bank.
75,091,291	90,049,532	8,808,957	8,090,054	28,899,811	8,143,056	6,170,028	26,896,104	3,041,522	Royal Bank of Scotland.
36,638,976	44,420,282	3,657,548	5,939,974	16,461,966	3,917,109	2,994,418	9,869,407	1,579,860	Union Bank of Scotland.
364,378,164	448,357,605	71,005,354	33,179,751	177,819,865	19,042,080	39,291,326	87,813,874	20,205,355	Totals.

IRISH BANKS

42,630,441	52,239,897	2,874,568	7,486,040	2,630,769	22,407,698	...	16,213,667	627,155	Bank of Ireland.
15,511,815	18,910,662	4,431,761	68,288	7,710,719	746,353	168,248	5,742,443	42,850	Belfast Banking Co.
10,776,791	12,624,091	1,791,084	...	4,539,218	163,206	...	5,952,561	178,022	Hibernian Bank.
25,762,858	28,419,911	2,964,489	1,000,000	11,635,224	333,023	779,372	11,325,403	382,400	Munster and Leinster Bk.
14,824,507	18,282,353	4,813,597	2,623,235	12,564,849	1,417,806	1,664,899	16,903,108	684,193	National Bank.
16,668,495	19,100,855	3,036,712	...	...	7,029,877	...	7,766,030	451,828	Northern Bank.
7,530,810	8,411,278	1,016,737	...	3,134,242	166,024	75,577	3,768,698	250,000	Prov. Bank of Ireland.
22,592,543	27,281,526	5,413,214	...	11,522,916	1,449,542	...	8,601,253	294,601	Royal Bank of Ireland.
192,789,204	225,942,260	29,376,780	11,177,563	53,737,937	42,639,634	3,622,505	82,253,829	3,134,012	Ulster Bank.
									Totals.

DISCOUNT COMPANIES

	Date	Capital and Reserves	Loans, Deposits, etc. (inc. Undivided Profits)	Bills Rediscounted	Rebate, etc.	Total Liabilities	Cash at Bankers	Bills Discounted	Investments	Loans and Sundry Accounts	Total Assets
		1	2	3	4	5	6	7	8	9	10
Alexanders	1940 Dec. 31	£ 2,000,000	£ 37,864,292	£ 535,837	£ 201,796	£ 40,601,925	£ 679,180	£ 26,044,986	£ 13,636,910	£ 240,849	£ 40,601,925
National	Dec. 31	2,250,000	50,249,168	3,848,525	...	56,347,693	1,444,497	35,907,685	18,563,844	431,667	56,347,693
Union of Lond.	Dec. 31	3,750,000	64,469,412	6,336,641	441,836	74,997,889	1,757,518	52,796,784	19,539,126	904,461	74,997,889
Totals...		8,000,000	152,582,872	10,721,003	643,632	171,947,507	3,881,195	114,749,455	51,739,880	1,576,977	171,947,507

COMPARATIVE STATEMENTS

JOINT STOCK BANKS OF ENGLAND AND WALES (EXCLUDING BANK OF ENGLAND)

Year	Banks	No. of Brchs.	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Acceptances	% of Liabilities	Total Liabilities	Cash in Hand and Money at Call and Short Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1890	99	2,690	69,213,000	12.4	455,561,000	81.6	23,724,000	4.2	558,744,000	111,208,000	19.9	107,498,000	19.2	311,578,000	56.7
1900	77	3,557	73,847,000	11.3	586,726,000	84.0	21,530,000	3.0	698,762,000	144,400,000	20.7	127,766,000	18.3	393,413,000	56.6
1910	59	4,558	82,010,000	10.8	627,529,000	82.6	39,225,000	5.2	756,774,000	179,530,000	23.6	131,731,000	17.5	401,485,000	53.3
1920	45	5,202	80,946,000	9.4	720,687,000	83.6	62,512,000	6.0	862,134,000	199,724,000	23.0	157,711,000	18.8	467,880,000	54.9
1930	37	6,027	81,731,000	7.1	992,555,000	86.4	102,920,000	4.7	1,146,807,000	262,453,000	22.9	310,771,000	27.4	503,517,000	43.9
1935	20	7,612	128,154,000	5.8	1,961,527,000	89.0	102,920,000	4.7	2,203,517,000	368,734,000	16.7	1,263,091,000	57.4	653,702,429	29.9
1936	18	8,873	134,846,000	6.5	1,806,810,000	87.1	125,005,000	6.0	2,073,810,000	441,787,000	21.3	317,572,000	15.3	1,167,952,000	56.3
1937	18	9,105	138,717,000	6.6	1,848,174,000	87.9	108,686,000	5.2	2,102,747,000	444,014,000	21.1	307,661,000	14.5	1,208,375,000	57.5
1938	17	9,381	139,444,000	6.4	1,892,948,000	86.8	140,159,000	6.4	2,179,572,000	492,652,000	22.6	290,544,000	13.3	1,220,983,000	56.0
1939	16	9,595	141,516,505	6.1	1,951,477,697	83.5	237,140,923	10.1	2,337,234,765	493,841,201	21.1	293,156,061	12.5	1,268,805,457	54.3
1940	16	9,815	141,593,545	6.3	1,911,007,360	85.4	179,295,205	8.0	2,238,855,706	481,341,704	21.5	285,176,223	12.7	1,250,763,477	55.8
1941	16	10,082	144,323,133	6.4	1,976,805,092	87.6	128,023,846	5.7	2,255,681,859	472,358,357	20.9	289,286,947	12.7	1,281,099,732	56.8
1942	16	10,178	134,472,636	6.5	1,820,986,812	87.9	109,740,433	5.3	2,071,539,059	444,540,355	20.0	329,472,822	14.6	1,165,818,695	56.3
1943	16	10,066	135,224,636	6.5	1,804,334,875	88.5	96,673,580	4.2	2,023,302,796	446,214,089	19.4	329,472,822	14.6	1,165,818,695	56.3
1944	16	10,066	135,224,636	6.5	1,804,334,875	88.5	96,673,580	4.2	2,023,302,796	446,214,089	19.4	329,472,822	14.6	1,165,818,695	56.3
1945	15	10,118	137,741,609	5.7	1,712,713,497	89.5	109,137,702	4.5	1,931,567,679	446,089,501	19.5	329,472,822	14.6	1,165,818,695	56.3
1946	15	10,074	138,529,709	5.5	1,712,713,497	89.5	109,137,702	4.5	1,931,567,679	446,089,501	19.5	329,472,822	14.6	1,165,818,695	56.3
1947	15	10,097	142,056,407	5.4	1,712,713,497	89.5	109,137,702	4.5	1,931,567,679	446,089,501	19.5	329,472,822	14.6	1,165,818,695	56.3
1948	15	10,151	142,245,127	5.6	1,712,713,497	89.5	109,137,702	4.5	1,931,567,679	446,089,501	19.5	329,472,822	14.6	1,165,818,695	56.3
1949	13	9,751	140,257,227	5.2	1,712,713,497	89.5	109,137,702	4.5	1,931,567,679	446,089,501	19.5	329,472,822	14.6	1,165,818,695	56.3
1940	13	9,702	141,284,321	4.6	1,712,713,497	89.5	109,137,702	4.5	1,931,567,679	446,089,501	19.5	329,472,822	14.6	1,165,818,695	56.3

PRIVATE BANKS

Year	No. of Banks	LIABILITIES										ASSETS									
		Capital and Reserves	% of Liabilities	Notes	% of Liabilities	Miscellaneous	% of Liabilities	Deposits	% of Liabilities	Total Liabilities or Assets	Cash in Hand and Money at Call and Short Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities	Total Liabilities or Assets	Cash in Hand and Money at Call and Short Notice	% of Liabilities	Investments	% of Liabilities
1890	19	6,152,800	12.8	151,750	0.3	1,264,100	2.6	40,420,500	84.3	48,029,200	10,583,400	21.8	14,633,700	30.5	20,919,600	43.5	48,029,200	10,583,400	21.8	14,633,700	30.5
1900	12	4,393,900	13.2	83,500	0.2	1,018,000	3.1	27,775,000	83.4	33,270,400	7,271,500	21.8	10,150,500	30.5	14,738,600	44.3	33,270,400	7,271,500	21.8	10,150,500	30.5
1910	9	5,535,100	11.2	57,920	0.2	1,096,700	3.5	26,808,000	85.1	30,369,900	6,478,000	20.6	8,113,100	25.8	15,972,700	50.3	30,369,900	6,478,000	20.6	8,113,100	25.8
1920	7	3,180,707	8.6	60,400	0.2	786,018	2.1	37,158,216	89.1	37,158,216	8,036,863	21.4	8,879,329	24.0	18,635,160	50.7	37,158,216	8,036,863	21.4	8,879,329	24.0
1930	6	3,556,591	5.8	153,690	0.3	1,188,226	1.9	56,246,064	92.0	55,950,395	13,183,181	21.4	14,325,897	24.4	31,728,558	52.7	55,950,395	13,183,181	21.4	14,325,897	24.4
1935	5	3,123,098	5.7	...	...	1,024,656	1.9	50,864,631	92.4	51,124,571	11,537,610	21.3	6,186,350	11.2	35,501,368	64.0	51,124,571	11,537,610	21.3	6,186,350	11.2
1940	5	3,186,738	6.1	...	...	1,274,854	2.0	50,955,682	91.2	52,463,972	8,593,043	15.4	11,524,744	20.6	33,301,819	59.0	52,463,972	8,593,043	15.4	11,524,744	20.6
1945	5	2,816,442	7.2	...	...	2,557,537	6.6	33,485,334	86.2	36,042,871	3,185,610	8.2	5,159,713	13.3	27,756,149	63.4	36,042,871	3,185,610	8.2	5,159,713	13.3
1946	4	2,575,000	7.4	...	...	4,431,214	12.3	29,151,063	80.6	33,582,277	2,809,161	7.2	6,021,018	16.7	22,933,848	63.1	33,582,277	2,809,161	7.2	6,021,018	16.7
1947	4	2,625,000	7.4	...	...	4,968,029	14.1	27,780,929	78.5	32,748,958	3,613,589	9.3	6,417,668	16.6	22,912,522	59.2	32,748,958	3,613,589	9.3	6,417,668	16.6
1948	4	2,675,000	7.2	...	...	4,573,707	12.3	29,928,971	80.5	34,502,678	4,072,927	9.8	5,820,754	13.9	24,169,112	57.9	34,502,678	4,072,927	9.8	5,820,754	13.9
1949	4	2,775,000	7.2	...	...	5,530,068	14.3	30,366,826	78.5	37,177,678	3,613,589	9.3	6,417,668	16.6	22,912,522	59.2	37,177,678	3,613,589	9.3	6,417,668	16.6
1950	4	3,300,000	7.9	...	...	7,398,759	17.7	31,004,479	74.4	38,671,894	4,072,927	9.8	5,820,754	13.9	24,169,112	57.9	38,671,894	4,072,927	9.8	5,820,754	13.9
1951	4	3,450,000	8.7	...	...	7,077,700	17.8	29,182,776	73.5	41,703,238	4,263,007	10.7	4,194,537	10.6	23,970,437	60.4	41,703,238	4,263,007	10.7	4,194,537	10.6
1952	4	3,475,000	10.5	...	...	6,414,745	17.8	26,790,315	73.0	39,710,476	3,794,203	10.3	6,081,262	16.6	20,131,124	54.9	39,710,476	3,794,203	10.3	6,081,262	16.6
1953	4	2,425,000	11.7	...	...	4,663,988	15.5	22,246,034	74.0	36,680,061	2,059,269	6.8	2,219,390	7.4	20,908,349	69.5	36,680,061	2,059,269	6.8	2,219,390	7.4
1954	4	2,425,000	11.1	...	...	3,413,579	13.2	14,907,214	71.9	20,745,893	2,262,439	10.9	2,737,529	13.2	11,879,072	57.2	20,745,893	2,262,439	10.9	2,737,529	13.2
1955	4	3,165,000	22.5	...	...	2,757,272	19.6	16,451,840	75.7	21,757,792	2,740,484	12.6	2,861,751	13.2	12,924,038	59.4	21,757,792	2,740,484	12.6	2,861,751	13.2
1956	4	3,165,000	20.9	...	...	2,751,486	18.6	14,121,418	69.3	17,054,324	2,748,714	19.3	3,664,703	25.4	12,645,917	74.6	17,054,324	2,748,714	19.3	3,664,703	25.4
1957	3	3,165,000	19.3	...	...	3,026,456	18.4	10,231,978	62.3	13,258,434	4,903,053	32.4	2,803,933	18.5	3,846,868	22.4	13,258,434	4,903,053	32.4	2,803,933	18.5
1958	3	2,150,000	16.4	...	...	2,262,237	17.2	8,730,167	66.4	11,442,404	3,086,127	22.9	2,216,475	16.9	3,712,600	26.1	11,442,404	3,086,127	22.9	2,216,475	16.9
1959	3	2,100,000	15.5	...	...	2,647,737	19.5	8,816,909	65.0	13,564,646	3,139,641	23.2	2,537,975	18.7	4,337,050	36.4	13,564,646	3,139,641	23.2	2,537,975	18.7
1960	3	2,000,000	17.4	...	...	1,338,066	11.6	8,188,798	71.0	11,526,862	2,234,679	19.4	1,128,953	18.5	6,026,789	52.3	11,526,862	2,234,679	19.4	1,128,953	18.5
1961	3	1,900,000	16.3	...	...	483,295	4.2	9,260,682	79.5	11,643,977	2,189,167	18.8	2,303,667	19.8	6,719,022	57.7	11,643,977	2,189,167	18.8	2,303,667	19.8

AUSTRALASIAN BANKS

AUSTRALASIAN BANKS WITH LONDON OFFICES

Year	Banks	No. of Brchs.	Capital and Reserves	% of Liabilities	Notes	% of Liabilities	Deposits	% of Liabilities	Total Assets or Liabilities	Cash in Hand and Money at Call and Short Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1890	19	1,538	24,424,100	13.2	4,821,800	2.6	138,065,900	74.7	184,931,000	26,919,000	14.6	6,808,100	3.7	145,535,900	78.9
1900	16	1,358	30,307,100	19.1	4,348,700	2.8	107,408,600	68.4	151,299,500	33,165,500	21.1	12,831,900	8.2	102,820,200	66.7
1910	16	1,358	33,612,300	16.3	5,198,100	2.4	152,885,400	71.9	212,615,200	54,575,000	25.8	17,105,000	8.1	132,956,900	62.3
1920	16	2,393	51,248,171	13.4	8,511,692	2.2	281,477,007	73.4	383,407,259	88,133,890	23.2	68,431,168	17.8	214,736,390	56.0
1930	12	3,358	89,434,041	19.5	10,095,968	1.4	340,095,968	72.2	484,659,471	71,442,573	14.8	44,948,658	9.3	351,619,883	73.0
1935	11	3,226	86,221,161	19.2	6,549,485	1.5	331,378,067	72.1	458,147,765	71,023,589	15.5	45,317,529	9.4	326,111,993	73.2

JOINT STOCK BANKS OF ENGLAND AND WALES BARCLAYS BANK LIMITED

CAPITAL					PROFITS AND DIVIDENDS						Reserve, Invest- ments, etc.	Carried Forward
	Subscribed	Paid-up	Callable	Reserved	Year Ended Dec. 31	Net Profits £	Per Cent. of Resources	Dividends Amount £	Rate %			
"A" Shares	3,430,356	3,430,356	Nil	Nil	1930 ...	1,821,207	0.47	1,614,275	A Shs 10 B & C 14	200,000	559,364	
"B" Shares	11,760,811	11,760,811	Nil	Nil	1931 ...	1,794,825	0.48	1,588,239	A Shs 10 B & C 14	200,000	565,950	
"C" Shares	667,050	667,050	Nil	Nil	1932 ...	1,574,013	0.38	1,562,202	A Shs 10 B & C 14	...	577,761	
					1933 ...	1,604,680	0.39	1,562,202	A Shs 10 B & C 14	50,000	570,238	
Per Share { "A" £4	£4	£4	Nil	Nil	1934 ...	1,708,174	0.41	1,614,275	A Shs 10 B & C 14	100,000	564,137	
" B " £1	£1	£1	Nil	Nil	1935 ...	1,783,784	0.40	1,614,275	A Shs 10 B & C 14	150,000	583,645	
" C "	£1	£1	Nil	Nil	1936 ...	1,894,361	0.41	1,588,239	A Shs 10 B & C 14	250,000	639,768	
					1937 ...	2,133,825	0.45	1,562,202	A Shs 10 B & C 14	700,000	511,391	
					1938 ...	1,926,458	0.40	1,510,129	A Shs 10 B & C 14	400,000	527,720	
					1939 ...	1,784,880	0.35	1,432,019	A Shs 10 B & C 14	350,000	530,582	
					1940 ...	1,525,665	0.26	1,197,688	A Shs 10 B & C 14	350,000	546,704*	

	Price, Sept. 3, 1941	Market Value
"A" Shares.....	£104	8,683,088
"B" Shares.....	69/6	40,868,813

* Includes £38,145 profit unappropriated by Union Bank of Manchester, Ltd.

* Includes £38,145 profit unappropriated by Union Bank of Manchester, Ltd.

Dec. 31	Number of Branches	LIABILITIES				Total Liabilities or Assets	ASSETS							
		Capital and Reserves	Per Cent.	Accept- ances and Endorse- ments	Per Cent.		Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts	Per Cent.	Invest- ments	Per Cent.
1930	2,090	26,108,217	7.7	12,710,524	3.3	388,092,024	63,109,418	16.3	22,316,100	5.7	50,901,977	13.1	63,061,611	16.3
1931	2,080	26,108,217	7.0	10,796,794	2.9	372,470,155	56,910,346	15.3	21,766,450	5.8	40,791,393	10.9	63,257,960	17.0
1932	2,070	26,108,217	6.3	6,279,470	1.9	414,234,297	62,344,879	15.0	24,817,550	6.0	25,289,257	6.0	94,048,105	22.7
1933	2,080	26,108,217	6.3	7,191,741	2.1	412,059,730	62,249,186	15.1	21,383,300	5.2	25,953,329	6.2	153,156,668	37.0
1934	2,091	26,108,217	6.3	7,205,554	2.1	413,407,530	58,699,862	14.2	25,837,900	6.3	34,572,778	8.3	148,835,468	36.1
1935	2,116	26,108,217	5.9	7,857,821	2.3	440,748,308	65,304,917	14.8	25,604,250	5.8	60,695,872	13.8	155,979,234	37.7
1936	2,106	26,108,217	5.6	9,266,151	2.6	464,912,784	66,304,908	14.3	26,318,800	5.7	59,248,252	12.7	160,549,222	36.4
1937	2,122	26,608,217	5.7	8,532,516	2.4	469,786,056	70,783,320	15.1	127,068,850	8.5	50,362,681	10.7	110,463,839	25.7
1938	2,131	26,608,217	5.6	14,933,083	3.1	474,622,484	68,114,569	14.4	26,207,550	5.5	54,594,153	11.5	109,391,338	23.1
1939	2,174	26,608,217	5.3	14,933,083	3.1	474,622,484	68,114,569	14.4	26,207,550	5.5	54,594,153	11.5	109,391,338	23.1
1940	2,174	26,608,217	5.3	14,933,083	3.1	474,622,484	68,114,569	14.4	26,207,550	5.5	54,594,153	11.5	109,391,338	23.1

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom. (b) Includes investments in affiliated companies. (c) Includes balances in account with subsidiary banks. (d) From 1940 includes Treasury deposit receipts. (e) Excludes Branches closed since 3rd September, 1939.

† Includes Branches of the Union Bank of Manchester, Limited, which was amalgamated with Barclays Bank, Limited, on January 1st, 1940.

BRITISH MUTUAL BANKING COMPANY, LIMITED

CAPITAL				PROFITS AND DIVIDENDS						
Subscribed £	Paid-up £	Callable £	Reserved £	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends		Reserve, Invest- ments, etc.	Carried Forward
300,000	180,000	120,000	Nil	1930	27,191	2.72	Amount	Rate	£	£
				1931	24,315	2.44	14,400	12	12,500	8,728
				1932	18,756	1.84	14,400	12	10,000	8,673
				1933	20,081	1.45	14,400	12	5,500	7,529
				1934	29,809	2.57	14,400	12	5,500	7,710
				1935	38,524	3.95	14,400	12	15,000	8,119
Per Share £5	Per Share £3	Per Share £2	Per Share Nil	1936	21,570	1.54	17,500	10	21,500	10,743
				1937	22,461	1.61	18,000	10	5,100	9,713
				1938	24,444	1.69	28,000	10	5,100	9,073
				1939	24,474	1.72	9,000	5	5,100	7,614
				1940	19,054	1.36	9,000	5	15,100	5,117
									10,100	5,071

This Bank has no branches.

Year Ended December 31	LIABILITIES				Total Liabilities or Assets	ASSETS							
	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Invest- ments	Per Cent.	Loans and Advances	Per Cent.	Premises and Sundries	Per Cent.
1930	212,500	21.3	23,158	2.3	955,283	108,014	10.8	126,200	12.7	758,379	71.6	2,590	4.9
1931	222,500	22.3	23,073	2.3	996,458	124,781	12.5	167,974	16.9	701,163	66.3	2,540	4.3
1932	222,500	21.8	21,929	2.2	1,017,451	152,336	14.9	235,713	21.6	627,012	61.7	2,390	1.8
1933	228,000	16.5	22,110	1.5	1,130,068	96,827	7.0	414,901	28.8	866,209	62.8	2,241	2.0
1934	243,000	20.4	22,519	1.9	1,160,983	108,064	9.3	384,383	31.7	662,271	57.0	6,265	2.0
1935	254,500	20.4	25,143	2.0	1,243,115	92,302	7.4	488,668	39.3	662,145	53.3	...	...
1936	310,600	21.8	27,213	1.8	1,421,180	107,037	7.5	624,829	44.1	689,114	48.4	...	...
1937	315,700	22.6	27,074	1.9	1,083,367	152,942	10.9	662,843	47.5	580,824	41.6	...	...
1938	320,800	22.1	25,614	1.8	1,053,835	108,279	7.5	772,606	53.2	570,334	39.3	...	...
1939	335,900	23.6	14,117	1.0	1,104,805	114,299	8.0	782,955	55.2	522,932	36.8	...	...
1940	341,000	24.4	14,071	1.0	1,070,169	140,725	11.1	762,726	54.5	477,835	34.1	5,211	0.3

* Includes £5,210 engagements on account of customers.

BARING BROTHERS & CO., LIMITED

THE BANK OF AMERICA AND MEXICO, LIMITED														

Glyn, Mills & Co.

(ESTABLISHED 1753)

Registered with unlimited liability, 1885
incorporating

CHILD & CO.
(Established before 1600)

HOLT & CO.
(Established 1809)

BANKERS

Army and Air Force Agents, Navy and Prize Agents.

EVERY MODERN BANKING FACILITY
67, LOMBARD STREET, LONDON, E.C.3

Directors:

General The Hon. Sir H. A. LAWRENCE, G.C.B. (Chairman)

*Colonel E. GORE BROWNE, D.S.O., O.B.E., T.D., A.D.C. (Deputy Chairman)

A. MAITLAND, K.C.

*Captain A. T. MAXWELL

*Lieut.-Col. The Hon. I. LESLIE MELVILLE, T.D.

NEVILLE RANDALL

*C. G. RANDOLPH

*Lieut.-Col. M. J. BABINGTON-SMITH

J. T. TULLOCH, M.C., C.A.

W. WHYTE

*Managing

Child's Branch - - - - - 1, FLEET STREET, E.C.4

MARYGOLD HOUSE, CARFAX, OXFORD

Holt's Branch - KIRKLAND HOUSE, WHITEHALL, S.W.1

The Bank is prepared to act as REGISTRAR and TRANSFER AGENT, being fully equipped with the necessary personnel and machinery for the expeditious and accurate handling of transfers, preparation of share and stock certificates and Dividend Warrants, maintenance of Stock and Share Registers, registration of probates and Powers of Attorney, and all other duties pertaining to the office of Registrar and Transfer Agent.

OTTOMAN BANK

(INCORPORATED IN TURKEY WITH LIMITED LIABILITY)
Founded 1863

Capital: £10,000,000 Paid-up: £5,000,000 Reserve: £1,250,000

General Committee in London

General the Hon. SIR HERBERT A. LAWRENCE, G.C.B.

ALBERT C. GLADSTONE

The Rt. Hon. THE VISCOUNT GOSCHEN

G.C.S.I., G.C.I.E., C.B.E., V.D.

SIR W. GUY GRANET, C.B.E.

SIR JOHN P. HEWETT, G.C.S.I.,

K.B.E., C.I.E.

The Rt. Hon. THE LORD HILLINGDON

A. G. A. JAMIESON

SIR JOHN GORDON NAIRNE, Bart.

R. S. C. PEARCE

Lieut.-Col. SIR ALBERT STERN,

K.B.E., C.M.G.

LONDON: 26 THROGMORTON STREET, E.C.2

Manager: R. S. C. Pearce

Deputy Manager: F. Fisher

COUTTS AND COMPANY

Year Ended Dec. 31	LIABILITIES					ASSETS									
	Capital and Reserve	Per Cent.	Acceptances	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts and Advances (b)	Per Cent.	Investments	Per Cent.
1930...	2,000,000	9.1	534,018	2.4	19,487,171	88.5	22,021,189	2,951,895	13.4	3,525,920	16.0	10,871,741	49.3	3,758,115	17.2
1931...	2,000,000	10.2	497,316	2.5	17,030,426	87.3	19,527,742	2,445,055	12.5	2,213,000	11.3	10,091,075	51.7	3,901,796	20.0
1932...	2,000,000	8.8	590,262	2.6	20,084,621	88.6	22,674,883	2,911,156	12.8	1,840,900	8.1	9,996,939	41.2	7,354,488	31.4
1933...	2,000,000	8.6	769,189	3.3	20,512,016	88.1	23,281,205	3,288,189	14.2	1,880,400	8.1	9,996,939	41.2	7,354,488	31.4
1934...	2,000,000	8.5	709,493	3.0	20,741,995	88.5	23,451,488	2,760,659	11.8	2,410,300	10.3	9,288,289	39.6	7,870,748	33.6
1935...	2,000,000	7.8	798,456	3.1	22,751,748	89.1	25,550,204	2,991,532	11.7	2,839,700	11.1	9,989,353	39.1	8,519,163	33.4
1936...	2,000,000	7.6	500,745	1.9	25,864,920	90.5	26,365,665	3,180,455	12.1	1,676,500	6.4	11,670,844	44.2	8,925,122	33.8
1937...	2,000,000	7.4	744,173	2.8	23,441,396	89.6	26,185,569	3,187,199	12.2	2,244,650	8.6	10,696,630	40.8	8,900,917	34.0
1938...	2,000,000	8.4	641,900	2.7	21,246,504	88.9	23,888,404	3,064,652	12.8	1,955,050	8.2	10,264,326	43.0	7,550,476	31.6
1939...	2,000,000	7.5	730,316	2.7	23,927,170	89.6	26,657,486	3,470,645	13.0	3,146,900	11.8	11,926,973	44.7	6,970,651	26.2
1940...	2,000,000	6.8	796,799	2.7	26,569,605	90.5	29,366,404	3,984,800	13.6	3,517,900	11.9	11,029,560	37.6	9,625,345	32.8
June 30, 1941	2,000,000	6.1	905,909	2.8	29,906,828	91.1	32,812,737	4,583,125	14.0	2,607,100	7.9	12,672,032	38.6	11,632,571	35.4

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

(b) From 1940 includes Treasury deposit receipts.

DISTRICT BANK LIMITED

Year Ended Dec. 31	LIABILITIES					ASSETS									
	Capital and Reserve	Per Cent.	Acceptances	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts and Advances (b)	Per Cent.	Investments	Per Cent.
1930...	2,000,000	9.1	534,018	2.4	19,487,171	88.5	22,021,189	2,951,895	13.4	3,525,920	16.0	10,871,741	49.3	3,758,115	17.2
1931...	2,000,000	10.2	497,316	2.5	17,030,426	87.3	19,527,742	2,445,055	12.5	2,213,000	11.3	10,091,075	51.7	3,901,796	20.0
1932...	2,000,000	8.8	590,262	2.6	20,084,621	88.6	22,674,883	2,911,156	12.8	1,840,900	8.1	9,996,939	41.2	7,354,488	31.4
1933...	2,000,000	8.6	769,189	3.3	20,512,016	88.1	23,281,205	3,288,189	14.2	1,880,400	8.1	9,996,939	41.2	7,354,488	31.4
1934...	2,000,000	8.5	709,493	3.0	20,741,995	88.5	23,451,488	2,760,659	11.8	2,410,300	10.3	9,288,289	39.6	7,870,748	33.6
1935...	2,000,000	7.8	798,456	3.1	22,751,748	89.1	25,550,204	2,991,532	11.7	2,839,700	11.1	9,989,353	39.1	8,519,163	33.4
1936...	2,000,000	7.6	500,745	1.9	25,864,920	90.5	26,365,665	3,180,455	12.1	1,676,500	6.4	11,670,844	44.2	8,925,122	33.8
1937...	2,000,000	7.4	744,173	2.8	23,441,396	89.6	26,185,569	3,187,199	12.2	2,244,650	8.6	10,696,630	40.8	8,900,917	34.0
1938...	2,000,000	8.4	641,900	2.7	21,246,504	88.9	23,888,404	3,064,652	12.8	1,955,050	8.2	10,264,326	43.0	7,550,476	31.6
1939...	2,000,000	7.5	730,316	2.7	23,927,170	89.6	26,657,486	3,470,645	13.0	3,146,900	11.8	11,926,973	44.7	6,970,651	26.2
1940...	2,000,000	6.8	796,799	2.7	26,569,605	90.5	29,366,404	3,984,800	13.6	3,517,900	11.9	11,029,560	37.6	9,625,345	32.8
June 30, 1941	2,000,000	6.1	905,909	2.8	29,906,828	91.1	32,812,737	4,583,125	14.0	2,607,100	7.9	12,672,032	38.6	11,632,571	35.4

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

(b) From 1940 includes Treasury deposit receipts.

DISTRICT BANK LIMITED

Year Ended Dec. 31	LIABILITIES					ASSETS									
	Capital and Reserve	Per Cent.	Acceptances	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts and Advances (b)	Per Cent.	Investments	Per Cent.
1930...	2,000,000	9.1	534,018	2.4	19,487,171	88.5	22,021,189	2,951,895	13.4	3,525,920	16.0	10,871,741	49.3	3,758,115	17.2
1931...	2,000,000	10.2	497,316	2.5	17,030,426	87.3	19,527,742	2,445,055	12.5	2,213,000	11.3	10,091,075	51.7	3,901,796	20.0
1932...	2,000,000	8.8	590,262	2.6	20,084,621	88.6	22,674,883	2,911,156	12.8	1,840,900	8.1	9,996,939	41.2	7,354,488	31.4
1933...	2,000,000	8.6	769,189	3.3	20,512,016	88.1	23,281,205	3,288,189	14.2	1,880,400	8.1	9,996,939	41.2	7,354,488	31.4
1934...	2,000,000	8.5	709,493	3.0	20,741,995	88.5	23,451,488	2,760,659	11.8	2,410,300	10.3	9,288,289	39.6	7,870,748	33.6
1935...	2,000,000	7.8	798,456	3.1	22,751,748	89.1	25,550,204	2,991,532	11.7	2,839,700	11.1	9,989,353	39.1	8,519,163	33.4
1936...	2,000,000	7.6	500,745	1.9	25,864,920	90.5	26,365,665	3,180,455	12.1	1,676,500	6.4	11,670,844	44.2	8,925,122	33.8
1937...	2,000,000	7.4	744,173	2.8	23,441,396	89.6	26,185,569	3,187,199	12.2	2,244,650	8.6	10,696,630	40.8	8,900,917	34.0
1938...	2,000,000	8.4	641,900	2.7	21,246,504	88.9	23,888,404	3,064,652	12.8	1,955,050	8.2	10,264,326	43.0	7,550,476	31.6
1939...	2,000,000	7.5	730,316	2.7	23,927,170	89.6	26,657,486	3,470,645	13.0	3,146,900	11.8	11,926,973	44.7	6,970,651	26.2
1940...	2,000,000	6.8	796,799	2.7	26,569,605	90.5	29,366,404	3,984,800	13.6	3,517,900	11.9	11,029,560	37.6	9,625,345	32.8
June 30, 1941	2,000,000	6.1	905,909	2.8	29,906,828	91.1	32,812,737	4,583,125	14.0	2,607,100	7.9	12,672,032	38.6	11,632,571	35.4

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

(b) From 1940 includes Treasury deposit receipts.

GLYN, MILLS AND CO.

Year Ended Dec. 31	LIABILITIES					ASSETS									
	Capital and Reserve	Per Cent.	Acceptances	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts and Advances (b)	Per Cent.	Investments	Per Cent.
1930...	1,590,000	3.6	226,000	0.5	2,552,658	5.8	39,535,509	90.1	43,898,167	8,725,397	19.9	8,153,400	18.6	17,133,459	39.0
1931...	1,590,000	4.4	230,000	0.6	2,339,290	6.5	32,104,080	88.5	36,263,370	7,556,292	20.3	6,102,450	16.8	12,674,572	34.9
1932...	1,590,000	4.0	240,000	0.6	1,767,023	4.5	35,731,879	90.9	39,328,902	7,129,281	18.1	6,555,000	16.7	11,636,717	29.6
1933...	1,590,000	4.0	250,000	0.6	1,551,925	3.9	36,535,215	91.5	39,927,140	7,733,736	19.4	7,241,000	18.1	11,079,689	27.7
1934...	1,590,000	3.8	260,000	0.6	1,750,479	4.2	38,137,375	91.4	41,737,854	7,354,089	17.6	8,251,950	19.8	11,580,788	29.0
1935...	1,590,000	3.4	280,000	0.6	1,533,582	3.7	38,200,591	91.9	41,594,173	8,151,909	19.6	8,733,300	21.1	10,556,222	25.3
1936...	1,590,000	3.4	280,000	0.6	1,533,582	3.7	38,200,591	91.9	41,594,173	8,151,909	19.6	8,733,300	21.1	10,556,222	25.3
1937...	1,590,000	3.7	290,000	0.7	1,203,905	7.0	41,039,207	89.0	46,113,112	9,182,980	19.9	14,170,100	30.7	11,879,160	25.5
1938...	1,590,000	3.9	300,000	0.7	1,203,905	7.0	41,039,207	89.0	46,113,112	9,182,980	19.9	14,170,100	30.7	11,879,160	25.5
1939...	1,590,000	3.6	310,000	0.7	1,203,905	7.0	41,039,207	89.0	46,113,112	9,182,980	19.9	14,170,100	30.7	11,879,160	25.5
1940...	1,910,000	3.7	...	...	4,108,445	7.9	45,992,702	88.4	52,011,147	8,648,060	16.6	8,778,200	16.9	14,338,966	27.6
June 30, 1941	1,910,000	3.6	...	...	3,715,574	7.1	47,104,900	89.3	52,730,474	7,771,216	14.7	4,168,700	7.9	17,408,007	33.1

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

(b) Includes Treasury deposit receipts.

ISLE OF MAN BANK LIMITED

Year Ended Dec. 31	LIABILITIES					ASSETS									
	Capital and Reserve	Per Cent.	Acceptances	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts and Advances (b)	Per Cent.	Investments	Per Cent.
1930...	1,590,000	3.6	226,000	0.5	2,552,658	5.8	39,535,509	90.1	43,898,167	8,725,397	19.9	8,153,400	18.6	17,133,459	39.0
1931...	1,590,000	4.4	230,000	0.6	2,339,290	6.5	32,104,080	88.5	36,263,370	7,556,292	20.3	6,102,450	16.8	12,674,572	34.9
1932...	1,590,000	4.0	240,000	0.6	1,767,023	4.5	35,731,879	90.9	39,328,902	7,129,281	18.1	6,555,000	16.7	11,636,717	29.6
1933...	1,590,000	4.0	250,000	0.6	1,551,925	3.9	36,535,215	91.5	39,927,140	7,733,736	19.4	7,241,000	18.1	11,079,689	27.7
1934...	1,590,000	3.8	260,000	0.6	1,750,479	4.2	38,137,375	91.4	41,737,854	7,354,089	17.6	8,251,950	19.8	11,580,788	29.0

MIDLAND BANK LIMITED

CAPITAL, September 1941							Market Value, Sept. 4, 1941
Authorised		Subscribed	Paid-up	Callable	Reserved		
No. of Shares	Denomination						
1,869,079	£2	34,428,948	7,172,697	7,172,697	20,083,553	24,387,171	
2,000,000	2½	4,804,192	4,804,192	Nil	Nil	19,456,979	
5,771,052	1	3,181,731	3,181,731	Nil	Nil	13,283,725	
...	...	Per Share	Per Share	Per Share	Per Share	Per Share	
...	...	£12	£2 10s.	£2 10s.	£7	£81	
...	...	£2 10s.	£2 10s.	Nil	Nil	£101	
...	...	£1	£1	Nil	Nil	83/6	

PROFIT AND DIVIDENDS							Carried Forward
Year ended Dec. 31		Net Profit, less tax—Amount % of Resources		Dividend—Amount, less tax Rate			
		at end of Year		Gross to other Funds			
1930	2,318,690	0-51	1,976,660	18	350,000	851,287	
1931	2,056,986	0-50	1,738,257	16	320,000	850,016	
1932	2,019,143	0-44	1,709,761	16	300,000	859,397	
1933	2,266,847	0-49	1,709,761	16	550,000	866,483	
1934	2,292,217	0-50	1,766,753	15	520,000	871,946	
1935	2,353,099	0-48	1,987,598*	18*	770,000	467,447	
1936	2,467,894	0-46	1,738,257	16	650,000	547,084	
1937	2,508,009	0-46	1,764,049	15	700,000	591,044	
1938	2,445,671	0-48	1,758,400	16	650,000	628,315	
1939	2,181,351	0-40	1,667,448	15	500,000	642,217	
1940	1,933,093	0-31	1,455,228	15	500,000	620,083	

* Includes 2 per cent. centenary bonus.

December 31	No. of Offices at Dates stated (a)	LIABILITIES						Total Liabilities or Assets	ASSETS												
		Paid-up Capital and Reserve Fund	Per Cent.	Profit Balance and Dividend Payable	Per Cent.	Acceptances, etc.	Per Cent.		Current, Deposit and Other Accounts	Per Cent.	Cash in Hand and at Bank of England	Per Cent.	Money at Call and Short Notice (c)	Per Cent.	Bills Discounted (d)	Per Cent.	Investments	Per Cent.	Advances	Per Cent.	Premises, Cover for Acceptances, etc., and Investments in Affiliations
1930	2,090,284,96	0-24	1,845,086	0-25	1,310,192	5-63	399,605,549	87-8	455,256,851	47,219,369	10-4	36,835,769	8-1	83,922,557	18-4	38,671,575	8-5	205,470,167	45-1	13,127,414	9-2
1931	2,128,257,48	0-22	1,704,897	0-24	1,922,279	4-73	360,247,498	88-6	406,922,686	38,505,989	9-31	31,335,676	7-7	57,132,250	14-0	42,940,262	10-6	199,665,856	49-1	37,322,653	9-5
1932	2,163,257,48	0-22	1,714,278	0-24	1,512,723	3-41	282,966,90-7	67	462,357,979	43,007,981	9-3	34,945,232	7-5	86,505,545	18-7	93,815,351	20-3	170,421,073	36-9	33,662,697	7-4
1933	2,105,257,48	0-22	1,721,363	0-24	1,533,404	3-41	283,753,90-5	67	457,055,452	42,233,852	9-3	34,856,830	7-6	62,828,430	13-7	118,836,369	26-0	164,440,337	36-1	33,859,634	7-4
1934	2,120,257,48	0-22	1,755,323	0-24	1,589,638	3-41	297,922,90-6	67	462,508,895	39,129,856	8-54	1,966,659	9-1	64,224,913	9-1	119,240,133	25-8	163,815,240	35-1	33,859,634	7-4
1935	2,133,257,48	0-22	1,771,609	0-24	1,705,711	3-41	303,508,90-8	67	487,108,900	48,695,719	10-44	345,364	9-1	69,264,993	14-2	112,214,863	24-3	177,120,890	36-4	35,467,071	7-3
1936	2,134,257,48	0-22	1,416,213	0-24	1,600,273	3-41	307,988,91-5	67	546,084,104	52,941,373	9-9	50,779,983	9-5	74,413,998	14-0	128,829,538	29-1	189,516,488	35-6	36,231,106	6-9
1937	2,137,257,48	0-22	1,500,213	0-24	1,600,273	3-41	307,988,91-5	67	546,084,104	52,941,373	9-9	50,779,983	9-5	74,413,998	14-0	128,829,538	29-1	189,516,488	35-6	36,231,106	6-9
1938	2,138,257,48	0-22	1,500,213	0-24	1,600,273	3-41	307,988,91-5	67	546,084,104	52,941,373	9-9	50,779,983	9-5	74,413,998	14-0	128,829,538	29-1	189,516,488	35-6	36,231,106	6-9
1939	2,127,257,48	0-22	1,430,465	0-24	1,447,354	2-96	271,135,91-4	67	542,718,184	57,741,467	10-4	67,766,820	8-8	65,947,633	12-1	115,392,771	21-3	220,689,155	40-7	34,922,790	6-9
1940	2,106,257,48	0-22	1,317,379	0-24	1,146,791	2-57	236,237,93-1	67	620,381,637	69,527,197	11-2	48,043,987	7-7	125,417,734	20-2	157,624,006	25-4	188,083,067	30-3	31,961,646	6-2
June 30, '41	27,569,230	4-2	(b)	(b)	13,283,382	0-61	13,126,117	93-8	653,980,729	66,888,268	10-24	49,086,982	7-5	148,424,414	22-7	178,487,548	27-3	180,004,363	27-6	138,153,474	4-7

(a) Includes offices closed temporarily: 1939, 63; 1940, 95; 1941, 101.
(c) Including balances with, and cheques in course of collection on, other banks in the British Isles. (d) From 1940 includes Treasury deposit receipts.

NATIONAL PROVINCIAL BANK, LIMITED

CAPITAL					Market Value, Sept. 1, 1941	Year Ended Dec. 31	PROFITS AND DIVIDENDS				Carried Forward
Subscribed	Paid-up	Callable	Reserved	Per Cent. of Resources			Dividends Amount	Rate	Reserves etc.		
43,617,080	9,479,416	5,839,611	28,298,053	30,414,064	1930	1,930,854	0-60	1,706,295	18	400,000	673,814
					1931	1,747,008	0-60	1,516,706	16	100,000	804,116
					1932	1,593,318	0-50	1,421,912	15	200,000	775,522
					1933	1,603,424	0-51	1,421,912	15	100,000	857,034
					1934	1,643,760	0-51	1,421,912	15	200,000	878,881
					1935	1,665,437	0-51	1,421,912	15	200,000	922,406
					1936	1,770,173	0-51	1,421,912	15	300,000	970,567
					1937	1,874,960	0-54	1,421,912	15	350,000	573,715
					1938	1,771,785	0-53	1,421,912	15	350,000	573,588
					1939	1,718,984	0-47	1,421,912	15	350,000	520,659
					1940	1,697,539	0-41	1,421,912	15	250,000	546,286

Year Ended Dec. 31	Number of Branches	LIABILITIES							Total Liabilities or Assets	
		Capital and Re- serves		Un- divided Profits		Accept- ances, etc.		Current Deposit and other Accounts		
		Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.			
1930	1,363	18,958,832	5-9	673,814	0-2	10,089,723	3-1	1,292,379,793	90-8	322,102,162
1931	1,374	17,479,416	5-6	804,116	0-3	9,229,529	3-2	1,261,925,540	90-8	289,438,601
1932	1,371	17,479,416	5-5	775,522	0-2	6,205,501	2-2	1,291,822,828	93-2	316,263,267
1933	1,361	17,479,416	5-6	857,034	0-3	6,395,008	2-2	1,288,397,118	92-1	313,128,575
1934	1,350	17,479,416	5-4	878,881	0-3	5,863,021	1-8	1,297,365,848	91-8	321,500,167
1935	1,343	17,479,416	5-3	922,406	0-3	5,519,824	1-6	1,302,703,843	91-8	329,625,489
1936	1,335	17,479,416	5-1	970,567	0-3	5,376,087	1-4	1,321,157,051	92-1	348,822,777
1937	1,327	17,479,416	5-2	973,715	0-2	5,531,975	1-7	1,320,537,671	92-1	347,983,222
1938	1,324	17,479,416	5-3	973,588	0-2	5,961,839	1-9	1,336,888,240	92-1	348,822,777
1939	1,325	17,479,416	5-4	920,659	0-1	11,432,180	2-3	1,336,313,056	91-8	366,245,311
1940	1,325	17,479,416	5-4	946,286	0-1	12,430,364	3-0	1,380,781,256	92-5	411,737,322
June 30, 1941	17,979,416	4-1	...	...	10,105,971	2-3	409,144,423	93-6	437,229,810	

ASSETS											
Cash in Hand and Bank, etc. (a)		Cash at Call and Short Notice		Invest- ments		Discounts and Ad- vances (c)		Building and Structures including Cover for Accept- ances			
Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.
42,753,078	13-3	20,238,534	6-3	41,760,563	13-0	200,553,859	62-2	16,756,128	5-0	17,324,861	5-3
39,440,981	13-3	17,699,253	5-6	179,068,174	51-9	16,287,679	5-1	16,287,679	5-1	16,287,679	5-1
38,884,401	12-6	17,699,253	5-6	159,984,550	51-9	16,287,679	5-1	16,287,679	5-1	16,287,679	5-1
30,715,718	10-1	17,167,654	5-4	152,970,171	47-7	15,224,878	4-8	15,224,878	4-8	15,224,878	4-8
31,964,332	10-3	20,667,367	6-8	152,970,171	47-7	15,224,878	4-8	15,224,878	4-8	15,224,878	4-8
41,960,037	12-7	25,580,037	8-4	152,970,171	47-7	15,224,878	4-8	15,224,878	4-8	15,224,878	4-8
37,137,152	12-0	29,234,454	9-0	152,970,171	47-7	15,224,878	4-8	15,224,878	4-8	15,224,878	4-8
44,864,357	13-2	31,845,840	9-6	152,970,171	47-7	15,224,878	4-8	15,224,878	4-8	15,224,878	4-8
44,971,761	13-3	31,799,280	9-6	152,970,171	47-7	15,224,878	4-8	15,224,878	4-8	15,224,878	4-8
50,292,624	14-0	31,945,060	10-3	152,970,171	47-7	15,224,878	4-8	15,224,878	4-8	15,224,878	4-8
57,766,016	14-7	30,390,000	10-0	152,970,171	47-7	15,224,878	4-8	15,224,878	4-8	15,224,878	4-8

WESTMINSTER BANK LIMITED

CAPITAL				Market Value, Sept. 1, 1941 £
Authorised	Paid-up	Callable	Reserved	
£	£	£	£	
30,000,000	7,070,990	7,070,990	14,141,980	27,576,861
3,000,000	2,249,167	Nil	Nil	7,309,793
Per Share	Per Share	Per Share	Per Share	Per Share
£4	£1	£1	£2	£3 18 0
£1	£1	Nil	Nil	£3 5 0

Year Ended Dec. 31	Net Profits £	Profits and Dividends Per Cent. of Resources	Dividends		Reserves and other Approp- riations £	Carried Forward £
			Amount £	Rate %		
1930	1,821,888	0.66	1,313,891	20 12½	550,000	464,301
1931	1,601,882	0.52	1,184,867	18 12½	450,000	431,256
1932	1,495,171	0.44	1,165,443	18 12½	300,000	460,984
1933	1,464,955	0.43	1,165,443	18 12½	300,000	460,496
1934	1,524,880	0.42	1,204,291	18 12½	300,000	481,085
1935	1,402,656	0.38	1,313,891†	18 12½	200,000	369,849
1936	1,731,955	0.42	1,184,867	18 12½	400,000	516,937
1937	1,750,589	0.43	1,271,508‡	18 12½	500,000	496,018
1938	1,557,161	0.39	1,126,595	18 12½	400,000	526,584
1939	1,475,745	0.36	1,068,323	18 12½	400,000	534,006
1940	1,310,630	0.29	893,506	18 12½	400,000	551,129

† Includes centenary bonus of 2 per cent. on the £4 shares.
‡ Includes bonus of 2 per cent. on the £4 shares.

Continued on page 24



DISTRICT BANK LIMITED

PRINCIPAL LONDON OFFICE

75 Cornhill, E.C.3

FOREIGN DEPARTMENT

13 Spring Gardens, Manchester, 2

76 Cornhill, London, E.C.3

2 Castle Street, Liverpool, 2

HEAD OFFICE:

SPRING GARDENS, MANCHESTER, 2

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LONDON 1830

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Commercial Credits

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London, E.C.3

Telephone: MANSion House 1531

Established
1833

NATIONAL PROVINCIAL BANK LIMITED

Head Office:

15 Bishopsgate, London, E.C.2

Affiliations:

COUTTS & CO.
GRINDLAY & CO. LTD.

WESTMINSTER BANK LIMITED—Continued from page 22

Year Ended Dec. 31	Number of Branches	LIABILITIES										ASSETS										
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances and Endorse- ments	Per Cent.	Notes*	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts and Advances	Per Cent.	Invest- ments	Per Cent.	Build- ings and Sundries, including Cover for Accept- ances	Per Cent.
1930	1,075	18,640,314	5.7	1,121,246	0.3	17,814,552	5.4	16,223	...	291,579,675	88.6	329,172,010	46,009,570	13.9	25,683,550	7.8	180,710,232	54.9	53,608,056	16.3	23,160,601	7.0
1931	1,083	18,620,157	5.4	1,013,977	0.3	18,561,389	6.0	16,144	...	272,405,692	88.3	308,817,359	40,857,454	13.2	22,628,294	7.7	165,572,678	53.6	54,443,594	17.6	24,315,339	7.9
1932	1,073	18,620,157	5.0	1,043,705	0.3	22,327,285	6.6	16,624	...	298,182,935	88.1	338,390,706	41,360,165	12.2	21,107,807	6.2	172,612,957	51.1	75,242,579	22.2	28,067,198	8.3
1933	1,072	18,620,157	4.9	1,043,217	0.3	31,847,225	9.2	15,187	...	294,739,761	85.6	344,465,547	45,024,055	13.1	22,685,851	6.6	144,846,688	42.0	94,483,075	27.4	37,425,878	10.9
1934	1,082	18,640,314	5.1	1,083,230	0.3	37,377,095	10.3	14,632	...	305,653,206	84.3	362,768,478	46,407,151	12.8	28,419,892	7.8	144,275,709	39.8	100,858,547	27.8	42,807,179	11.8
1935	1,090	18,640,314	5.1	1,081,595	0.3	46,260,265	12.5	13,444	...	322,675,384	88.4	364,871,002	51,555,685	14.2	28,548,513	5.1	158,685,963	43.4	108,165,537	29.7	27,915,304	7.6
1936	1,090	18,640,314	4.7	1,109,370	0.3	56,556,532	15.0	13,774	...	367,877,506	90.0	408,197,496	53,291,340	13.0	44,983,298	11.0	170,077,686	41.8	114,049,312	27.9	25,795,860	6.3
1937	1,094	18,640,314	4.6	1,184,805	0.3	60,945,433	16.6	13,461	...	368,855,148	90.0	409,639,161	52,461,734	12.8	47,898,633	6.8	188,235,927	45.9	115,005,495	28.1	26,037,372	6.4
1938	1,098	18,640,314	4.8	1,089,882	0.3	74,176,283	20.2	12,927	...	346,220,783	88.7	390,140,189	49,853,024	12.5	50,803,191	5.3	175,072,630	44.9	115,178,633	29.5	29,232,711	7.5
1939	1,089	18,640,314	4.6	1,039,032	0.3	90,912,245	24.6	13,858	...	366,478,334	90.0	407,083,783	53,946,972	13.3	54,046,584	8.4	186,611,966	45.8	106,220,027	26.1	26,258,234	6.4
1940	1,031	18,640,314	4.1	997,882	0.2	79,552,852	5.8	18,118	...	410,176,803	89.9	456,628,969	63,978,165	14.0	58,654,014	6.3	219,170,495	48.0	112,773,554	24.7	32,052,741	7.0
June 30, 1941	1,864	18,640,314	3.9	...	...	31,317,754	6.7	17,350	...	419,502,019	89.4	469,477,437	65,294,685	13.9	24,034,533	5.1	211,211,207	45.0	132,399,989	28.2	36,537,023	7.8

* In circulation in the Isle of Man.

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

(b) Includes Treasury deposit receipts from 1940.

(c) Includes investments in affiliations.

WILLIAMS DEACON'S BANK, LIMITED

Year Ended Dec. 31	CAPITAL				PROFITS AND DIVIDENDS				Reserves and other Appro- priations	Carried Forward
	Subscribed	Paid-up	Callable	Reserve	Net Profits	Per Cent. of Resources	Dividends Amount	Rate		
1930	£ 8,125,000	£ 1,875,000	£ 1,562,500	£ 4,687,500	278,627	0.78	234,375	12½	50,000	25,478
1931	£ 8,125,000	£ 1,875,000	£ 1,562,500	£ 4,687,500	275,465	0.82	234,375	12½	40,000	26,568
1932	£ 8,125,000	£ 1,875,000	£ 1,562,500	£ 4,687,500	268,005	0.71	234,375	12½	25,000	35,198
1933	£ 8,125,000	£ 1,875,000	£ 1,562,500	£ 4,687,500	272,995	0.71	234,375	12½	25,000	48,818
1934	£ 8,125,000	£ 1,875,000	£ 1,562,500	£ 4,687,500	274,180	0.71	234,375	12½	30,000	58,623
1935	£ 8,125,000	£ 1,875,000	£ 1,562,500	£ 4,687,500	278,536	0.69	234,375	12½	30,000	72,785
1936	£ 8,125,000	£ 1,875,000	£ 1,562,500	£ 4,687,500	293,636	0.70	234,375	12½	30,000	102,046
1937	£ 8,125,000	£ 1,875,000	£ 1,562,500	£ 4,687,500	310,921	0.72	234,375	12½	30,000	148,592
1938	£ 8,125,000	£ 1,875,000	£ 1,562,500	£ 4,687,500	301,418	0.70	234,375	12½	130,000	85,635
1939	£ 8,125,000	£ 1,875,000	£ 1,562,500	£ 4,687,500	298,865	0.64	234,375	12½	30,000	120,126
1940	£ 8,125,000	£ 1,875,000	£ 1,562,500	£ 4,687,500	292,673	0.52	234,375	12½	30,000	264,375

Year ended Dec. 31	Number of Branches	LIABILITIES										ASSETS									
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Per Cent.	Cash in Hand and at Bank, etc.	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts and Advances	Per Cent.	Invest- ments	Per Cent.	Build- ings and Sundries, including Cover for Accept- ances	Per Cent.
		£		£		£		£		£		(a)		(b)							
1930...	202	2,875,000	8.0	144,565	0.4	736,522	2.1	32,009,087	89.5	35,765,174		5,156,125	14.4	2,488,863	7.0	18,082,989	50.6	8,306,444	23.2	1,730,753	4.8
1931...	202	2,875,000	8.0	145,405	0.4	1,561,497	4.7	29,043,586	86.9	33,425,488		4,211,102	12.6	3,274,807	9.8	15,923,271	47.6	7,408,886	22.2	2,607,422	7.8
1932...	202	2,875,000	7.1	154,035	0.4	1,164,066	3.1	33,812,463	89.4	37,805,564		5,961,067	15.8	4,816,463	12.7	15,086,118	39.8	9,753,892	25.8	2,188,024	5.8
1933...	202	2,875,000	6.9	167,654	0.4	2,430,036	6.2	33,498,484	86.5	38,771,174		6,306,885	16.3	5,518,038	14.2	13,381,376	34.5	10,124,277	26.2	3,440,598	8.8
1934...	203	2,875,000	6.9	177,459	0.5	2,068,097	5.3	33,742,876	87.3	38,663,432		6,003,721	15.5	6,116,738	15.8	13,887,772	35.9	9,575,350	24.8	3,079,851	8.0
1935...	205	2,875,000	6.6	191,620	0.5	2,047,759	5.1	35,429,629	87.8	40,344,008		6,172,435	15.3	7,287,359	18.1	14,105,960	34.9	9,703,386	24.1	3,074,868	7.6
1936...	205	2,875,000	6.4	220,882	0.5	1,360,678	3.3	37,577,881	89.8	41,834,541		6,458,137	15.4	5,600,269	13.4	14,454,651	34.6	12,878,342	30.8	2,443,141	5.8
1937...	206	2,875,000	6.2	267,428	0.6	1,526,551	3.5	38,564,411	89.7	43,033,390		6,455,589	15.0	6,036,683	14.0	16,442,422	38.2	11,504,635	26.6	2,594,061	6.0
1938...	209	2,875,000	6.4	204,471	0.5	1,996,530	4.6	38,335,188	88.5	43,311,189		7,086,888	16.4	5,887,068	13.6	15,739,138	36.3	11,561,672	26.7	3,036,422	7.1
1939...	200	2,875,000	5.9	237,313	0.5	2,315,907	4.9	41,631,303	88.7	46,959,523		8,198,049	17.5	7,085,196	15.1	16,742,673	35.6	11,597,383	24.7	3,336,222	7.1
1940...	197	2,875,000	5.0	265,611	0.5	2,212,753	3.9	50,864,914	90.6	56,118,278		10,606,895	18.9	7,556,268	13.5	19,657,549	35.0	14,928,255	26.6	3,369,311	6.0
June 30, 1941	2,775,000	4.7	...	...	1,872,039	3.2	54,301,492	92.1	58,948,531		10,021,947	17.0	8,606,260	14.6	21,134,261	35.9	16,322,621	27.7	2,863,442	4.8	

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

(b) From 1940 includes Treasury deposit receipts.

YORKSHIRE PENNY BANK, LIMITED

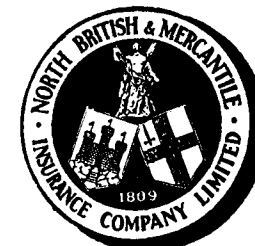
LIABILITIES				ASSETS					
December 31	Capital and Reserves	Deposits and other Accounts, etc.	Uncalled Capital	Cash in Hand, at Bank of England, and at Short Notice	British Govt. Securities	Colonial Govt. and English Corp. Stocks	Loans to Local Authorities	Loans on Security and other Accounts	Premises
1936	£ 2,500,000	£ 37,036,692	£ 500,000	£ 9,267,022	£ 25,562,627	£ 105,663	£	£ 4,051,380	£ 550,000
1937	2,500,000	38,119,733	500,000	9,331,099	27,469,529	35,698	...	3,233,408	550,000
1938	2,500,000	39,251,804	500,000	8,089,656	29,998,293	...	...	3,113,855	550,000
1939	2,500,000	38,745,860	500,000	7,466,921	30,211,340	...	...	3,017,498	550,000
1940	2,500,000	39,051,646	500,000	7,030,226	31,057,526	...	...	2,913,794	550,000

ERLANGERS LIMITED

December 31	LIABILITIES					ASSETS						
	Capital and Reserves	Current, Deposit and other Accounts, etc.	Current Accounts of Sub-sidiary Companies	Accept-ances on Account of Customers	Cash in Hand and with Bankers	Cash at Call and Short Notice	British Govt. Treasury Bills	Bills Receivable	British Govt. Securities	Dominion and Col. Govt. and Corp. Stocks and Bonds	Other In-vestments	Advances, etc.
1936	£ 1,925,000	£ 3,784,789	£ 6,877	£ 4,847,606	£ 275,468	£ 1,060,000	£ 554,372	£ 223,778	£ 400,485	£ 306,927	£ 576,866	£ 2,426,574
1937	1,925,000	5,054,265	8,815	4,730,099	1,300,661	935,000	619,255	283,405	321,047	212,700	469,578	3,078,487
1938	1,925,000	4,967,394	8,611	4,448,957	467,690	890,000	524,145	226,689	310,980	154,105	525,936	3,887,651
1939	1,925,000	2,164,597	9,717	2,475,404	295,383	710,000	394,144	...	251,875	...	398,664	2,122,730
1940	1,925,000	1,416,948	10,200	2,291,007	408,056	490,000	399,242	...	100,000	...	330,543	1,692,580

NORTH BRITISH & MERCANTILE INSURANCE CO., LTD.

Security & Service



61 THREADNEEDLE ST., LONDON, E.C2 64 PRINCES ST., EDINBURGH, 2

RISE VALUES

All Fire Insurances
effected at pre-war,
pre-Purchase Tax figures
should be increased.

THE
LIVERPOOL

PRIVATE BANKS OF ENGLAND AND WALES

B. W. BLYDENSTEIN AND COMPANY, LONDON

Year Ended December 31	LIABILITIES						Total Liabilities or Assets	ASSETS							
	Partners' Capital and Reserves	Per Cent.	Miscel- laneous	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand, at Bank, and with Banks Abroad	Per Cent.	Invest- ments	Per Cent.	Advances, Loans, Bills, etc.*	Per Cent.	Premises, etc.	Per Cent.
1930	700,000	6.5	62,665	0.5	9,989,817	93.0	10,752,482	105,437	0.9	2,552,173	23.8	8,065,598	75.0	29,274	0.3
1931	700,000	8.1	99,322	1.2	7,851,622	90.7	8,651,544	119,913	1.4	...	...	8,503,454	98.3	28,177	0.3
1932	700,000	3.8	12,631	0.5	2,506,176	95.7	2,618,807	186,937	7.1	308,837	11.8	2,095,778	80.1	27,255	1.0
1933	700,000	3.4	14,457	0.5	2,839,286	96.1	2,953,743	242,194	8.2	578,854	19.6	2,106,388	71.3	26,307	0.9
1934	700,000	3.7	3,296	0.1	2,560,927	96.2	2,664,223	1,370,559	51.4	553,642	20.8	713,441	26.8	26,581	1.0
1935	700,000	3.2	5,173	0.2	3,053,209	96.6	3,158,382	1,926,350	62.0	397,069	12.6	809,034	25.6	25,929	0.8
1936	700,000	2.7	3,020	0.1	3,557,078	97.2	3,660,098	2,133,759	58.2	475,368	13.0	1,025,459	28.0	25,512	0.8
1937	700,000	3.7	2,463	0.1	2,596,391	96.2	2,698,854	189,643	7.0	298,132	11.0	2,186,205	81.1	24,874	0.9
1938	700,000	3.1	2,010	0.1	3,113,793	96.8	3,215,804	382,563	11.9	832,567	25.9	1,976,421	61.4	24,252	0.8
1939	700,000	2.6	8,898	0.2	3,704,491	97.2	3,813,389	317,121	8.3	806,382	21.1	2,663,712	69.9	26,174	0.7
1940	700,000	1.9	7,758	0.1	5,144,601	98.0	5,252,259	664,733	12.6	422,741	8.1	4,139,045	78.8	25,739	0.5

† Provided by the Twentsche Bank (London) Ltd., which has an authorised and subscribed capital of £1,000,000.
‡ Nine months ended Sept. 30.

** Year ended Sept. 30.

* Includes Treasury Bills.
a Includes Money at Call.

HOARE (CHAS.) AND COMPANY

Year Ended July 5	LIABILITIES				Total Liabilities or Assets	ASSETS									
	Partners' Capital and Reserves	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand, at Bank, and at Call and Short Notice	Per Cent.	British Government Securities	Per Cent.	Other Securities and Investments	Per Cent.	Discounts and Advances	Per Cent.	Premises, etc.	Per Cent.
	£		£		£	£		£		£		£		£	
1931	500,000	15.9	2,629,718	84.1	3,129,718	825,480	26.4	647,550	20.7	121,778	3.9	1,434,910	45.8	100,000	3.2
1932	500,000	16.9	2,463,636	83.1	2,963,636	858,682	28.9	588,850	19.9	162,688	5.5	1,253,416	42.3	100,000	3.4
1933	500,000	12.2	3,592,297	87.8	4,092,297	1,179,450	28.9	894,483	21.9	271,719	6.6	1,646,645	40.2	100,000	2.4
1934	500,000	13.2	3,288,995	86.8	3,788,995	1,022,367	27.1	1,159,200	30.6	205,741	5.4	1,301,687	34.3	100,000	2.6
1935	500,000	11.9	3,711,318	88.1	4,211,318	1,122,347	26.7	1,341,086	31.8	200,467	4.8	1,447,418	34.3	100,000	2.4
1936	500,000	11.4	3,853,504	88.6	4,353,504	1,176,466	27.0	1,291,210	29.6	261,397	6.1	1,524,432	35.0	100,000	2.3
1937	500,000	11.9	3,686,793	88.1	4,186,793	977,761	23.3	832,950	19.9	451,169	10.8	1,824,913	43.6	100,000	2.4
1938	500,000	12.6	3,476,892	87.4	3,976,892	919,445	23.1	812,499	20.4	348,047	8.8	1,796,901	45.2	100,000	2.5
1939	500,000	13.0	3,362,925	97.0	3,862,925	1,083,349	28.1	745,707	19.3	376,467	9.7	1,557,402	40.3	100,000	2.6
1940	500,000	12.5	3,508,679	87.5	4,008,679	1,162,997	29.0	1,102,792	27.5	231,119	5.8	1,411,771	35.2	100,000	2.5
1941	500,000	12.5	3,504,300	87.5	4,004,300	1,106,363	27.6	1,386,343	34.7	313,203	7.8	1,098,391	27.4	100,000	2.5

S. JAPHET AND COMPANY, LIMITED

LIABILITIES				ASSETS						
December 31	Capital and Reserves	Deposit, Current and Other Accounts	Acceptances for Customers	Cash in Hand and at Bankers	Cash at Call and Short Notice	Treasury Bills and Other Govt. Securities	Other Securities	Bills Discounted	Advances, Balances Abroad, and Other Accounts	Premises
1936.....	£1,550,000	£2,367,442	£2,581,214	£384,295	£1,527,899	£416,269	£418,139	£45,900	£946,939	£180,000
1937.....	1,550,000	2,446,983	2,259,774	392,234	1,448,488	335,875	299,349	62,135	1,278,901	180,000
1938.....	1,500,000	2,226,223	2,645,727	395,331	1,442,302	279,800	265,062	40,450	1,123,278	180,000
1939.....	1,400,000	1,121,382	830,267	143,604	690,604	50,000	150,397	10,109	1,795,567	180,000
1940.....	1,300,000	611,781	126,382	118,071	300,000	50,000	131,278	...	1,481,586	180,000

LONDON DISCOUNT COMPANIES
ALEXANDERS DISCOUNT COMPANY, LIMITED

Year Ended Dec. 31	CAPITAL				PROFITS AND DIVIDENDS							
	Subscribed	Paid-up	Callable	Reserved	Net Profits	Per Cent. of Resources	Ordinary Dividend Amount	Rate	Reserves and other Appro- priations	Carried Forward		
Ordinary	1,600,000	800,000	Nil	800,000	1931	134,388	0.46	1132,000	15	62,784		
Preference	200,000	200,000	Nil	Nil	1932	176,222	0.60	152,000	19	70,006		
					1933	174,330	0.62	152,000	19	75,336		
					1934	403,477	1.56	152,000	19	104,813		
					1935	285,061	1.09	152,000	19	125,875		
					1936	164,550	0.92	152,000	19	126,425		
					1937	154,076	0.51	140,000	17	128,500		
					1938	154,500	0.44	140,000	17	131,000		
					1939	176,000	0.51	140,000	17	151,000		
					1940	166,570	0.41	140,000	17	160,570		

† Includes preference dividend.

Year Ended Dec. 31	LIABILITIES						Total Liabilities or Assets	ASSETS							
	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Loans, Deposits, and Other Accounts	Per Cent.		Cash at Bankers	Per Cent.	Bills Dis- counted	Per Cent.	Invest- ments	Per Cent.	Loans and Sundry Accounts	Per Cent.
1930	2,000,000	6.7	166,396	0.6	23,207,444	78.0	4,134,326	13.9	234,545	0.8	29,742,712	604,344	2.0	24,191,547	81.3
1931	2,000,000	6.9	128,784	0.4	23,269,915	80.0	3,404,939	11.7	289,062	1.0	29,092,700	612,911	2.1	22,821,215	78.5
1932	2,000,000	6.8	156,007	0.4	25,643,627	87.6	1,356,699	4.6	182,854	0.6	29,339,187	616,136	2.1	23,231,936	78.2
1933	2,000,000	7.2	161,336	0.6	25,159,642	89.5	597,410	2.1	180,506	0.6	28,098,894	622,597	2.2	16,772,224	59.7
1934	2,000,000	7.8	190,813	0.7	22,341,653	86.3	1,199,984	4.6	160,051	0.6	25,892,501	630,122	2.4	11,973,728	46.2
1935	2,000,000	7.7	211,875	0.8	22,298,649	85.7	1,361,657	5.2	161,374	0.6	26,033,555	642,261	2.5	12,076,723	46.4
1936	2,000,000	6.4	212,425	0.7	28,222,417	89.6	898,838	2.8	140,250	0.5	31,473,829	646,584	2.1	15,705,114	49.9
1937	2,000,000	6.6	214,500	0.7	26,683,054	87.7	1,374,670	4.5	152,748	0.5	30,424,973	653,126	2.1	15,387,020	50.5
1938	2,000,000	5.7	217,000	0.6	31,252,965	89.6	1,291,163	3.7	163,131	0.5	34,334,260	674,171	1.9	24,066,578	68.9
1939	2,000,000	5.8	237,000	0.7	31,151,877	89.9	1,037,544	3.0	194,661	0.6	34,601,081	679,688	1.9	27,804,776	80.3
1940	2,000,000	4.9	246,570	0.6	37,617,721	92.6	535,837	1.3	201,797	0.5	40,601,925	679,180	1.7	26,044,986	64.1

MARTINS
BANK

LIMITED

1563



1831

Chairman: FREDERIC A. BATES, M.C., A.F.C., D.L.
Deputy Chairmen: Rt. Hon. LORD COLWYN, P.C., D.L., LL.D.
R. M. HOLLAND-MARTIN, C.B.
A. HAROLD BIBBY, D.S.O., D.L.
Director and General Manager: J. M. FURNESS

*Every Banking Service*EXECUTORSHIPS AND
TRUSTEESHIPS UNDERTAKEN

Total Assets £154,000,000

London District Head Office: 68 LOMBARD ST., E.C.3
Head Office: WATER STREET, LIVERPOOL, 2

BARCLAYS
BANK

LIMITED

Head Office: 54 Lombard Street, London, E.C.3

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Through its widespread organisation
and connections, Barclays Bank offers
the fullest possible facilities for the
transaction of every kind of Banking
Business, either at home or abroad.

Executor and Trustee
Business transacted.

ASSOCIATED COMPANIES:

BARCLAYS BANK (DOMINION, COLONIAL AND
OVERSEAS).

BARCLAYS BANK (CANADA).

BARCLAYS TRUST COMPANY OF CANADA.
THE BRITISH LINEN BANK.B. W. BLYDENSTEIN
& CO.54-55-56 THREADNEEDLE STREET,
LONDON, E.C.2.

BANKERS

ALL BANKING AND
DISCOUNT BUSINESS
TRANSACTIONED.

Deposits received for short and
longer periods at rates to be ob-
tained on application.



More than a century's accumulated
business experience and conservative
progress form the background of
the comprehensive service which the
Westminster Bank is able to place at
its customers' disposal.

The Bank's vast resources, its con-
stant touch with current affairs and
its extensive system of branch offices
in England and Wales and agents
elsewhere, combine to enable it to
offer a wide range of facilities, de-
tails of which will gladly be given on
request by the manager of any branch.

WESTMINSTER BANK
LIMITED

Head Office: 41 Lothbury, London, E.C.2

NATIONAL DISCOUNT COMPANY, LIMITED

					PROFITS AND DIVIDENDS									
					Year Ended Dec. 31	Net Profits £	Per Cent. of Resources	Dividends Amount £	Rate %	Reserve £	Carried Forward £			
					1930.....	215,414	0.44	140,068	{ A 10 B 24 }	115,000	176,188			
					1931.....	131,524	0.27	135,406	{ A 10 B 24 }	...	172,506			
					1932.....	139,034	0.27	135,550	{ A 10 B 24 }	...	175,790			
					1933.....	137,769	0.25	135,550	{ A 10 B 24 }	...	178,006			
					1934.....	161,003	0.35	140,068	{ A 10 B 24 }	10,000	188,941			
					1935.....	179,456	0.35	149,006	{ A 10 B 26 }	10,000	209,390			
					1936.....	179,215	0.31	146,603	{ A 10 B 26 }	10,000	232,001			
					1937.....	188,961	0.33	144,200	{ A 10 B 26 }	60,000	216,763			
					1938.....	195,203	0.37	139,393	{ A 10 B 26 }	55,000	217,572			
					1939.....	196,362	0.37	130,453	{ A 10 B 26 }	55,000	228,481			
					1940.....	188,445	0.33	114,207	{ A 10 B 26 }	100,000	202,719			

LIABILITIES										ASSETS											
Year Ended Dec. 31	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Deposits and Sundry Balances	Per Cent.	Bills Re-dis- counted	Per Cent.	Rebate	Per Cent.	Total Liabilities or Assets	Cash at Bankers	Per Cent.	Bills Dis- counted	Per Cent.	Securities	Per Cent.	Loans at Call, Short and Fixed Dates	Per Cent.	Buildings and Sundries	Per Cent.
1930.....	£ 2,000,000	4.0	£ 259,629	0.5	£ 26,858,059	53.2	£ 20,883,210	41.4	429,855	0.9	£ 50,430,483	£ 694,907	1.4	£ 44,813,614	88.9	£ 4,038,844	8.0	£ 719,346	1.4	£ 163,772	0.3
1931.....	2,000,000	4.0	251,085	0.5	26,011,337	52.5	20,801,933	42.0	497,442	1.0	49,561,797	713,099	1.4	46,053,915	92.9	2,533,104	5.1	131,805	0.3	129,874	0.3
1932.....	2,000,000	3.9	256,541	0.5	26,944,346	53.1	21,250,923	41.9	336,297	0.7	50,788,107	733,297	1.5	46,365,840	91.2	3,518,457	6.9	28,049	0.1	142,464	0.3
1933.....	2,000,000	3.7	258,756	0.5	30,252,464	56.0	21,154,907	39.2	332,275	0.6	53,998,402	789,099	1.5	46,008,565	85.2	6,453,505	12.0	567,799	1.0	179,434	0.3
1934.....	2,000,000	4.4	272,382	0.6	30,387,514	66.1	21,888,748	28.1	287,774	0.6	45,836,518	815,218	1.8	35,633,675	77.7	8,666,263	18.9	557,377	1.2	163,985	0.4
1935.....	2,000,000	3.9	301,770	0.6	31,679,076	61.2	17,525,346	33.8	286,336	0.5	51,792,528	874,501	1.7	41,610,156	80.3	8,684,745	16.8	437,912	0.8	185,214	0.4
1936.....	2,000,000	3.5	322,891	0.6	36,348,796	63.4	18,472,103	32.1	258,191	0.4	57,401,981	1,033,418	1.8	44,484,008	77.4	11,186,620	19.5	486,292	0.9	211,644	0.4
1937.....	2,050,000	3.6	306,163	0.5	37,408,746	65.8	16,769,534	29.5	355,645	0.6	56,890,088	1,041,597	1.8	43,057,739	75.8	12,400,070	21.8	251,037	0.4	139,645	0.2
1938.....	2,100,000	4.0	303,992	0.6	41,201,076	78.3	9,019,569	17.1	...	...	52,624,637	1,158,002	2.2	45,963,504	87.3	5,199,945	9.9	151,000	0.3	152,186	0.3
1939.....	2,150,000	4.0	305,961	0.6	43,872,520	81.7	7,348,425	3.8	...	...	53,676,906	1,229,273	2.3	46,378,589	86.4	5,678,177	10.6	290,867	0.5	100,000	0.2
1940.....	2,250,000	4.0	271,259	0.5	49,977,909	88.7	3,848,525	6.8	...	...	56,347,693	1,444,497	2.5	38,907,685	63.8	8,563,844	32.9	331,667	0.6	100,000	0.2

* Excluding Treasury Bills.

UNION DISCOUNT COMPANY OF LONDON, LIMITED

CAPITAL*					PROFITS AND DIVIDENDS									
Authorised and Issued	Capital	Reserve	Market Value, Sept. 11, 1941	Per £ of Stock (2s)	Year Ended Dec. 31	Net Profit £	Per Cent. of Resources	Dividend Amount £	Rate %	Reserve £	Carried Forward £			
£	£	£	£	£										
2,750,000		Nil	6,531,250		1930.....	268,177	0.40	207,813	20**	50,000	299,656			
					1931.....	203,856	0.42	189,843	20†	10,000	303,669			
					1932.....	225,828	0.36	187,500	20†	15,000	326,997			
					1933.....	228,016	0.37	187,500	20†	15,000	352,514			
					1934.....	230,833	0.38	193,750	20†	15,000	374,597			
					1935.....	233,840	0.33	193,750	20†	15,000	399,687			
					1936.....	243,576	0.35	204,286	20**	265,000	173,976			
					1937.....	250,538	0.35	206,250	10***	15,000	203,264			
					1938.....	261,158	0.41	199,375	10	15,000	250,047			
					1939.....	274,610	0.32	186,485	10	15,000	323,172			
					1940.....	230,513	0.17	163,281	10	15,000	375,404			

* As at 31st December, 1939.

† For 6 months ended 30th June, 1936, dividend of 15 per cent. per annum on shares of £5 each, £2 10s. paid, and 2 per cent. interest on instalments on new shares. For 6 months ended 31st December, 1936, dividend of 7½ per cent. per annum and bonus of 6d. per £1 unit (equal to 2½ per cent. per annum on £1 units, of stock fully paid). (All less tax.)

* Dividend of 15 per cent. + bonus of 5 per cent., both less tax.

** Bonus of 5 per cent., free of tax.

*** The equivalent to the 1936 dividends and bonus.

Year Ended Dec. 31	LIABILITIES										Total Liabilities or Assets	ASSETS									
	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Loans and Deposits	Per Cent.	Bills Re-dis- counted	Per Cent.	Rebate	Per Cent.		Cash at Bankers	Per Cent.	Bills Dis- counted	Per Cent.	Securities	Per Cent.	Loans at Call and Short Date, and Other Accounts	Per Cent.	Buildings and Sundries	Per Cent.
1930	£ 3,000,000	4.5	£ 434,812	0.6	47,521,063	70.8	15,527,441	23.1	678,184	1.0	67,161,500	1,350,871	2.0	56,595,142	84.3	8,601,576	12.8	£ 516,522	0.8	97,389	0.1
1931	3,000,000	6.0	420,856	0.8	36,300,272	72.8	9,480,539	19.2	600,568	1.2	49,802,235	1,086,835	2.2	42,311,352	85.0	5,992,401	12.0	516,522	0.8	199,640	0.3
1932	3,000,000	4.8	444,185	0.7	43,710,837	73.7	6,323,839	10.1	405,205	0.7	62,610,939	1,330,616	2.1	47,467,354	75.6	11,615,857	18.6	212,007	0.4	164,417	0.3
1933	3,000,000	4.8	469,701	0.8	45,455,138	88.9	3,105,928	5.0	305,494	0.5	62,336,261	1,333,526	2.1	48,734,912	78.2	11,777,163	18.9	62,132,695	3.4	138,711	0.2
1934	3,000,000	5.0	495,690	0.8	52,224,719	88.6	4,246,019	7.1	300,355	0.5	60,265,783	1,455,421	2.4	42,978,622	71.3	14,174,895	23.5	351,945	1.6	97,892	0.1
1935	3,000,000	4.3	520,780	0.7	59,240,040	85.1	6,646,842	9.5	303,666	0.4	69,711,328	1,497,306	2.1	48,083,530	69.0	16,165,070	23.2	1,558,953	2.3	131,086	0.2
1936	3,750,000	5.4	305,030	0.5	57,285,704	82.0	8,164,125	11.7	346,593	0.4	69,851,452	1,525,946	2.2	50,506,115	72.3	16,125,831	23.0	2,206,039	3.1	243,004	0.4
1937	3,750,000	5.3	250,538	0.4	56,152,939	79.4	10,167,314	14.4	358,454	0.5	70,760,877	1,562,630	2.2	57,011,303	80.7	9,542,486	13.5	1,450,557	2.1	438,419	0.6
1938	3,750,000	5.8	374,656	0.6	61,504,880	79.1	9,083,245	14.0	361,212	0.5	65,073,993	1,502,848	2.3	53,632,246	82.4	6,265,053	9.8	516,767	5.0	405,079	0.6
1939	3,750,000	4.6	434,891	0.6	66,779,564	82.0	10,031,236	12.3	473,927	0.6	81,469,618	1,760,900	2.2	71,230,331	87.4	6,498,584	8.0	1,506,739	1.9	473,064	0.6
1940	3,750,000	5.0	474,232	0.6	63,995,180	85.4	6,336,641	8.4	441,836	0.6	74,997,889	1,757,518	2.3	52,796,784	70.4	19,439,124	25.9	543,954	0.7	460,509	0.6

THE
BANK OF INDIA
LIMITED

ESTABLISHED 7th SEPTEMBER, 1906

CAPITAL SUBSCRIBED ... Rs. 2,00,00,000
CAPITAL PAID UP ... " 1,00,00,000
RESERVE FUND ... " 1,13,00,000

Head Office: ORIENTAL BUILDINGS, BOMBAY

LOCAL BRANCHES:
Bullion Exchange, Shankh Menon Street
Malabar Hill, Hughes Road
Kalbadevi, Princess Street
Colaba, Cusrow Baug

BRANCHES:
Ahmedabad, Ahmedabad (Station Branch), Andheri, Bandra,
Calcutta (Clive Street), Calcutta (Barr Bazar), Calcutta
(Chowringhee Square), Jamshedpur, Nagpur (Civil Lines),
Nagpur City, Poona, Poona City, Rajkot, Surat.

LONDON AGENTS:
The Westminster Bank Ltd.

DIRECTORS:
Sir Chunilal V. Mehta, K.C.S.I. (Chairman)
Mr. Anubhai Sarabhai
Sir Joseph Kay, Knight
Mr. A. G. Giddis
Sir Cowasjee Jehangir, Baronet, K.C.I.E., O.B.E.
Mr. Dinsha K. Daji
Mr. Ramnivas Ramnarain

Current Deposit Accounts. Interest is allowed on daily balances from Rs. 500 to Rs. 1,00,000 at 3 per cent. per annum. Interest on balances in excess of Rs. 1,00,000 allowed only by special arrangement. No credit will be given in account for interest amounting to less than Rs. 5 per half year.

Fixed Deposits. Deposits are received fixed for one year or for shorter periods at rates of interest which can be ascertained on application.

Savings Bank. Accounts opened on favourable terms. Rules on application.

The Bank undertakes Executor and Trustee Business. Rules may be obtained on application.

General Banking Business transacted, rules for which can be obtained upon application. A. G. GRAY, Manager.

THE
YOKOHAMA
SPECIE BANK
LIMITED

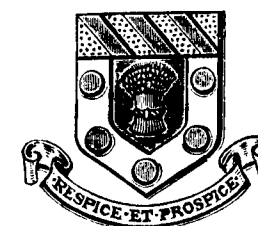
Incorporated in Japan Established 1880

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

BANKING
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Facilities for Banking
business of every
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EXECUTORSHIPS AND
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The Bank is a Trust Cor-
poration and as such is
prepared to act solely or
jointly as Executor and/or
Trustee.

Booklet containing full information
is obtainable free, at any office.

WILLIAMS
DEACON'S
BANK LTD.

Principal London

JOINT STOCK BANKS OF SCOTLAND

BANK OF SCOTLAND

										PROFITS AND DIVIDENDS											
		CAPITAL				Reserves				Year Ended Feb. 28		Net Profits		Per Cent. of Resources		Dividends		Reserves, Investments, etc.		Carried Forward	
		Authorised	Issued	Paid-up	Reserved											Amount		Rate			
		£	£	£	£											£		%		£	
		4,500,000	2,400,000	2,400,000	Nil																

* From 1940 includes Treasury deposit receipts.

THE BRITISH LINEN BANK

										PROFITS AND DIVIDENDS												
		CAPITAL								Per Cent.		Dividends		Reserves,		Carried						
		Subscribed	Paid-up	Callable	Reserved					Net	Per Cent.	Amount	Rate	Investments,	Forward							
		£	£	£	£					Profits	of	£	%	etc.								
		£	£	£	£					Resources	Resources	£	%	£								
		1,250,000	1,250,000	Nil	Nil					1931	0.94	155,000	16	200,000	6.146							
										1932	0.88	150,000	16	120,000	86.677							
										1933	0.77	150,000	16	130,000	98.722							
										1934	0.71	150,000	16	125,000	96.584							
										1935	0.76	155,000	16	130,000	97.894							
										1936	0.71	155,000	16	150,000	82.857							
										1937	0.76	152,500	16	125,000	98.745							
										1938	0.63	150,000	16	140,000	98.948							
										1939	0.62	145,000	16	130,000	100.661							
										1940	0.59	137,500	16	125,000	98.488							
										1941	0.52	115,000	16	115,000	100.172							
LIABILITIES										ASSETS												
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Acceptances and Parliamentary Deposits	Per Cent.	Miscellaneous Credits, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand, at Bankers and at Call or Notice	Per Cent.	Discounts and Advances (including Short Loans)	Per Cent.	Investments	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1931	205	3,600,000	10.3	140,647	0.4	2,566,200	7.4	539,238	1.5	383,118	1.1	27,666,844	79.3	34,896,047	7,610,363	21.8	13,130,599	37.7	13,196,535	37.8	958,550	2.7
1932	208	3,600,000	10.8	161,677	0.5	2,703,927	8.1	573,211	1.6	309,798	0.9	25,905,371	77.9	33,253,984	7,755,922	23.3	11,500,940	34.6	12,988,770	39.1	1,008,352	3.0
1933	210	3,600,000	9.5	173,722	0.5	2,620,001	6.9	559,268	1.5	534,064	1.4	30,561,147	80.2	38,048,202	8,507,247	22.4	10,039,642	33.4	18,508,123	48.6	993,190	2.6
1934	211	3,750,000	9.7	171,584	0.4	2,644,012	6.9	617,882	1.6	266,250	0.7	30,833,610	80.2	37,838,318	8,204,465	21.5	8,889,935	23.2	20,090,658	62.6	1,048,260	2.6
1935	211	3,750,000	9.9	175,394	0.5	2,577,310	6.8	636,472	1.7	342,277	0.9	30,357,075	80.2	37,838,528	8,480,454	22.4	9,295,189	24.4	19,015,513	60.3	1,047,372	2.6
1936	211	3,750,000	9.1	160,357	0.4	2,465,249	6.0	627,540	2.3	486,172	1.2	33,338,578	81.0	41,127,896	9,565,000	23.2	8,914,790	21.7	21,332,105	51.9	1,315,933	3.2
1937	216	3,750,000	8.8	174,995	0.4	2,640,870	5.8	618,099	1.8	1,895,571	4.2	26,042,168	79.0	45,321,703	11,322,166	25.0	10,131,322	23.7	23,751,723	51.6	1,288,438	2.8
1938	215	3,750,000	8.2	173,948	0.4	2,635,669	5.7	606,551	2.0	338,918	0.9	38,153,162	83.0	45,958,248	10,786,862	23.5	10,131,290	19.9	23,782,490	52.4	1,188,756	2.5
1939	215	3,750,000	8.4	173,161	0.4	2,655,129	6.0	1,131,537	2.5	371,454	0.8	36,471,231	81.9	44,552,513	10,766,767	25.3	9,496,871	23.5	25,151,380	56.1	1,543,639	3.5
1940	210	3,750,000	8.5	163,488	0.4	2,911,065	6.6	869,387	1.9	303,420	0.7	36,185,918	81.9	44,183,278	11,193,255	25.3	10,976,183	24.4	20,700,380	46.9	1,313,460	3.0
1941	209	3,750,000	8.3	157,672	0.4	3,184,650	7.1	890,043	2.0	1,146,326	2.6	35,373,116	79.6	44,866,407	10,492,819	23.4	11,082,260	24.7	21,937,685	48.9	1,353,633	3.0

* From 1940 includes Treasury deposit receipts.

THE CLYDESDALE BANK LIMITED

CAPITAL				PROFITS AND DIVIDENDS						
Subscribed	Paid-up	Reserved		Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends — Amount	Rate %	To Reserve, etc.	Carried Forward
£ 5,350,000	£ 1,300,000	£ 4,000,000		1930	336,488		0.90	234,000	£ 100,000	92,542
				1931	330,920	0.93	208,000	18	125,000	90,462
				1932	310,010	0.79	208,000	16	100,000	92,472
				1933	301,265	0.79	208,000	16	100,000	95,737
				1934	310,195	0.81	208,000	16	90,000	97,933
				1935	312,472	0.75	208,000	16	100,000	102,405
				1936	315,518	0.75	208,000	16	105,000	104,923
				1937	320,249	0.72	229,000*	16	105,000	91,173
				1938	316,941	0.73	208,000	16	105,000	95,114
				1939	313,890	0.68	208,000	16	110,000	91,004
				1940	310,064	0.60	208,000	16	105,000	88,068

100,000 shares of £50.....	Per Share £10	£40
30,000 shares of £10.....	£10	Nil
Authorised note issue, £274,321.		

COMMERCIAL BANK OF SCOTLAND, LIMITED

CAPITAL					Market Value, Sept. 1, 1941	PROFITS AND DIVIDENDS					
Subscribed	Paid-up	Callible	Reserved	Year Ended Oct. 31		Net Profits	Per Cent. of Resources	Dividends Amount	Rate	Reserves, etc.	Carried Forward
"A" 7,000,000	1,750,000	2,450,000	2,800,000	} 7,078,125	1930	389,857	0.90	255,750	"A" 16	125,000	71.65
"B" 500,000	500,000	Nil	Nil		1931	385,736	0.90	251,625	"B" 16	150,000	75.77
					1932	377,061	0.82	247,500	"A" 16	150,000	75.33
					1933	386,630	0.83	247,500	"B" 16	150,000	84.36
					1934	379,337	0.77	255,750	"A" 16	150,000	78.07
					1935	396,950	0.77	282,875	"B" 16	150,000	62.12
					1936	399,733	0.75	251,625	"A" 16	150,000	65.25
					1937	395,664	0.67	247,500	"B" 16	150,000	68.34
					1938	381,155	0.66	239,250	"A" 16	140,000	70.29
					1939	353,098	0.62	215,500	"B" 15	140,000	67.89
					1940	332,700	0.50	187,500	"A" 15	145,000	68.09

* Includes 2 per cent. Bonus on "A" shares.

LIABILITIES												ASSETS										
Year Ended Oct. 31	Number of Branches	Capital and Re-serves	Per Cent.	Notes	Per Cent.	Acceptances and Endorse-ments	Per Cent.	Undi-vided Profits	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabi-lities or Assets	Cash in Hand and at Bank	Per Cent.	Cash and Call and Short Notice	Per Cent.	Invest-ments	Per Cent.	Dis-counts and Ad-vances	Per Cent.	Buildings and Furni-ture, including Cover for Assets	Per Cent.
1930	342	5,100,000	11.8	3,418,349.7	9	239,788.0	6	1,152,858.2	3	33,182,352.7	7	43,093,347.7	6,089,465.14	14	1,178,579.9	7	11,412,538.26	5	20,365,182.47	3	1,046,583.2	4
1931	350	5,100,000	12	3,309,634.8	0	135,354.0	3	704,809.1	7	32,112,042.7	6	41,361,839.7	5,858,670.12	2	2,165,130.5	5	13,265,490.32	1	19,119,142.46	2	955,407.2	5
1932	355	5,100,000	11	3,270,210.7	1	162,303.0	4	199,081.0	4	37,502,627.8	1	46,234,221.7	5,765,980.12	5	2,477,000.0	6	21,854,575.40	3	17,948,728.38	8	993,938.2	3
1933	362	5,100,000	10	3,244,121.7	0	220,700.0	5	208,211.0	4	37,724,778.8	2	46,497,810.6	6,245,589.13	4	2,695,000.0	5	20,724,747.47	4	15,785,737.34	0	1,046,700.2	2
1934	367	5,100,000	10	3,233,037.6	0	205,922.0	4	38,932,033.7	1	49,192,236.7	1	51,817,336.7	6,438,263.13	2	1,786,000.0	5	21,963,231.44	6	15,403,498.31	3	52,601,244.5	0
1935	374	5,250,000	10	3,351,095.6	2	220,855.4	2	127,122.0	4	40,783,615.7	8	51,817,336.7	6,661,904.12	9	3,241,000.0	6	22,409,091.47	2	14,379,837.27	7	1,118,555.6	0
1936	377	5,300,000	9	3,628,810.6	7	3,298,843.6	1	191,042.0	3	42,017,265.7	2	54,355,960.7	7,098,345.13	1	1,349,000.0	6	32,454,077.46	8	14,245,002.26	1	1,218,843.7	7
1937	380	5,350,000	9	3,768,419.6	4	3,380,406.5	8	192,144.0	3	46,055,659.7	4	58,746,628.8	8,773,533.12	8	2,375,000.0	6	32,545,077.46	8	14,409,519.24	8	5,044,835.8	7
1938	385	5,400,000	9	3,727,709.6	4	4,069,835.7	0	189,924.0	3	44,739,106.7	7	58,126,574.4	7,440,848.12	9	2,944,500.0	5	32,885,786.45	8	15,812,402.26	9	4,330,406.7	4
1939	382	5,400,000	9	3,977,212.6	9	2,684,294.4	7	163,772.0	3	45,111,542.7	7	57,336,829.8	8,768,818.15	3	3,255,600.0	4	32,515,395.44	7	17,187,722.29	9	3,709,294.6	5
1940	342	5,400,000	8	2,479,535.7	0	2,181,588.3	3	157,941.2	0	53,557,936.8	1	65,677,000.0	10,104,813.15	4	5,454,500.0	8	30,485,864.46	4	16,350,235.24	9	9,281,588.5	0

* Miscellaneous credits.

* From 1940

Year Ended Oct. 31	Number of Branches	LIABILITIES					Total Liabilities or Assets	ASSETS				
		Capital and Reserves	Notes	Accept- ances and Endorse- ments	Undi- vided Profits	Deposit and Current Accounts		Cash in Hand and at Bank	Cash at Call and Short Notice	Invest- ments	Dis- counts and Ad- vances	Buildings and Sundries, including Cover for Accept- ances
1930	342	5,100,000	11.8	3,418,349	7.9	239,788	0.6	1,152,858	2.7	33,182,352	77.0	43,093,347
1931	350	5,100,000	12.3	3,309,534	8.0	135,354	0.3	704,809	1.7	32,112,042	77.6	41,361,839
1932	359	5,100,000	10.3	3,270,210	7.1	162,303	0.4	199,081	0.4	37,502,627	81.1	46,234,221
1933	362	5,100,000	10.9	3,244,121	7.0	220,700	0.5	208,211	0.4	37,724,778	81.2	46,497,810
1934	367	5,100,000	10.4	3,223,037	6.1	1,731,244	3.5	205,922	0.4	38,932,033	79.1	49,192,236
1935	374	5,250,000	10.1	3,351,095	6.2	2,085,555	4.2	217,122	0.4	40,783,615	78.7	51,810,387
1936	377	5,300,000	9.7	3,628,810	6.7	3,298,843	6.1	191,042	0.3	42,017,265	77.2	54,435,960
1937	380	5,350,000	9.1	3,768,419	6.4	3,380,406	5.8	192,144	0.3	46,055,659	78.4	58,746,628
1938	385	5,400,000	9.3	3,727,709	6.4	4,069,835	7.0	189,924	0.3	44,739,106	77.0	58,126,574
1939	342	5,400,000	9.4	3,977,221	6.9	2,684,294	4.7	163,772	0.3	45,111,542	78.7	57,336,829
1940	342	5,400,000	8.2	4,579,535	7.0	2,181,588	3.3	157,941	0.2	53,357,936	81.3	65,677,000

* Miscellaneous credits.
† From 1940 includes Treasury deposit receipts.

THE NATIONAL BANK OF SCOTLAND, LIMITED

CAPITAL										PROFITS AND DIVIDENDS									
Consolidated Stock— Authorised and Subscribed in £500 Stock, £110 paid up of which—										Per Cent. of Resources									
Uncalled Reserve Liability										Dividends									
£900,000 £3,000,000										Amount Rate Reserve, etc. Carried Forward									
Leaving paid-up																			
£1,100,000																			
A " Shares— Authorised 1,000,000 in Shares of £1 each, of which 400,000 issued and converted into Stock, fully paid																			
£400,000																			
Total paid-up Capital																			
£1,500,000																			
										</									

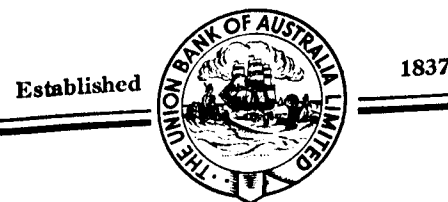
NORTH OF SCOTLAND BANK LIMITED

CAPITAL				Year Ended Dec. 31	Net Profits	PROFITS AND DIVIDENDS			Reserve, etc.	Carried Forward
Subscribed	Paid-up	Callible	Reserved			Per Cent. of Resources	Dividends Amount	Rate		
£	£	£	£	1930	281,473	1.11	205,380	18	75,000	101,748
3,260,000	1,141,000	163,000	1,956,000	1931	254,414	1.05	193,970	17	95,000	67,192
				1932	250,762	0.94	182,560	16	65,000	70,393
				1933	253,855	0.88	182,560	16	70,000	71,688
				1934	255,416	0.87	182,560	16	70,000	74,544
				1935	259,528	0.77	182,560	16	70,000	81,512
Per Share	Per Share	Per Share	Per Share	1936	261,786	0.74	182,560	16	70,000	90,738
£20	£7	£1	£12	1937	246,148	0.72	182,560	16	70,000	99,326
				1938	242,077	0.71	182,560	16	55,000	103,843
				1939	236,543	0.74	182,560	16	55,000	102,827
				1940	215,345	0.60	182,560	16	35,000	100,612

The UNION BANK OF AUSTRALIA LIMITED

More than
a hundred years'
Banking experience
linking
The United Kingdom
and world centres
with Australasia

Head Office:
71 CORNHILL, LONDON, E.C.3
(West End Agency: 15 Carlos Place, W.1)
Agents throughout the World.



The English, Scottish & Australian Bank, Limited

Head Office:
5 GRACECHURCH ST., LONDON, E.C.3

Subscribed Capital - £5,000,000
Paid-up Capital - £3,000,000
Further Liability of Proprietors - £2,000,000
Reserve Fund - £1,740,000
Special Currency Reserve - £1,585,000

Board of Directors:
S. M. WARD, Esq., Chairman.
THE RT. HON. LORD ALDENHAM, E. M. JANION, Esq.
SIR CLIVE BAILLIEU, K.C.S.I., K.C.M.G., C.B.E.,
THE RT. HON. LORD HUNTINGFIELD, K.C.M.G., SIR FREDERICK W. YOUNG

London Manager & Secretary—J. A. CLEZY.
Sub-Manager—R. J. ALLEN. Accountant—C. N. HARRISON.
Bankers: Bank of England: Westminster Bank Limited.

Chief Office in Australia:
COLLINS STREET, MELBOURNE
and 407 Branches and Agencies throughout Australia.

With its widespread connections, this Bank
offers every facility for the conduct of
all classes of Banking and Exchange
business with Australia.

NATIONAL BANK OF EGYPT

Incorporated in Egypt, Liability of Members is Limited
Established by KHEDIVIAL DECREE of 25th June, 1898, with exclusive right to issue notes payable at sight to Bearer.

HEAD OFFICE:—CAIRO.
Commercial Register No. 1 Cairo.
RESERVE FUND Lstg. 3,000,000
CAPITAL (fully paid) Lstg. 3,000,000

OFFICES IN EGYPT AND THE SUDAN
CAIRO (7 Offices), ALEXANDRIA, Abou-Tig (Sub-Agency to Assiut), Assiut, Assuan, Benha, Beni-Suef, Chebin-el-Kom, Damanhour, Dessouk (Sub-Agency to Damanhour), Deyrout (Sub-Agency to Assiut), Edfu (Sub-Agency to Luxor), Esneh (Sub-Agency to Luxor), Fashn (Sub-Agency to Beni-Suef), Fayoum, Heliopolis (Cairo), Ismailia (Sub-Agency to Port Said), Kafr-el-Zayat (Sub-Agency to Tanta), Kenah, Luxor, Maghaga (Sub-Agency to Beni-Suef), Manfalout (Sub-Agency to Assiut), Mansourah, Mehalla-Kebir, Mellawi (Sub-Agency to Minieh), Minet-el-Gamh (Sub-Agency to Zagazig), Minieh, Port Said, Samalout (Sub-Agency to Minieh), Sohag, Suez, Tanta, Zagazig.
Khartoum, El-Obeid, Omdurman, Port Sudan, Tokar (Sub-Agency to Port Sudan), Wad-Medani.
LONDON AGENCY:—6 & 7 King William Street, E.C.4

BANQUE BELGE POUR L'ETRANGER (OVERSEAS), Ltd.

Affiliated to the Société Générale de Belgique
CAPITAL - £2,000,000
entirely subscribed

LONDON:
4 Bishopsgate, E.C.2
NEW YORK:
67 Wall Street

BOARD OF DIRECTORS:
Sir THOMAS J. STRANGMAN, K.C. (Chairman), F. HAEGLER, A. DONNAY (Managing Director)
Manager: M. SMITS
Deputy Manager: E. VAN HOOF
British and Foreign Banking business of every description transacted
LETTERS OF CREDIT - COMMERCIAL CREDITS - COLLECTION OF CLEAN AND DOCUMENTARY DRAFTS
SPOT AND FORWARD FOREIGN EXCHANGE TRANSACTIONS, ETC.
CORRESPONDENTS THROUGHOUT THE WORLD

NORTH OF SCOTLAND BANK LIMITED—Continued from page 32

Year Ended Dec. 31	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank	Per Cent.		Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries	Per Cent.		
1930...	158	2,306,000	9.1	204,438	0.8	2,166,772	8.5	20,682,403	81.6	25,359,613	14.7	...	...	9,926,538	39.6	11,503,595	45.4	200,922	0.8			
1931...	158	2,306,000	9.5	158,472	0.6	2,159,647	8.9	19,704,992	81.0	24,329,111	17.9	...	...	9,856,311	40.6	9,917,600	40.7	201,810	0.8			
1932...	159	2,306,000	8.7	161,673	0.6	2,085,462	7.8	22,036,622	82.9	26,589,757	20.8	...	...	10,776,707	40.6	10,065,942	37.9	199,345	0.7			
1933...	159	2,306,000	8.0	162,968	0.6	2,093,769	7.3	24,130,254	84.1	28,692,991	12.0	1,500,000	5.2	15,383,887	53.6	8,174,059	28.5	195,001	0.7			
1934...	161	2,306,000	7.9	165,824	0.6	2,148,078	7.3	24,635,948	84.2	29,255,850	15.7	...	...	17,180,906	58.7	7,868,410	26.9	195,248	0.7			
1935...	160	2,356,000	7.0	172,792	0.5	2,182,225	6.4	29,159,287	86.1	33,870,304	15.7	1,360,150	4.0	18,842,618	55.6	9,583,504	28.3	188,407	0.6			
1936...	161	2,406,000	6.8	182,018	0.5	2,310,633	6.5	30,554,156	86.2	35,452,807	11.5	2,333,000	6.6	20,171,128	56.8	7,763,624	21.9	175,345	0.5			
1937...	161	2,441,000	7.1	190,606	0.5	2,302,208	6.7	29,432,825	85.7	34,366,639	12.9	1,857,500	6.2	20,165,513	58.7	7,718,739	22.5	176,285	0.5			
1938...	161	2,476,000	7.2	195,123	0.6	2,306,004	6.8	29,123,507	85.4	34,100,634	14.4	932,500	2.8	20,542,017	61.2	7,546,861	22.1	174,088	0.5			
1939...	161	2,476,000	7.7	194,107	0.6	2,306,004	6.8	29,123,507	85.4	34,100,634	16.5	3,560,065	11.2	14,723,158	46.6	8,481,126	25.6	179,963	0.5			
1940...	158	2,491,000	6.9	191,892	0.5	2,306,004	6.8	29,123,507	85.4	34,100,634	10.3	545,003	1.5	16,756,736	46.6	8,481,126	25.6	179,963	0.5			

* From 1940 includes Treasury deposit receipts.

ROYAL BANK OF SCOTLAND

Year Ended October	CAPITAL				Market Value	PROFITS AND DIVIDENDS						
	Subscribed	Paid-up	Callable	Reserved		Net Profits	Per Cent. of Resources	Dividends Amount	Rate	Reserve, etc.	Carried Forward*	
1930	£ 4,250,000	4,250,000	Nil	Nil	£ 17,850,000	533,665	0.82	413,059	17	50,000	3,580,926†	
1931						611,116	0.99	490,007	17	50,000	3,780,926†	
1932						604,765	0.88	481,975	17	50,000	3,780,926†	
1933						612,052	0.85	481,975	17	50,000	3,780,926†	
1934						621,427	0.83	498,040	17	50,000	3,780,926†	
1935						629,258	0.79	498,040	17	50,000	3,857,144	
1936						632,035	0.78	490,007	17	50,000	3,944,172	
1937						636,420	0.74	481,974	17	60,000	4,038,617	
1938						613,257	0.71	465,909	17	60,000	4,125,965	
1939						605,719	0.71	456,187	17	149,532	4,125,965	
1940						557,359	0.64	433,500	17	123,859	4,125,965	

* Includes "Rest" or Reserve Funds. † Including £600,000 premium on issue of shares to shareholders of Williams Deacon's. ‡ Including £200,000 premium on above issue but excluding £71,109 carried to inner reserves.

Year Ended October	Number of Branches	LIABILITIES									Total Liabilities or Assets	ASSETS											
		Capital and Re- serves	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.	Drafts Out- standing	Per Cent.	Deposit and Current Accounts		Per Cent.	Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Dis- counts and Ad- vances •	Per Cent.	Buildings and Sundries including Cover for Accept- ances	Per Cent.	
1930	242	6,943,368	11.3	2,773,277	4.5	780,814	1.3	428,426	0.7	50,387,090	81.8	61,561,346	5.4	5,454,105	8.9	7,001,770	11.4	17,264,494	28.0	30,009,033	48.7	1,831,944	3.0
1931	247	7,561,118	12.3	2,780,755	4.5	933,148	1.5	402,026	0.7	49,416,138	80.6	61,334,172	5.2	5,124,665	8.4	6,848,140	11.1	19,505,546	31.8	27,849,279	45.4	2,006,542	3.3
1932	249	7,561,118	11.1	2,780,720	4.1	1,075,271	1.6	774,479	1.1	55,898,683	81.7	68,331,258	5.7	479,351	8.0	7,179,961	11.0	25,911,799	37.9	27,613,214	44.0	2,146,933	3.1
1933	252	7,561,118	10.5	2,858,502	3.9	1,598,571	2.2	864,576	1.2	59,257,331	81.9	72,381,063	5.9	987,636	8.3	7,412,015	10.2	30,631,298	42.8	25,600,804	35.5	2,749,310	3.4
1934	253	7,561,118	10.1	2,792,803	3.7	1,895,054	2.7	1,076,775	1.4	58,944,630	79.0	74,519,400	6.2	206,784	8.3	7,133,462	10.2	32,600,804	45.5	24,919,310	34.5	3,043,808	3.7
1935	256	7,734,364	9.6	2,812,642	3.5	1,731,639	2.1	588,354	0.7	64,009,174	81.0	79,028,165	6.3	139	8.6	7,761,942	9.8	33,139,099	42.8	25,655,549	34.5	3,043,808	3.7
1936	255	7,734,364	9.1	2,929,938	3.6	1,533,850	1.9	606,456	0.7	66,800,985	81.6	81,840,597	6.5	139	8.6	7,761,942	9.8	33,139,099	42.8	25,655,549	34.5	3,043,808	3.7
1937	256	7,734,364	9.1	2,929,938	3.6	1,533,850	1.9	606,456	0.7	66,800,985	81.6	81,840,597	6.5	139	8.6	7,761,942	9.8	33,139,099	42.8	25,655,549	34.5	3,043,808	3.7
1938	257	7,734,364	9.1	2,929,938	3.6	1,533,850	1.9	606,456	0.7	66,800,985	81.6	81,840,597	6.5	139	8.6	7,761,942	9.8	33,139,099	42.8	25,655,549	34.5	3,043,808	3.7
1939	257	7,734,364	9.1	2,929,938	3.6	1,533,850	1.9	606,456	0.7	66,800,985	81.6	81,840,597	6.5	139	8.6	7,761,942	9.8	33,139,099	42.8	25,655,549	34.5	3,043,808	3.7
1940	258	7,734,364	9.1	2,929,938	3.6	1,533,850	1.9	606,456	0.7	66,800,985	81.6	81,840,597	6.5	139	8.6	7,761,942	9.8	33,139,099	42.8	25,655,549	34.5	3,043,808	3.7

• From 1940 includes T.

* From 1940 includes Treasury deposit receipts.

UNION BANK OF SCOTLAND, LIMITED

Year Ended April 1	CAPITAL				Market Value Sept. 1, 1941	PROFITS AND DIVIDENDS						
	Subscribed	Paid-up	Callable	Reserved Liability for Liquidation		Net Profits	Per Cent. of Resources	Dividends Amount	Rate	Reserve, etc.	Carried Forward	
1931	£ 5,200,000	1,200,000	Nil	4,000,000	£ 4,800,000	354,667	1.00	216,000	18	125,000	148,721	
1932						329,911	0.95	216,000	18	155,000	107,632	
1933						319,982	0.92	216,000	18	100,000	111,614	
1934						311,108	0.90	216,000	18	95,000	111,722	
1935						313,463	0.86	216,000	18	95,000	114,184	
1936						316,621	0.80	216,000	18	95,000	119,805	
1937						318,175	0.78	216,000	18	95,000	126,981	
1938						312,625	0.77	216,000	18	95,000	128,605	
1939						310,407	0.77	216,000	18	90,000	135,012	
1940						303,162	0.69	216,000	18	85,000	135,174	
1941						298,481	0.67	216,000	18	75,000	142,655	

* From 1940 includes Treasury deposit receipts.

Year Ended April	Number of Branches	LIABILITIES									Total Liabilities or Assets	ASSETS											
		Capital and Re- serves	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.	Drafts on London	Per Cent.	Deposit and Current Accounts		Per Cent.	Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Discounts and Adv- ances, including Cover for Loans on Stocks*	Per Cent.	Buildings and Sundries including Cover for Accept- ances	Per Cent.	
1931	210	3,000,000	8.4	2,406,820	6.8	606,995	1.7	56,380	...	29,133,282	82.0	35,593,198	2.6	2,622,001	7.4	3,953,403	11.1	11,199,715	31.4	16,933,479	46.9	1,124,600	3.2
1932	212	3,000,000	8.7	2,343,039	6.8	528,057	1.5	8,101	...	28,305,208	82.0	34,533,037	2.6	2,562,629	7.6	4,618,208	13.4	10,635,212	30.8	15,682,075	45.3	1,034,913	2.9
1933	216	3,000,000	8.6	2,339,015	6.9	485,763	1.4	...	...	28,546,761	82.3	34,724,715	2.6	2,468,704	7.1	4,164,551	12.0	14,616,790	42.1	12,503,796	36.0	970,874	2.8
1934	216	3,000,000	8.6	2,339,015	6.9	389,973	1.1	...	...	28,558,377	82.3	34,698,048	2.6	2,615,269	7.5	4,012,598	11.6	17,326,655	49.9	9,885,801	28.5	858,722	2.5
1935	216	3,000,000	8.3	2,494,221	6.9	447,292	1.2	...	...	29,944,043	82.5	36,240,740	2.8	2,811,071	7.8	4,196,340	11.6	18,866,332	52.0	9,461,539	26.1	899,458	2.6
1936	217	3,000,000	7.5	2,536,788	6.4	1,899,028	4.8	...	...	31,956,543	80.5	39,753,164	2.7	2,762,298	7.0	4,849,231	12.2	20,059,705	50.4	9,744,786	24.2	337,144	0.9
1937	219	3,000,000	7.4	2,640,729	6.5	1,593,747	3.9	...	...	32,837,084	81.4	40,439,541	3.0	3,051,401	7.5	5,611,382	12.2	20,036,585	52.1	10,721,123	26.6	6,019,050	16.5
1938	219	3,000,000	7.4	2,640,729	6.5	1,593,747	3.9	...	...	32,837,084	81.4	40,439,541	3.0	3,051,401	7.5	5,611,382	12.2	20,036,585	52.1	10,721,123	26.6	6,019,050	16.5
1939	220	3,000,000	7.4	2,648,525	6.8	1,118,681	2.8	...	...	33,436,818	82.3	40,494,005	2.7	2,769,693	6.8	4,984,881	13.2	19,648,133	48.6	11,655,492	28.8	1,435,861	3.5
1940	212	3,000,000	7.4	2,633,094	6.8	1,025,011	2.4	...	...	36,002,367	82.4	43,356,646	3.4	3,446,788	6.8	4,717,091	11.7	20,049,455	47.7	13,514,083	31.2	1,423,046	3.6
1941	212	3,050,000	6.9	3,172,479	7.1	1,175,172	2.6	...	...	36,638,976	82.5	44,420,282	3.7	3,657,548	8.0	5,627,345	12.9	19,325,384	44.6	13,514,083	31.2	1,423,046	3.6

* From 1940 includes Treasury deposit receipts.

THE EASTERN BANK
LIMITEDHEAD OFFICE: CROSBY SQUARE,
BISHOPSGATE, LONDON, E.C.3

Authorised Capital - £2,000,000
Paid-up Capital - £1,000,000
Reserve Fund - £500,000

JOINT STOCK BANKS OF IRELAND

BELFAST BANKING COMPANY, LIMITED

Year Ended Dec. 31	Number of Branches	CAPITAL				PROFITS AND DIVIDENDS						Reserves, etc.	Carried Forward
		Subscribed	Paid-up	Callable	Reserved	Net Profits	Per Cent. of Resources	Dividends Amount	Rate	Rate	Rate		
1930	50	1,400,000	75,255	0.4	783,809	118,054	0.67	188,200*	11	11	11	97,962	97,962
1931	50	1,500,000	800,000	0.6	735,721	111,394	0.64	66,000	11	11	11	100,000	143,566
1932	51	1,500,000	800,000	0.6	748,872	97,530	0.56	66,000	11	11	11	100,000	143,566
1933	51	1,500,000	800,000	0.6	748,872	96,192	0.58	66,000	11	11	11	100,000	143,566
1934	51	1,500,000	800,000	0.6	748,872	102,173	0.59	66,000	11	11	11	100,000	143,566
1935	51	1,500,000	800,000	0.6	748,872	105,182	0.61	66,000	11	11	11	100,000	143,566
1936	51	1,500,000	800,000	0.6	748,872	106,056	0.63	66,000	11	11	11	100,000	143,566
1937	51	1,500,000	800,000	0.6	748,872	106,718	0.64	66,000	11	11	11	100,000	143,566
1938	51	1,500,000	800,000	0.6	748,872	103,929	0.63	66,000	11	11	11	100,000	143,566
1939	51	1,500,000	800,000	0.6	748,872	101,017	0.57	66,000	11	11	11	100,000	143,566
1940	51	1,500,000	800,000	0.6	748,872	91,028	0.48	66,000	11	11	11	100,000	143,566

* Including £100,000 used to increase amount paid-up on ordinary shares.

Year Ended Dec. 31	Number of Branches	LIABILITIES				ASSETS				Total Liabilities or Assets	Cash in Hand and at Call	Invest- ments	Discounts and Advances	Buildings
		Capital and Re- serves	Un- divided Profits	Notes	Bills for Collection	Deposit and Current Accounts	Per Cent.	Per Cent.	Per Cent.					
1930	50	1,400,000	132,062	0.7	783,809	1,800,000	10.2	13,593,171	76.7	17,709,042	1,810,654	10.2	5,777,241	32.6
1931	50	1,500,000	75,255	0.4	735,721	1,800,000	10.3	13,289,883	76.5	17,400,860	1,587,440	9.1	5,366,946	30.9
1932	51	1,500,000	107,886	0.6	748,872	1,800,000	10.3	15,173,928	86.6	17,531,686	1,845,356	10.5	5,696,730	21.1
1933	51	1,500,000	138,078	0.8	748,872	1,800,000	10.3	14,202,420	85.7	16,589,371	1,683,063	10.2	5,711,051	34.4
1934	51	1,500,000	138,078	0.8	748,872	1,800,000	10.3	14,873,703	85.8	17,338,675	2,834,049	16.3	7,151,706	41.3
1935	51	1,500,000	110,132	0.6	860,997	1,800,000	10.3	14,673,248	85.1	17,244,377	2,836,572	16.4	7,229,917	42.0
1936	51	1,500,000	148,539	0.9	942,675	1,800,000	10.3	14,044,212	84.0	16,735,426	2,732,715	16.3	7,443,779	44.4
1937	51	1,500,000	88,707	0.5	1,006,618	1,800,000	10.3	13,785,282	83.1	16,578,607	1,716,601	10.4	7,641,229	46.0
1938	51	1,500,000	127,736	0.8	1,045,455	1,800,000	10.3	13,518,847	82.5	16,392,038	1,924,503	11.7	7,639,283	46.6
1939	51	1,500,000	64,953	0.4	1,220,646	1,800,000	10.3	14,576,854	82.5	17,662,453	3,493,679	19.7	7,736,835	43.7
1940	51	1,500,000	99,881	0.5	1,498,968	1,800,000	10.3	15,511,815	82.1	18,910,662	4,500,049	23.8	8,457,072	44.7

* Midland Bank Limited (Government of Northern Ireland Guaranteed Loans Account).

NORTHERN BANK, LIMITED

Year Ended Dec. 31	Number of Branches	CAPITAL				PROFITS AND DIVIDENDS						Reserves, etc.	Carried Forward
		Subscribed	Paid-up	Callable	Reserved	Net Profits	Per Cent. of Resources	Dividends Amount	Rate	Rate	Rate		
1930	91	1,500,000	48,402	0.3	1,413,272	129,107	0.75	80,078	161	81	46,628	48,402	48,402
1931	92	1,500,000	47,064	0.3	1,196,834	129,253	0.76	72,656	15	74	57,935	47,064	47,064
1932	92	1,200,000	47,557	0.3	1,157,120	34,333	0.20	23,438	151	74	10,402	47,557	47,557
1933	93	1,200,000	50,058	0.3	1,153,167	97,972	0.82	58,594	121	61	49,162	50,058	50,058
1934	93	1,200,000	53,317	0.4	1,155,507	97,866	0.59	58,594	121	61	36,119	53,317	53,317
1935	93	1,200,000	58,141	0.4	1,183,272	98,601	0.58	60,547	121	61	32,496	58,141	58,141
1936	93	1,200,000	64,352	0.4	1,237,466	99,017	0.59	59,570	121	61	31,843	64,352	64,352
1937	93	1,200,000	66,665	0.4	1,188,210	82,251	0.50	53,906	111	57	37,134	66,665	66,665
1938	93	1,200,000	68,738	0.4	1,242,957	79,813	0.49	47,578	101	57	26,272	68,738	68,738
1939	90	1,200,000	69,473	0.4	1,218,567	70,021	0.41	43,086	10	5	31,500	69,473	69,473
1940	90	1,200,000	70,086	0.4	1,467,652	65,819	0.38	34,141	91	42	26,500	69,008	69,008

* Excluding agencies.

† Includes cover for acceptances.

‡ Rate per annum.

§ Aug. 31.

ULSTER BANK, LIMITED

Year Ended Dec. 31	Number of Branches	CAPITAL				PROFITS AND DIVIDENDS						Reserves, etc.	Carried Forward
		Subscribed	Paid-up	Callable	Reserved	Net Profits	Per Cent. of Resources	Dividends Amount	Rate	Rate	Rate		
1930	115	1,800,000	60,122	0.2	1,389,716	215,472	0.87	128,000	16	16	90,000	60,122	60,122
1931	116	1,850,000	70,436	0.3	1,300,219	198,981	0.80	138,667	16	16	50,000	70,436	70,436
1932	116	1,900,000	81,544	0.3	1,308,784	189,108	0.70	128,000	16	16	50,000	81,544	81,544
1933	116	1,950,000	74,014	0.3	1,345,053	170,470	0.66	128,000	16	16	50,000	74,014	74,014
1934	115	2,000,000	71,355	0.3	1,431,917	175,341	0.70	128,000	16	16	50,000	71,355	71,355
1935	115	2,000,000	76,869	0.3	1,515,191	180,514	0.71	140,000	14	14	35,000	76,869	76,869
1936	115	2,000,000	84,470	0.3	1,577,358	182,602	0.71	140,000	14	14	35,000	84,470	84,470
1937	115	2,000,000	78,343	0.3	1,629,743	183,873	0.72	140,000	14	14	35,000	78,343	78,343
1938	115	2,000,000	86,298	0.3	1,675,997	179,954	0.73	140,000	14	14	50,000	86,298	86,298
1939	111	2,000,000	87,596	0.3	1,890,343	159,298	0.63	140,000	14	14	50,000	87,596	87,596
1940	111	2,000,000	114,212	0.4	2,542,927	134,616	0.49	108,000	14	14	114,212	114,212	114,212

* Free of income tax.

† Nov. 30.

‡ Thirteen months ended Dec. 31.

Year Ended Dec. 31	Number of Branches	LIABILITIES				ASSETS				Total Liabilities or Assets	Cash in Hand and at Bankers	Invest- ments	Discounts and Advances	Premises
		Capital and Re- serves	Un- divided Profits	Notes	Bills for Collection	Deposit and Current Accounts	Per Cent.	Per Cent.	Per Cent.					
1930	115	1,800,000	60,122	0.2	1,389,716	21,444,824	86.7	24,741,316	2,293,351	9.3	11,326,912	45.8	10,887,468	44.0
1931	116	1,850,000	70,436	0.3	1,300,219	21,467,434	86.7	24,716,570	2,716,570	11.0	11,315,634	45.8	10,445,891	42.2
1932	116	1,900,000	81,544	0.3	1,308,784	23,466,141	87.6	26,811,316	3,726,942	13.9	12,229,553	45.7	10,568,806	39.3
1933	116	1,950,000	74,014	0.3	1,345,053	22,379,482	86.7	25,793,006	2,274,158	8.8	13,720,663	53.2	9,494,952	36.8
1934	115	2,000,000	71,355	0.3	1,431,917	25,117,749	86.7	26,800,750	2,680,750	10.7	12,774,980	50.8	9,344,512	37.2
1935	115	2,000,000	76,869	0.3	1,515,191	21,564,253	85.8	25,339,770	2,503,163	9.9	13,292,071	52.4	9,227,029	36.5
1936	115	2,000,000	84,470	0.3	1,577,358	21,769,446	85.4	25,498,258	2,627,375	10.3	13,340,409	52.3	9,247,967	36.3
1937	115	2,000,000	78,343	0.3	1,629,743	21,641,750	85.2	25,394,738	2,476,712	9.8	12,919,908	50.8	9,710,551	38.3
1938	115	2,000,000	86,298	0.3	1,675,997	20,710,753	84.5	24,497,995	2,367,920	9.7	12,370,199	50.5	9,463,520	38.6
1939	111	2,000,000	87,596	0.3	1,890,343	21,143,767	84.1	25,179,290	3,739,264	14.8	11,867,874	47.1	9,277,461	36.9
1940	111	2,000,000	114,212	0.4	2,542,927	22,592,543	82.8	27,281,526	5,413,214	19.8	12,972,458	47.6	8,601,253	31.5

* Excluding agencies.

† November 30.

THE ANGLO-PALESTINE BANK LTD.

INCORPORATED 1902

Temporary Address: KINGSBURY HOUSE, 15-17, King Street, St. James's, S.W.1

GENERAL MANAGEMENT: TEL-AVIV

BRANCHES:
TEL-AVIV SAFAD JAFFA PETAH TIKVAH JERUSALEM HEDERA HAIFA HADAR HACARMEL TIBERIAS REHOVOTH

Undertakes every description of Banking Service for Business with Palestine

THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter 1835)

Head Office: 4 THREADNEEDLE STREET, LONDON, E.C.2
West End Branch: 17 NORTHUMBERLAND AVENUE, W.C.2

Paid-up Capital £4,500,000
Reserve Fund £2,500,000
Currency Reserve £2,000,000
Reserve Liability of Proprietors under the Charter £13,500,000

DIRECTORS:
D. F. ANDERSON, Esq. CHARLES GIPPS HAMILTON, Esq. DAVID J. ROBERTS, Esq.
HON. GEOFFREY C. GIBBS. FREDERICK V. C. LIVINGSTONE. SIR JOHN SANDERSON, K.B.E.
J. F. G. GILLIAT, Esq. LEARMONTH, Esq. D.S.O. ARTHUR WHITWORTH, Esq.
EDMUND GODWARD, Esq. RIGHT HON. THE EARL OF MIDDLETON, K.P., P.C.
Numerous Branches throughout the States of VICTORIA, NEW SOUTH WALES, QUEENSLAND, SOUTH AUSTRALIA, WESTERN AUSTRALIA, TASMANIA and the Dominion of NEW ZEALAND.
Letters of Credit and Bills of Exchange granted. Bills Negotiated or sent for Collection. Telegraphic Transfers made. Banking Business of every description transacted with

BANK OF IRELAND†

CAPITAL					Market Value £	PROFITS AND DIVIDENDS						
Subscribed £	Paid-up £	Callable £	Reserved £	Year Ended Dec. 31		Net Profits	Per Cent. of Resources	Dividends Amount	Rate	Reserves, etc.	Carried Forward	
2,769,231	2,769,231	£	...	8,501,537	1930	537,145	1.28	411,923	171	130,000	81,481	
Stock is fully paid. By Bank of Ireland Act, 1935, the liability of the Stock Holders is declared to be limited except as regards Note Issues.												
Price September 1, 1941, £307.												
Authorised Note issue :												
Eire, £1,760,000												
Northern Ireland, £2,203,167												
					1931	512,172	1.28	402,837	171	100,000	90,816	
					1932	436,762	0.85	308,683	141	130,000	88,896	
					1933	404,254	0.90	301,154	141	100,000	91,996	
					1934	406,598	0.92	308,683	141	100,000	89,911	
					1935	386,594	0.87	289,731	131	75,000	86,775	
					1936	378,927	0.84	289,731	131	75,000	100,971	
					1937	390,749	0.88	289,731	131	75,000	126,988	
					1938	379,821	0.88	289,731	131	75,000	142,078	
					1939	332,555	0.73	255,288	121	75,000	144,345	
					1940	338,666	0.65	237,981	121	100,000	145,030	

Year ended Dec. 31	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Balance of Profit and Loss	Per Cent.	Notes	Per Cent.	Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank	Per Cent.		Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Promises	Per Cent.		
1930...	100	6,249,231	14.8	293,327	0.7	2,321,802	5.5	33,325,089	79.0	42,189,449	1,967,920	4.7	1,663,967	3.9	22,433,176	53.2	15,466,048	36.6	658,338	1.6		
1931...	100	5,949,231	14.9	293,576	0.7	1,904,397	4.8	31,701,218	79.6	39,848,422	1,939,172	4.9	1,320,020	3.3	19,128,576	48.0	15,157,965	29.4	692,716	1.7		
1932...	100	5,949,231	11.6	295,203	0.5	1,868,413	3.7	34,368,001	84.3	51,444,848	2,039,561	4.0	4,473,338	8.7	20,080,368	56.8	14,776,750	31.4	698,707	1.5		
1933...	104	5,949,231	12.2	258,150	0.6	1,857,639	4.1	37,041,955	82.1	45,106,375	2,064,495	4.6	3,114,287	6.9	25,052,736	55.5	14,389,452	32.5	672,082	1.5		
1934...	104	5,949,231	13.4	260,219	0.6	1,949,608	4.4	36,453,127	81.7	44,679,079	2,118,994	4.7	3,136,027	7.1	24,158,445	54.4	14,776,750	31.4	698,707	1.5		
1935...	104	5,949,231	13.3	247,736	0.6	1,949,608	4.4	36,453,127	81.7	44,679,079	2,118,994	4.7	3,136,027	7.1	24,158,445	54.4	14,776,750	31.4	698,707	1.5		
1936...	104	5,949,231	12.2	261,932	0.6	1,965,762	4.3	36,983,843	81.7	44,679,079	2,118,994	4.7	3,136,027	7.1	24,158,445	54.4	14,776,750	31.4	698,707	1.5		
1937...	104	5,949,231	13.4	287,950	0.6	2,039,782	4.6	36,018,481	81.4	44,295,464	2,531,949	5.6	2,879,533	6.4	24,839,968	54.4	14,273,783	31.7	633,528	1.4		
1938...	104	5,949,231	13.8	303,040	0.7	2,096,760	4.9	34,757,885	80.6	43,106,916	2,854,919	6.6	2,459,640	5.7	23,699,977	53.5	14,397,747	32.5	633,940	1.4		
1939...	100	5,949,231	13.0	287,307	0.6	2,432,538	5.3	37,152,375	81.1	45,821,451	2,820,573	6.2	3,454,850	8.0	21,071,530	48.9	14,828,160	34.4	627,457	1.5		
1940...	100	5,949,231	11.4	278,300	0.5	3,356,925	6.4	42,655,441	81.7	52,239,897	2,874,568	5.5	7,946,040	14.3	22,625,461	49.4	15,237,799	33.2	608,392	1.2		

* Includes acceptances.

† No London office.

* Includes acceptances.

† No London office.

THE HIBERNIAN BANK, LIMITED

CAPITAL				Year Ended June 30	Net Profits	PROFITS AND DIVIDENDS		Reserves, etc.	Carried Forward	
Subscribed £	Paid-up £	Callable £	Reserved £			Per Cent. of Resources	Dividends Amount			Rate %
2,000,000	500,000	500,000	1,000,000	1931	109,114	0.82	£ 67,500	13½	32,500	41,246
				1932	82,977	0.62	67,500	11½	30,000	30,473
				1933	88,187	0.66	57,500	11½	30,000	31,160
Per Share	Per Share	Per Share	Per Share	1934	86,650	0.68	57,500	11½	30,000	30,510
£20	£5	£5	£10	1935	82,878	0.66	57,500	11½	25,000	25,689
				1936	82,728	0.66	57,500	11½	25,000	25,917
				1937	81,465	0.65	60,000	12	25,000	29,882
				1938	80,072	0.67	60,000	12	22,500	27,454
				1939	73,675	0.60	57,500	11½	15,000	28,629
				1939+	69,377	0.55	55,000	11	17,500	27,231
				1940+	65,376	0.52	55,000	11	10,000	27,607

By Special Resolution passed and confirmed by Extraordinary General Meetings held on 14th Oct. and 29th Oct. 1940, the denomination of the shares was altered, viz. :—Shares of £20 each, £5 paid, were divided into five shares of £4 each, £1 paid.

* Free of income tax.

† December 31.

LIABILITIES										ASSETS										
Year Ended June 30	Number of Branches	Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes in Circulation	Per Cent.	Rebate	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bankers	Per Cent.	Investments	Per Cent.	Discounts, Loans and Advances	Per Cent.	Buildings and Sundries	Per Cent.
1931...	58	1,200,000	9.0	79,997	0.6	391,057	2.9	8,188	...	11,672,040	87.5	13,351,282	467,682	3.5	6,231,332	46.6	6,431,923	48.2	220,345	1.7
1932...	58	1,200,000	9.0	62,973	0.5	480,880	3.6	7,473	...	11,550,057	86.8	13,321,383	366,239	2.7	6,514,176	49.0	6,226,738	46.7	214,230	1.6
1933...	58	1,200,000	9.0	63,660	0.5	506,471	3.8	6,621	...	11,829,564	87.2	13,546,315	1,197,157	9.0	6,233,283	45.9	5,910,672	43.6	205,203	1.5
1934...	58	1,180,000	9.0	62,811	0.5	507,469	4.0	5,858	...	11,073,651	86.4	12,809,789	987,177	7.6	5,535,868	43.3	6,087,708	47.2	199,036	1.6
1935...	58	1,200,000	9.4	58,189	0.4	509,412	4.0	5,119	...	10,873,322	86.1	12,626,135	1,219,456	9.6	5,270,889	42.2	6,206,407	47.2	182,778	1.5
1936...	58	1,200,000	9.6	53,417	0.4	506,602	4.0	5,119	...	10,873,322	86.1	12,626,135	989,284	7.9	5,302,136	42.2	6,206,407	47.2	193,683	1.6
1937...	58	1,210,000	9.6	59,882	0.5	498,925	4.0	5,101	...	10,147,430	85.0	12,574,252	881,914	7.0	5,309,444	42.2	6,038,715	46.8	176,370	1.4
1938...	58	1,230,000	10.3	57,455	0.5	501,868	4.2	4,792	...	10,800,344	85.0	12,512,973	1,554,510	9.8	5,042,332	38.3	6,140,694	51.5	171,958	1.4
1939...	58	1,240,000	10.1	56,129	0.5	504,318	4.1	4,716	...	10,747,835	85.0	12,496,309	1,068,035	8.8	5,170,902	40.0	6,129,594	49.9	166,429	1.3
1939...	58	1,240,000	9.8	62,232	0.5	498,937	4.0	4,415	...	10,480,397	85.6	12,292,060	1,068,035	8.8	5,002,488	40.0	6,111,541	49.9	186,804	1.4
1940...	56	1,240,000	9.8	50,108	0.5	503,549	4.0	3,646	...	10,816,788	85.9	12,624,091	1,791,084	14.2	5,952,561	37.2	5,952,561	48.2	178,022	1.4

† December 31.

† December 31.

MUNSTER AND LEINSTER BANK, LIMITED

CAPITAL					Market Value	PROFITS AND DIVIDENDS					Reserves, Etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserve Fund	Year Ended June 30		Net Profits	Per Cent. of Resources	Dividends Amount	Rate			
£	£	£	£	£		£		£	%	£	£	£
1,875,000	750,000	1,125,000	1,000,000	1,781,250	1931	186,888	0.62	105,000	14	80,000	45,930	
					1932	172,224	0.61	97,500	13	75,000	43,627	
					1933	155,525	0.54	90,000	12	67,500	43,652	
					1934	136,552	0.50	90,000	12	47,500	42,703	
					1935	138,291	0.52	90,000	12	47,500	43,494	
					1936	137,263	0.51	90,000	12	47,500	43,257	
					1937	137,898	0.51	90,000	12	47,500	43,655	
					1938	139,063	0.54	90,000	12	47,500	45,218	
					1939	133,991	0.50	90,000	12	47,500	41,710	
					1939†	131,920	0.48	86,250	11½	47,500	41,894	
					1940†	118,175	0.42	75,000	10	45,000	40,070	

* Free of income tax

* Free of income tax.

† December 31st.

Year Ended June 30		Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS											
			Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Deposit and Current Accounts, Rebate, etc.	Per Cent.		Cash in Hand and with Bankers	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills Receiv- able	Per Cent.	Advances	Per Cent.	Premises	Per Cent.
1931...	199		1,750,000	6.4	98,403	0.4	125,492,540	93.2	27,340,943	1,420,601	5.2	1,000,000	3.7	12,115,142	44.4	1,268,647	4.6	11,182,102	40.8	354,451	1.3
1932...	199		1,750,000	6.2	90,627	0.3	126,485,563	93.5	28,326,190	1,080,540	3.8	1,600,000	5.6	12,139,194	42.8	1,851,042	6.5	11,285,472	39.8	369,942	1.3
1933...	205		1,750,000	6.1	86,652	0.3	126,841,578	93.6	28,680,230	1,110,596	3.9	2,000,000	7.0	13,237,042	46.2	1,188,134	4.1	11,285,472	39.8	369,942	1.3
1934...	205		1,750,000	6.5	88,703	0.3	125,367,075	93.2	27,204,378	1,137,418	4.2	1,300,000	4.8	12,387,818	45.5	1,188,134	4.1	10,774,862	37.5	369,596	1.3
1935...	206		1,750,000	6.5	88,494	0.3	124,967,059	93.2	26,805,553	1,411,454	5.2	1,500,000	5.6	11,775,297	44.4	1,059,949	3.9	10,674,189	39.9	384,694	1.4
1936...	207		1,750,000	6.5	88,257	0.3	124,867,712	93.2	26,705,969	1,163,675	4.4	1,500,000	5.6	12,492,489	46.8	1,003,639	3.6	10,574,869	38.9	387,260	1.4
1937...	215		1,750,000	6.5	88,655	0.3	125,075,971	93.2	26,914,626	1,158,155	4.3	1,100,000	4.1	12,910,430	48.0	969,964	3.6	10,389,899	38.6	386,218	1.4
1938...	214		1,750,000	6.8	90,218	0.3	123,947,143	92.9	25,787,361	1,255,761	4.3	1,000,000	3.7	12,446,508	46.6	936,829	3.6	10,482,869	40.3	383,911	1.4
1939...	209		1,750,000	6.5	86,710	0.3	124,988,301	93.2	26,825,011	1,423,010	5.1	1,000,000	3.7	12,446,508	46.6	891,508	3.6	10,482,869	40.3	383,911	1.4
1939†...	205		1,750,000	6.4	83,145	0.3	125,421,628	93.3	27,254,773	1,201,444	4.7	1,000,000	3.7	11,994,906	44.1	828,829	3.0	10,949,430	39.9	379,307	1.3
1940†...	205		1,750,000	6.2	77,570	0.3	126,592,341	93.5	28,419,911	1,264,489	4.0	1,000,000	3.5	11,968,343	42.1	828,829	3.0	10,684,678	40.2	380,163	1.3

DOMINION JOINT STOCK BANKS WITH LONDON OFFICES

AFRICAN BANKS

AFRICAN BANKS										
9	10	11	12	13		14	15	16	17	18
Acceptances and Bills for Collection	Miscellaneous Liabilities	Deposits	Total Liabilities and Assets	Cash in Hand and Money at Call and Short Notice		Investments	Bills Discounted or Purchased (when shown separately)	Bills, Loans, and Advances	Premises and Sundries (including Cover for Acceptances)	Name of Bank
				Cash in Hand, with Banks and in Transit	Money at Call and Short Notice					
£	£	£	£	£	£	£	£	£	£	
802,392	121,335	9,976,851	12,588,707	1,795,267	...	5,333,838	1,002,248	3,415,025	1,042,329	Bank of British W. Africa.
9,302,450	...	141,232,196	159,087,894	48,479,139	1,200,000	44,230,956	25,959,297	26,929,560	12,288,942	Barclays Bk. (Dom., Col. & Overseas).
107,785	1,107,135	3,844,269	6,341,376	1,867,999	...	111,016	1,138,931	1,755,284	1,468,146	Netherlands Bank of S. Africa.
12,650,776	...	87,897,000	106,996,438	29,220,117	2,625,000	23,695,266	5,310,661	33,311,263	12,834,131	Standard Bank of S.A., Ltd.
22,863,403	1,228,470	242,950,316	285,014,415	81,362,522	3,825,000	73,371,076	33,411,137	65,411,132	27,633,548	Total

AUSTRALASIAN BANKS

AUSTRALASIAN BANKING CORPORATION									
		Cash & Notes in Hand and at Bankers		Money at Call and Remittances in Transit					
1,007,626	13,327,656	125,434,149	146,865,592	7,813,819	66,533,441	37,306,391	...	33,432,473	1,779,468
...	259,124	7,782,410	10,363,731	882,653	2,156,769	1,698,462	...	5,156,909	468,939
5,515,762	...	44,458,438	59,365,947	7,226,011	...	13,018,036	...	38,039,874	1,082,026
...	4,260,199	124,290,976	143,903,030	16,291,977	812,500	24,687,217	...	93,822,471	8,288,865
75,989	5,821,666	36,422,293	53,396,869	11,065,532	1,859,459	15,305,140†	428,008	22,706,457	2,032,273
1,463,054	1,637,053	33,559,154	43,268,848	3,548,461	...	8,295,859	...	27,864,183	3,560,345
...	2,031,214	56,530,020	67,913,974	7,100,287	150,000	15,466,951	...	44,010,535	1,186,200
...	1,702,056	36,959,564	47,284,033	5,134,074	...	6,343,009	...	35,029,994	776,956
...	1,803,049	49,750,915	60,195,072	5,167,704	...	14,249,993	...	38,791,814	1,985,561
...	1,398,802	15,180,750	20,235,401	2,769,410	306,463	4,312,073	...	12,208,652	638,803
...	425,115	9,462,092	15,228,678	1,420,675	15,000	2,523,038	...	10,691,103	578,862
...	1,888,584	41,549,130	52,565,578	7,694,150	315,000	9,810,212	...	34,133,208	613,008
7,054,805	21,226,862	455,945,742	573,721,161	68,300,934	5,615,191	115,709,990	428,008	362,455,200	21,211,838

† Includes money at call.

(a) Includes contingent liabilities.

† Includes money at call.

CANADIAN BANKS

CANADIAN BANKS										
2,335,461	778,425	169,773,070	192,266,991	35,400,679	4,831,764	92,404,645	...	53,774,686	5,855,217	Bank of Montreal.
1,340,536	163,773	55,102,881	65,736,546	12,721,854	1,077,236	26,223,443	...	22,553,636	3,160,377	Bk. of Nova Scotia
										Canadian Bank of
										Commerce.
4,168,522	...	123,014,824	140,896,091	23,993,147	3,545,203	51,648,239	...	53,203,728	8,505,774	Dominion Bank
866,661	127,624	26,736,412	31,690,462	5,791,078	763,523	7,697,952	...	15,365,805	2,072,104	
										Royal Bk. Canada.
1,422	7,828,091	186,646,330	210,662,152	41,678,585	4,855,338	89,179,656	...	65,695,804	9,252,769	
										Total
8,712,602	8,897,913	561,273,517	641,252,242	119,585,343	15,073,064	267,153,935	...	210,593,659	28,846,241	

(Converted at rate of \$5 to £1.)

(Converted at rate of \$5 to /L.)

(Converted at rate of \$5 to £1.)

INDIAN BANKS

INDIAN BANKING										Chartered Bank of India, Australia and China.
1,243,344	1,253,386	65,505,296	76,114,229	11,636,072	...	28,256,167	7,721,155	20,640,937	7,859,898	Eastern Bank, Ltd.
558,483	38,289	8,820,145	11,081,589	1,727,268	...	4,261,156	1,960,765	2,190,928	941,472	Mercantile Bank of India, Ltd.
					...					Do. "B" Shares.
1,349,062	43,556	20,887,358	24,923,500	6,116,162	...	8,499,202	4,376,265	4,789,708	1,142,163	Do. "C" Shares.
					...					Nat. Bank of India.
1,005,190	...	34,795,739	40,527,444	9,522,046	...	14,646,223	5,689,857	9,709,274	960,044	
					...					Total
4,156,079	1,335,231	130,008,538	152,646,762	29,001,548	...	55,662,748	19,748,042	37,330,847	10,903,577	

DOMINION BANKING STATISTICS

CANADA

BANK OF CANADA
(\$ millions)

Average of Weekly Figures	Chartered Bank Cash	Active Note Circulation	Reserves			Total Securities or Assets	Total Liabilities or Assets
			Gold	Foreign Currencies	Total Reserve		
1936 ...	225.1	64.0	179.7	11.4	192.9	123.2	322.0
1937 ...	241.2	90.6	182.0	20.4	204.8	162.2	372.2
1938 ...	255.6	105.9	181.0	28.7	210.6	181.2	399.0
1939 ...	270.1	122.9	209.6	43.2	252.7	185.7	445.7
1940—							
March ...	271.2	151.1	225.3	62.5	288.3	207.9	502.8
June ...	284.7	181.2	...	9.6	516.1	533.3	...
Sept. ...	308.6	232.6	...	24.1	556.5	596.8	...
Dec. ...	316.8	256.3	...	46.8	573.5	629.5	...
Year '40	291.6	194.3	75.3	36.7	111.9	433.0	554.2
1941—							
March ...	305.7	268.1	...	64.1	550.1	627.4	...
June ...	321.6	290.3	...	255.4	255.4	517.0	794.3

In May, 1940, under the Foreign Exchange Acquisition Order, the Bank's gold and most of its foreign exchange holdings were sold to the Foreign Exchange Control Board in return for Government securities.

CHARTERED BANKS
(\$ millions)

	Deposits	Cash	% of Deposits	Dom. Prov. Securities	% of Deposits	Current Loans to Public	Total Loans†	% of Deposits
1939* ...	2,697	212	8	342	13	1,843	2,271	84
1935* ...	2,427	216	9	861	35	829	1,263	52
1938* ...	2,824	252	9	1,143	40.5	786	1,191	42
1939* ...	3,061	268	9	1,234	40	855	1,235	40
End of—								
1940—								
March ...	3,190	260	8	1,310	41	984	1,366	43
June ...	3,144	267	8	1,313	42	936	1,288	41
Sept. ...	3,203	313	10	1,308	41	983	1,318	41
Dec. ...	3,209	316	10	1,288	40	999	1,321	41
1941—								
March ...	3,383	289	9	1,527	45	1,015	1,335	39
May ...	3,479	315	9	1,561	45	1,032	1,337	38

* Average of month-end figures.

† Excluding non-current loans and mortgages.

AUSTRALIA
(\$A millions)

	Commonwealth Bank				Trading Banks			
	1939 Average	1940 Average	1940 June	1941 June	1939 Average	1940 Average	1940 June	1941 June
Note Issue ...	49.6*	58.4*	60.9*	67.9*	321.5	350.0	345.4	360.0
Deposits ...	87.9	114.2	108.2	120.9	...	...	...	...
Govt. and Other Securities ...	99.1†	90.3†	87.9†	100.6†	22.1	42.2	43.7	61.9
Treasury Bills ...	17.5	32.3	33.5	21.2	290.7	283.6	289.9	283.7
Advances ...	20	28	31	17.5	90	81	84	79
% of Deposits ...	34.0	61.9	68.18	60.28	...	...	...	...
London Funds ...	...	...	...	...	...	...	...	...

* Notes in hands of public for the same periods were £A 35.2 millions, £A 44.5 millions, £A 47.0 millions, and £A 54.0 millions (estimated) respectively.

† Including Treasury Bills.

§ July figures.

NEW ZEALAND

(£NZ millions)

	Reserve Bank				Trading Banks			
	1938 Average	1939 Average	1940 Average	1941 Mar. 31	1938 End Dec.	1939 End Dec.	1940 End Dec.	1941 End Mar.
Note Circulation	10.0	12.0	14.8	17.2	...	...	...	...
Deposits ...	10.0	16.5	21.0	20.0	64.0	73.0	79.0	82.0
Cash Reserves ...	...	...	...	...	11.5	18.0	18.5	18.0
Govt. and Other Securities ...	3.5	3.5	4.0	3.8	9.0	15.5	18.0	...
Advances ...	16.5	22.5	27.0	18.7	58.0	51.0	48.0	53.5
% of Deposits ...	4.7†	8.7†	11.5†	17.5	2.0	7.0	12.0	12.3
Overseas Assets	...	...	...	...	...	...	...	...

* Not available.

† End December.

SOUTH AFRICA

RESERVE BANK

(£000)

March 31st	Notes in Circulation	Deposits			Reserve	Foreign Bills Discounted
		Banks	Govt.	Other		
1933	9,847	19,690	1,368	1,259	10,998	14,437
1934	11,997	27,828	3,459	2,175	17,740	22,424
1935	13,156	25,734	7,904	2,598	28,263	6,531
1936	14,627	27,089	5,655	2,563	29,398	5,205
1937	16,398	22,881	4,830	3,540	28,346	5,592
1938	17,396	17,573	1,577	2,720	23,513	5,852
1939	18,577	18,817	6,438	2,717	26,813	7,592
1940	20,416	25,153	10,506	3,464	32,980	8,236
1941	24,574	44,520	7,861	5,088	48,189	719

COMMERCIAL BANKS

(£000)

	Deposits	Cash	% of Deposits	Invest- ments	% of Deposits	Discounts and Advances	% of Deposits
End of							
1935 ...	88,404	31,353	35	8,695	6	48,272	55
1936 ...	94,549	25,747	27	13,591	14	52,870	56
1937 ...	93,497	20,480	22	12,199	13	58,793	63
1938 ...	98,983	28,463	29	15,858	16	62,945	64
1939 ...	100,441	27,894	28	16,997	17	64,333	64
1940—							
March ...	98,537	28,746	29	17,194	17	52,438	53
June ...	110,981	40,586	36	18,266	16	51,248	46
Sept. ...	115,208	42,010	37	26,206	23	47,698	41
Dec. ...	124,796	49,422	39	31,676	25	42,572	34
1941—							
March ...	125,221	48,847	39	33,477	27	40,107	32

NATIONAL BANK OF INDIA, LIMITED

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

Established in Calcutta 29th September, 1863

Bankers to the Government in KENYA (B. E. Africa) and UGANDA

Subscribed Capital

Paid-up Capital

Reserve Fund

Head Office: 26 BISHOPSGATE, LONDON, E.C.2

BRANCHES		Kenya		Uganda	
CALCUTTA	CAWNPORE	MANDALAY	STEAMER POINT,	ENTEBBE	
BOMBAY	DELHI	COLOMBO	ADEN	KAMPALA	
MADRAS	LAHORE	KANDY	MOMBASA	JINJA	
KARACHI	TUTICORIN	NUWARA ELIYA	NAIROBI	TANGA	
CHITTAGONG	COCHIN	ADEN	NAKURU	DAR-ES-SALAAM	
AMBITSAR	RANGOON	ZANZIBAR	KISUMU	MWANZA	

The Bank grants Drafts and Telegraphic Transfers on all places where it is represented; negotiates and collects Bills of Exchange; collects Pay, Pensions, and generally transacts every description of Eastern Banking business. Current Accounts are opened and Deposits are received for fixed periods, not exceeding one year, at rates to be obtained on application. Circular Letters of Credit and Travellers' Cheques available throughout the World are issued to Constituents by the Head Office and Branches. Trusteeships and Executorships undertaken.

Royal Bank of Scotland

Incorporated by Royal Charter, 1727.

Head Office: St. Andrew Square, EDINBURGH

Branches throughout Scotland.

ASSOCIATED BANKS—WILLIAMS DEACON'S BANK, LD. (Members of the London Bankers' Clearing House)
GLYN MILLS & CO. (Members of the London Bankers' Clearing House)

BANK OF SCOTLAND

CONSTITUTED BY ACT OF PARLIAMENT 1695

AUTHORISED CAPITAL	£4,500,000
CAPITAL FULLY PAID	£2,400,000
RESERVE FUND and BALANCE CARRIED FORWARD	£2,255,572
DEPOSITS and CREDIT BALANCES as at 28th February, 1941	£47,596,106

Governor: The Rt. Hon. LORD ELPHINSTONE, K.T. Deputy Governor: THE LORD HENRY SCOTT
J. W. MACFARLANE, Treasurer.

Head Office: THE MOUND, EDINBURGH

GLASGOW, Chief Office: 2 ST. VINCENT PLACE. JAMES CRAIG, Manager.
LONDON OFFICES: City Office—30 BISHOPSGATE, E.C.2. A. BALLINGALL, Manager.
Piccadilly Circus Branch—16/18 PICCADILLY, W. C. D. ALLISON, Manager.

262 Branches and Sub-Branches in Edinburgh, Glasgow, and throughout Scotland
Every description of British and Foreign Banking Business transacted

THE
Commercial Bank of Scotland
LIMITED

Established 1810. Incorporated by Royal Charter and Act of Parliament

OVER 300 BRANCHES AND SUB-OFFICES IN SCOTLAND AS WELL AS
THE FOLLOWING LONDON OFFICES:—

CITY: 62 LOMBARD STREET, E.C.3
KINGSWAY: IMPERIAL HOUSE, 15 KINGSWAY, W.C.2
PICCADILLY: 4 OLD BOND STREET, W.1

Head Office: 14 George Street, EDINBURGH

THE NATIONAL BANK OF SCOTLAND LIMITED



Head Office:
EDINBURGH

Branches throughout
SCOTLAND

ESTAB.

1825

LONDON OFFICES: 37 Nicholas Lane, E.C.4, and 18/20 Regent St., Piccadilly Circus, S.W.1
Every description of banking service undertaken, including Foreign Exchange, Trustee and Executry business.

FOREIGN BANKS WITH LONDON OFFICES AND BRITISH BANKS TRADING ABROAD

ANGLO-PALESTINE BANK, LIMITED

LIABILITIES					ASSETS				
December 31	Capital and Reserves	Bills Payable	Current, Deposit and other Accounts	Guarantees, Endorsements and other Engagements	Cash in Hand and at Bankers	Balances with Banking Correspondents	Bills Discounted	Investments	Advances, etc.
1936	1,079,497	209,341	7,425,525	378,950	918,639	195,936	533,995	3,935,138	2,626,658
1937	1,079,497	176,520	6,844,919	496,604	918,264	144,818	681,799	2,690,201	3,010,141
1938	1,079,497	454,964	7,269,524	487,629	924,534	271,150	505,819	3,098,458	3,419,193
1939	1,079,497	295,673	7,360,575	619,252	1,057,873	285,923	463,170	2,636,233	4,133,580
1940	1,079,497	386,138	7,184,112	750,904	2,845,688	387,272	450,274	586,861	3,613,501

ANGLO-PORTUGUESE COLONIAL AND OVERSEAS BANK, LIMITED

LIABILITIES					ASSETS				
January 31	Capital and Reserves	Current, Deposit and Other Accounts	Acceptances and Confirmed Credits	Cash at Bankers, in Hand and at Call	Balances with Banks abroad	Bills Discounted	Investments	Advances, etc.	Bankers' Liabilities
1937	1,000,000	985,217	787,666	378,528	62,854	712,590	277,932	399,069	1,000,000
1938	1,000,000	1,339,193	803,801	590,214	50,716	874,025	540,497	304,322	1,000,000
1939	1,000,000	1,897,471	786,374	814,438	104,595	1,028,467	469,796	500,985	1,000,000
1940	1,000,000	1,238,016	645,920	521,906	63,881	674,443	384,196	624,486	1,000,000
1941	1,000,000	1,620,548	524,181	1,070,932	29,892	918,977	416,112	219,969	1,000,000

BANKERS' TRUST COMPANY, NEW YORK

LIABILITIES					ASSETS				
December 31	Capital and Surplus Fund	Un-divided Profits	Contingency Fund	Deposits	Out-standing and Certified Cheques	Out-standing Acceptances	Cash in Hand and at Bankers	Ex-changes for Clearing House	U.S. Govt. Securities
1937	75,000,000	26,932,372	5,500,000	819,473,017	33,323,824	5,873,894	262,548,353	57,568,449	343,955,274
1938	75,000,000	29,464,116	5,000,000	890,465,428	21,833,118	3,708,408	331,521,905	581,891,763	343,955,274
1939	75,000,000	31,047,727	5,000,000	1,116,275,604	9,134,494	5,272,042	406,561,197	498,411,147	343,955,274
1940	75,000,000	33,413,246	...	1,416,024,588	44,533,971	2,347,293	613,287,942	588,895,553	343,955,274
June 30, '41	75,000,000	34,931,145	...	1,332,169,783	...	1,032,990	407,081,987	647,489,970	343,955,274

* Including demand loans.

BANK OF AMERICA

N.T. & S.A.

LIABILITIES					ASSETS				
December 31	Capital, Surplus and Profit and Reserves	Liabilities for Letters of Credit, Acceptances, etc.	Deposits	Cash and due from Banks	Investments and Securities	Stock in Federal Reserve Bank	Loans, Discounts and Bankers' Acceptances	Premises, etc.	
1936	108,139,177	23,221,264	1,298,976,759	204,171,712	623,304,982	2,505,000	532,076,966	34,759,615	
1937	111,995,831	23,998,508	1,357,378,756	244,970,758	550,551,379	2,580,000	630,668,811	35,369,957	
1938	116,830,362	20,863,817	1,437,027,491	280,169,299	554,932,428	2,700,000	673,828,309	35,531,684	
1939	118,853,365	18,815,872	1,482,791,676	248,265,914	601,478,671	2,790,000	711,054,697	31,300,766	
1940	156,337,691	16,605,640	1,632,228,397	308,355,705	664,956,296	3,720,000	778,295,100	32,000,912	

BANK OF ATHENS

LIABILITIES					ASSETS				
December 31	Capital and Reserves	Sight Deposits	Fixed Deposits	Deposits in Guarantee	Savings Bank	Current Accounts	Cheques Payable	Cash in Hand, at Bankers and Treasury Bills	Due from Banks Abroad
1936	176,000,000	879,777,476	439,856,921	41,611,658	742,909,986	260,095,182	31,831,272	321,376,249	96,642,680
1937	176,000,000	909,207,911	473,463,521	41,625,249	832,322,114	302,650,622	34,374,679	256,036,402	94,991,250
1938	176,000,000	890,112,189	469,992,955	38,133,597	896,683,495	359,099,624	35,897,081	263,495,956	78,026,730
1939	176,000,000	874,614,321	443,942,560	70,924,044	797,907,731	350,186,235	36,119,494	300,322,433	58,776,295
1940 (Nov. 30)	176,000,000	922,451,980	386,120,305	78,320,611	794,719,971	413,014,964	37,807,083	216,792,577	71,445,448

BANK OF LONDON AND SOUTH AMERICA, LIMITED

LIABILITIES					ASSETS				
September 30	Capital and Reserves	Current and Deposit Accounts, and Contingency Reserve	Bills Payable	Acceptances on behalf of Customers	Bills for Collection on account of Customers	Cash in Hand, at Bankers, and at Call	Bills Receivable	Advances, Securities, etc.	Premises
1936	6,040,000	55,403,372	1,167,703	2,604,644	8,952,716	13,520,531	10,118,302	36,700,291	2,842,405
1937	6,040,000	58,303,757	1,401,739	3,031,938	10,168,406	15,314,448	10,549,290	37,926,450	2,688,363
1938	6,040,000	56,286,068	1,123,305	2,686,608	9,559,592	14,865,394	9,418,322	37,163,381	2,667,721
1939	6,040,000	60,494,660	1,566,955	2,364,256	9,921,850	21,445,637	10,883,812	33,618,472	2,834,504
1940	6,040,000	55,403,249	1,658,874	1,821,686	12,062,624	22,488,954	10,845,923	27,639,288	2,859,594

No. of Branches — 77

BRITISH OVERSEAS BANK, LIMITED

LIABILITIES					ASSETS				
December 31	Capital and Reserves	Current, Deposit and other Accounts	Acceptances, etc.	Cash in Hand and at Bankers	Money at Call and Short Notice	Balances with Bankers Abroad	Bills Discounted	Government Securities	Investments
1936	2,250,000	3,982,509	4,078,265	255,894	1,259,943	456,753	973,462	446,345	594,389
1937	2,250,000	3,840,339	3,089,195	278,043	1,149,195	196,622	138,099	446,345	703,779
1938	2,250,000	2,464,730	1,782,352	84,770	245,687	164,963	144,644	420,391	693,714
1939	2,000,000	1,252,483	543,554	100,850	1,740,000	107,862	...	399,435	131,350
1940	2,000,000	994,360*	246,000	32,503	1,570,000	36,709	...	400,000	67,350

* Customers' accounts in countries where extended credit is in force, £1,116,000; in German occupied territories, £1,517,000; in other countries, £366,000. There are £1,022,000,000 of Special Deferred Deposits ranking after all other Deposits and Liabilities.

CENTRAL HANOVER BANK AND TRUST COMPANY

LIABILITIES					ASSETS				
December 31	Capital and Reserves, etc.	Undivided Profits and Dividend payable	Deposits	Acceptances	Cash and Due from Banks	U.S. Government Securities	Other Securities	Real Estate Mortgage	Stock in Federal Reserve Bank
1936	86,659,515	7,848,132	879,465,253	5,336,539	296,704,424	352,271,167	39,698,791	3,741,490	2,430,000
1937	85,878,573	11,526,231	831,259,130	6,109,852	342,480,367	313,446,253	31,134,372	6,989,089	2,430,000
1938	86,037,329	12,587,029	939,260,374	4,818,285	639,591,439	153,446,069	49,259,609	7,376,603	2,430,000
1939	85,241,578	13,795,640	1,106,736,120	627,536,800	732,639,483	333,761,612	50,946,499	7,064,670	2,430,000
1940	84,171,014	16,153,689	1,294,307,595	3,426,368	736,514,822	390,224,268	59,833,179	6,295,096	2,430,000
June 30, '41	85,900,759	16,692,736	1,345,706,309	2,007,420	736,514,822	426,922,356	61,110,960	6,757,729	2,430,000

CITY BANK FARMERS TRUST COMPANY

LIABILITIES					ASSETS				
December 31	Capital and Surplus	Undivided Profits	Reserves	Deposits	Cash and Due from Banks and Bankers	Loans and other Secured Advances	U.S. Government Obligations (Direct or Fully Guaranteed)	Other Bonds, Mortgages and Securities	Stock in Federal Reserve Bank
1936	20,000,000	3,435,194	2,237,917	106,445,371	48,200,130	7,708,245	32,304,003	18,681,002	600,000
1937	20,000,000	4,120,759	3,115,261	73,396,510	34,183,863	10,296,214	31,740,359	16,828,779	600,000
1938	20,000,000	4,438,098	3,303,305	39,482,154	12,471,945	12,471,945	33,082,456	15,637,290	600,000
1939	20,000,000	4,749,635	1,701,138	79,052,586	45,003,248	11,260,995	37,357,300	13,908,621	600,000
1940	20,000,000	5,124,393	1,577,386	90,188,333	46,340,438	12,002,525	37,357,300	14,737,799	600,000

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

LIABILITIES					ASSETS				
December 31	Capital and Reserves, etc.	Deposits	Acceptances	Other Liabilities	Cash and Due from Banks	Securities and Investments	Loans, Discounts and Bankers' Acceptances	Real Estate	Mortgages
1936	243,248,456	2,286,209,092	17,360,230	8,174,216	7,190,078	669,417,960	1,036,710,125	772,031,008	41,475,886
1937	250,182,189	2,069,989,515	25,707,614	5,862,414	708,039,851	846,510,578	728,522,484	11,726,121	42,662,489
1938	253,953,343	2,234,332,982	25,062,029	5,630,250	4,188,572	882,617,339	917,830,432	638,733,623	41,282,157
1939	255,906,860	2,803,730,326	19,884,330	1,570,723	4,726,819	1,293,142,975	1,077,275,968	636,176,032	41,433,142
1940	254,600,204	3,543,337,564	17,854,437	230,671	8,380,470	1,672,335,043	1,408,271,722	664,189,468	42,672,780
June 30, '41	255,059,682	3,615,427,528	11,454,611	275,950	6,852,865	1,311,004,572	1,729,217,908	773,392,279	45,414,681

* Including bullion abroad and in transit.

COMMERCIAL BANK OF THE NEAR EAST, LIMITED

LIABILITIES					ASSETS				
December 31	Capital and Reserves	Current, Deposit and other Accounts	Bills for Collection	Acceptances, Endorsements, etc.	Cash in Hand and at London Bankers	Money at Call	Remittances in Transit	Balances with Foreign Banks	Bills Discounted
1936	207,000	374,077	106,701	79,579	34,587	70,000	806	6,859	84,309
1937	210,000	408,162	122,065	76,688	21,640	80,000	2,414	42,320	88,701
1938	212,000	395,596	147,360	60,714	30,840	43,000	325	67,057	78,412
1939	207,000	388,535	101,263	135,406	19,199	100,000	830	97,485	114,248
1940	203,000	360,879	95,809	79,054	41,695	70,000	...	...	97,468

THE BANK OF TAIWAN, LIMITED

LIABILITIES					ASSETS				
June 30	Capital and Reserves	Notes in Circulation	Deposits, etc.	Bills Payable	Bills Rediscounted	Acceptances and Guarantees, etc.	Due to Correspondents	Cash in Hand and at Banks	Bullion
1936	19,504,000	63,673,700	257,690,062	57,938,643	3,600,616	3,076,606	1,713,804	12,863,140	203,674,503</

GUARANTY TRUST COMPANY OF NEW YORK

LIABILITIES							ASSETS							
December 31	Capital and Surplus Fund	Un-divided Profits	Accrued Interest, Misc. Accounts, etc.	Acceptances	Deposits	Out-standing Cheques	Cash in Hand and with Banks	U.S. Govt. Securities	Notes of R.F.C.	Other Securities	Loans and Bills Purchased	Real Estate Bonds and Mortgages	Premises	Accrued Interest and Accounts Receivable
	\$	\$	\$	\$	\$	\$	\$		\$		\$			
1936	260,000,000	9,356,562	27,583,280	47,501,324	1,709,643,127	35,166,883	660,220,263	590,105,249	...	86,092,467	669,293,384	2,322,210	13,277,131	10,214,179
1937	260,000,000	11,690,064	20,422,691	45,065,771	1,424,208,361	25,599,152	478,270,301	540,506,068	...	77,918,395	623,244,877	2,048,627	12,424,192	19,594,269
1938	260,000,000	12,808,420	21,374,545	20,989,416	1,597,492,947	22,485,473	788,474,638	486,310,848	...	77,228,137	528,846,450	2,115,837	12,143,011	18,428,401
1939	260,000,000	14,701,954	18,982,637	14,620,349	2,074,898,693	13,528,652	1,040,901,764	729,600,979	...	92,027,011	500,360,310	1,803,142	11,754,742	9,052,306
1940	260,000,000	16,946,500	8,905,406	5,961,373	2,389,928,982	33,294,970	1,044,582,221	1,137,216,931	...	78,226,933	431,135,085	1,759,338	11,258,542	7,468,230
June 30, '41	260,000,000	17,600,864	9,751,040	4,678,856	2,434,203,362	13,768,933	962,197,493	1,208,234,442	...	61,399,586	485,611,110	1,801,671	11,094,428	6,583,260

HAMBROS BANK, LIMITED

March 31	LIABILITIES				ASSETS				
	Capital and Reserves	Profit and Loss Account	Current, Deposit and Other Accounts	Acceptances	Cash in Hand, at Bankers and at Call	Bills of Exchange	Investments	Loans, Advances and Other Accounts	Premises
1937	£ 2,800,000	183,001	16,114,477	13,737,385	5,937,388	2,823,995	5,143,219	5,201,730	
1938	2,800,000	168,678	17,224,190	10,804,171	4,983,144	4,625,806	5,310,564	5,281,584	
1939	2,800,000	175,645	15,249,762	11,410,437	5,533,998	4,588,001	5,111,587	5,111,587	
1940	1,400,000	138,922	10,508,082	3,667,535	3,228,661	2,232,896	2,494,535	4,139,669	
1941	1,400,000	111,854	9,547,841	707,855	2,505,656	1,520,498	3,501,121	5,582,184	

THE HONGKONG AND SHANGHAI BANKING CORPORATION

Dec. 31	LIABILITIES					ASSETS							
	Capital and Reserves	Notes in Circulation	Current Accounts	Fixed Deposits	Bills Payable	Acceptances	Profit and Loss Account	Cash	Bullion in Hand and in Transit	British Government, Indian, Colonial and other Securities	Discounts, Loans and Credits	Bills Receivable	Premises
1936	\$ 134,873,950	127,636,280	649,329,397	188,614,455	14,821,639	3,306,510	12,085,328	197,465,213	...	301,419,785	493,812,564	112,890,956	21,772,530
1937	134,873,950	200,254,180	700,263,011	159,896,537	21,500,995	3,408,612	12,127,542	257,931,297	...	324,334,289	467,314,472	158,534,999	20,801,157
1938	134,873,950	210,579,120	724,134,216	148,137,618	21,410,649	2,560,568	12,145,172	310,514,048	...	354,117,642	454,001,338	112,845,083	19,802,645
1939	134,873,950	195,498,930	691,030,686	148,765,401	39,137,795	5,989,815	10,165,111	275,945,073	...	324,917,404	452,273,935	147,883,083	18,652,376
1940	134,873,950	200,491,405	764,392,807	116,528,350	15,294,698	3,550,515	10,876,746	312,803,026	...	294,088,732	416,787,644	200,021,235	18,757,320

THE IMPERIAL BANK OF IRAN

March 20	LIABILITIES					ASSETS						
	Capital and Reserves	Current and Fixed Deposits, etc.	Bills Payable, Provision for Contingencies, etc.	Acceptances, etc.	Profit and Loss Account	Cash in Hand, at Bankers and at Call, and Short Notice, and Bullion	British Government and Other Securities	Discounts, Loans, Advances, etc.	Bills Receivable	Premises		
1937	£ 1,750,000	3,539,235	1,643,817	891,497	98,034	899,602	2,844,780	2,447,445	838,219	1,041		
1938	1,750,000	3,740,552	1,605,191	627,361	99,008	866,211	3,056,518	2,720,367	550,655	1,000		
1939	1,750,000	3,355,430	1,659,603	853,552	116,930	1,070,647	3,167,940	2,129,528	512,847	1,000		
1940	1,760,000	4,544,830	1,738,014	1,149,689	115,367	928,267	2,749,548	3,420,788	1,058,608	1,000		
1941	1,760,000	4,448,313	1,757,198	629,012	122,807	926,667	2,729,728	3,612,074	818,848	1,000		

INTERNATIONAL BANKING CORPORATION

December 31	LIABILITIES					ASSETS							
	Capital and Surplus	Un-divided Profits	Deposits	Notes in Circulation in China	Items in Transit with Branches	Acceptances	Reserves	Other Liabilities	Cash and Due from Banks and Bankers	Loans, Discounts, and Advances	Bonds and Securities	Customers' Liability Account of Acceptances	Other Assets
1936	\$ 6,000,000	2,170,008	7,276,608	315,907	155,899	794,400	355,626	...	7,173,602	3,330,125	5,791,085	725,300	50,537
1937	6,000,000	2,228,750	5,084,560	384,698	601	1,330,780	386,001	...	5,040,896	3,406,923	5,616,021	330,000	21,931
1938	6,500,000	1,736,972	5,492,890	192,674	...	439,760	386,001	...	6,353,761	2,349,874	5,500,920	438,980	104,348
1939	6,500,000	1,725,666	7,626,075	83,084	...	772,600	421,400	...	7,488,203	3,092,730	5,660,068	772,600	55,225
1940	7,000,000	116,079	9,632,263	51,088	56,817	285,419	513,770	...	9,659,254	5,900,348	1,868,905	222,390	4,503

* Including items in transit with branches.

IONIAN BANK, LIMITED

December 31	LIABILITIES				ASSETS								
	Capital and Reserves	Current and Deposit Accounts, Outstanding Advances, Letters of Credit, etc.	Bills Payable	Profit and Loss	Cash in Hand, at Bankers, in Transit	Balances with Banking Correspondents	Investments	Bills Receivable	Loans and Advances, Outstanding Advances, Exchange Contracts, etc.	Liability of Customers for Acceptances	Mortgaged Property in Possession	Premises	
1936*	£ 800,000	3,151,042	41,615	16,823	373,020	65,006	707,223	483,746	2,130,562	310,774	36,253	217,992	
1937	800,000	3,511,320	69,203	24,462	407,854	30,446	699,242	633,068	2,377,994	191,396	43,593	217,992	
1938	800,000	3,958,583	51,065	26,935	271,383	40,787	749,709	685,837	2,833,855	147,397	42,885	217,992	
1939	800,000	3,970,940	107,626	31,046	382,837	81,768	749,709	621,823	2,713,431	99,292	42,292	217,992	
1940†	860,000	1,631,724	10,420	13,046	162,755	132,927	705,784	65,453	1,527,078	107,445	20,431	3,000	

* 16 months.

† No figures for Greece included.

THE MOSCOW NARODNY BANK, LIMITED

December 31	LIABILITIES					ASSETS									
	Capital and Reserves	Current and Deposit Accounts	Correspondents of the Bank	Bills Rediscounted	Miscellaneous Creditors	Liabilities in respect of Guarantees	Cash at Banks on Current Accounts and in Hand	Correspondents of the Bank	Bills Discounted	Advances	Miscellaneous Debtors	Bills for Collection	Premises		
1936	1,835,000	143,684	1,445,908	76,764	41,470	113,270	2,272,155	1,210,955	77,479	361,484	1,650	12,307	4,302		
1937	1,835,000	143,684	1,445,908	76,764	41,470	113,270	2,272,155	1,210,955	77,479	361,484	1,650	12,307	4,302		
1938	725,000	315,906	1,609,615	18,584	32,731	59,643	2,213,460	233,227	18,584	471,776	1,718	13,728	3,726		
1939	725,000	260,966	859,715	22,004	20,216	66,019	1,338,159	298,309	22,004	373,737	1,921	...	3,165		
1940	725,000	101,354	81,196	...	21,557	57,032	235,130	551,652	...	246,684	5,561	...	2,991		
1941	725,000	128,353	18,355	...	...	...	128,083	550,841	...	281,046	21,631	...	2,690		

THE NATIONAL BANK OF EGYPT

Dec. 31	LIABILITIES					ASSETS									
	Capital and Reserves	Current, Deposit and Other Accounts	Egyptian Govt.	Sudan Govt.	Mixed Tribunals	Cheques and Bills Payable	Acceptances, etc.	Bankers' Accounts	Cash in Hand	Money at Call and Short Notice	Securities	Advances	Bills of Exchange	Bankers' Accounts	
1936	£ 6,000,000	20,891,810	4,868,663	1,062,380	1,978,266	235,081	1,288,091	1,106,816	£ 2,512,833	2,205,000	22,071,850	6,920,928	1,936,460	677,075	
1937	6,000,000	18,996,926	6,413,153	952,033	1,817,804	222,088	1,663,621	849,311	3,441,081	1,635,000	23,059,647	6,592,907	1,043,933	699,182	
1938	6,000,000	17,645,959	2,292,279	1,061,583	1,606,069	187,220	1,513,208	624,026	2,512,330	1,505,000	14,849,536	8,470,596	1,786,564	537,783	
1939	6,000,000	17,396,885	882,663	409,534	1,408,366	328,582	2,217,687	1,540,047	2,263,748	595,000	10,291,679	12,325,280	1,909,436	806,696	
1940	6,000,000	27,042,844	459,387	454,438	1,629,548	266,166	1,934,242	4,129,184	2,397,585	611,000	28,807,604	7,948,967	1,366,879	1,563,458	

THE NATIONAL CITY BANK OF NEW YORK

THE NATIONAL CITY														RECAP	
LIABILITIES					ASSETS										
Dec. 31	Capital and Surplus	Undivided Profits	Reserves	Liability as Acceptor, Endorser or Maker on Acceptances and Bills	Deposits	Cash and Due from Banks and Bankers	U.S. Govt. Obligations	State, Municipal and other Bonds and Securities	Loans, Discounts and Bankers' Acceptances	Customers' Liability Account of Acceptances	Stock in Federal Reserve Bank and Ownership of International Banking Corp.	Items in Transit	Premises		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
1935.....	157,500,000	10,644,279	16,111,607	57,444,517	1,652,366,244	527,491,424	510,764,688	179,786,459	547,223,821	30,634,183	12,725,000	10,670,332	54,215,505		
1936.....	120,000,000	13,462,953	13,821,556	49,976,612	1,713,840,229	463,258,611	528,917,831	228,001,549	588,348,846	23,662,029	11,600,000	4,729,858	52,636,932		
1937.....	121,750,000	14,314,079	14,124,774	48,350,792	1,711,552,124	516,778,467	482,958,934	207,301,765	609,441,410	13,515,994	11,652,500	*4,903,780	50,543,244		
1938.....	124,000,000	13,554,940	11,882,323	34,485,834	1,835,286,500	531,718,844	668,795,810	195,444,421	521,981,489	12,288,747	11,705,000	2,956,756	46,556,997		
1939.....	130,000,000	15,018,584	11,896,049	17,955,978	1,331,257,944	933,912,307	773,592,491	121,449,630	530,725,121	14,371,236	11,705,000	*3,267,134	42,676,271		
1940.....	142,000,000	15,775,935	12,904,161	15,812,705	2,908,437,735	1,364,824,538	860,973,666	256,226,377	544,312,305	7,043,466	10,915,000	6,610,912	41,224,955		

* Appears on Liability side.

